



# Enhanced Know Your Customer (KYC)

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Risk Management Committee  
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- Scope focuses on reevaluating and expanding the current definition of Principal
  - Definition in PJM Tariff and Operating Agreement currently focuses on Officers or Senior Managers of the company
  - Expand definition to include others with ownership or substantial control of the company

## "Principal" shall mean:

- i. the chief executive officer or senior manager that controls or directs strategy for the Participant,
- ii. the chief legal officer or general counsel,
- iii. the chief financial officer or senior manager that controls or directs the financial affairs and investments of the Participant,
- iv. the chief risk officer or senior manager responsible for managing commodity and derivatives market risks, and
- v. the officer or senior manager responsible for or to be responsible for transactions in the applicable PJM Markets.

**PJM's definition of Principal focuses on specific roles/titles and does not include other individuals that have ownership interest in or substantial control of the Participant**

## FinCEN Customer Due Diligence 4 Pillars

- Identify and verify the identity of customers (CIP).
- Understand the nature and purpose of customer relationships to develop customer risk profiles.
- Identify and verify the identity of the beneficial owners of companies opening accounts.
- Conduct ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.

**PJM seeks to lean on FinCEN 4 Pillars as framework for enhancements to PJM's KYC process.**

- Adopting best practices from FERC, FinCEN standards and the Corporate Transparency Act (CTA) and tailoring them to PJM's needs
- Consistency with FERC standards for determining affiliate status
- Consideration for FinCEN best practices already adopted by other ISOs/RTOs
  - Inclusion of Beneficial Owners
    - Individuals with 10% or greater ownership interest in the company
    - Individuals who exercise substantial control over the company
  - Identity Verification
    - Providing copies of government issued identification

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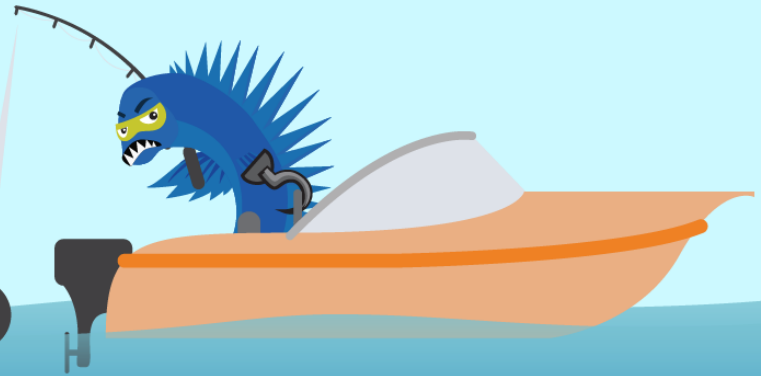
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