

# KYC Enhancements FAQs

Version: July 31, 2024

## Q1 Who is PJM collecting information from and when?

**A1** PJM will first collect from non-publicly traded Market Participants excluding municipals, cooperatives and joint action agencies. Collection will begin on July 30 with a deadline of September 9. PJM initiated this collection via an official communication request sent to the Officers, Authorized Representatives and Maintenance Managers of these entities on July 30.

PJM will collect information from publicly traded Market Participants as well as municipals, cooperatives and joint action agencies during the annual recertification process beginning early January 2025. PJM will remind these entities through an official communication request and announcements at the Risk Management Committee (RMC) and Members Committee (MC) Webinar prior to the opening of the annual recertification process.

## Q2 How will Market Participants provide this information to PJM?

**A2** Authorized Representatives, Officers and Maintenance Managers of the Market Participants will input this information into the Membership Management Community. This is the same platform currently used for many membership information updates to PJM, including the annual recertification and officer certification. PJM completed enhancements to the community and has developed a [User Guide](#) (PDF) to ensure ease of providing the information. Market Participants can also reach out to [membershipforms@pjm.com](mailto:membershipforms@pjm.com) to talk with a membership specialist who can answer questions in real time.

## Q3 What information is being collected?

**A3** PJM is collecting Principal names, Beneficial Owner percentages and, in some instances, government IDs from its Market Participants as follows.

**From all Market Participants**, PJM is collecting two items:

1. The names of Principals – IMPORTANT – please see the actual [definition of Principal](#), but Principals **generally** can be described as the following (or equivalent regardless of title):
  - i. CEOs **and** any Board members
  - ii. Chief legal officer
  - iii. Chief financial officer
  - iv. Chief risk officer

- v. Primary trader in PJM markets
  - vi. Beneficial Owner – (IMPORTANT – please see the actual [definition here](#) but **generally** can be described as a natural person having direct or indirect ownership or control, alone or together with Family Members, of 10% or more of the outstanding securities of the Market Participant.)
2. The percentage ownership or control of each named Principal that is a Beneficial Owner

**From non-publicly traded Market Participants** (excluding municipals, cooperatives and joint action agencies), in addition to the two items noted above, PJM is also collecting a third item:

3. Government-issued IDs (Drivers Licenses or Passport) of each Principal but excluding those who are Board members only

**Q4** What if the Market Participant does not have a natural person within its organization that fills one or more of those roles?

**A4** The [definition of Principal](#) provides that if, due to the Market Participant's business enterprise, structure or otherwise, a function described in clauses (i) through (v) is performed by a natural person or entity separate from the Participant (such as a risk management department in an affiliate, or a director or manager at an entity that controls or invests in the Participant), then for that Market Participant the term Principal shall mean that natural person, or the senior officer or manager of that entity, that performs such function.

Additionally, specifically with respect to the chief legal officer (or equivalent) in clause (ii), PJM will allow the Market Participant to indicate that no natural person fills that role and provide an explanation as to why. We understand that some companies do not employ a chief legal officer (or equivalent) and that they use multiple outside counsel to handle legal affairs as necessary – but that such outside counsel does not rise to the level of chief legal officer (or equivalent).

**Q5** I don't understand the 10% concept for Beneficial Owners. Can you please provide an example?

**A5** See the [presentation slide deck](#) for the August 5 Special RMC meeting, which shows these and other examples graphically.

**Example 1:**

Market Participant 1 "MP1" has four owner companies, Parent A, Parent B, Parent C and Parent D, each with a 25% interest in MP1. Each of those Parent companies has four individuals each owning 25% of the respective Parent, as follows:

Parent A has four individual investors – IA, IB, IC and ID – who each own or control 25% of Parent A (i.e., each individual has a 6.25% indirect ownership of MP1 through Parent A).

Parent B has four individual investors – IE, IF, IG and IH – who each own or control 25% of Parent B (i.e., each individual has a 6.25% indirect ownership of MP1 through Parent B).

Parent C has four individual investors – IA, IC, IE and IG – who each own or control 25% of Parent C (i.e., each individual has a 6.25% indirect ownership of MP1 through Parent C).

Parent D has four individual investors – IA, IC, IF and IH – who each own or control 25% of Parent D (i.e., each individual has a 6.25% indirect ownership of MP1 through Parent D).

Under this scenario, IB and ID each only have a 6.25% indirect ownership of MP1, and thus fall below 10%. But, IA and IC each have 18.75% indirect ownership of MP (6.25% x 3), and IE, IF, IG and IH each have 12.5% indirect ownership of MP1 (6.25% x 2), and therefore they each would be reported as Beneficial Owners of MP1.

### **Example 2:**

Market Participant 2 (MP2) has four owner companies, Parent A, Parent B, Parent C and Parent D, each with a 25% interest in MP2. Parent A and Parent B each have five individuals each owning 20% of the respective Parent, and Parent C and Parent D each have four individuals each owning 25% of the respective Parent, as follows:

Parent A has five individual investors – IA, IB, IC, ID and IE – who each own or control 20% of Parent A (i.e., each individual has a 5% indirect ownership in MP2 through Parent A).

Parent B has five individual investors – IF, IG, IH, II and IJ – who each own or control 20% of Parent B (i.e., each individual has a 5% indirect ownership in MP2 through Parent B).

Parent C has four individual investors – IA, IC, IF and IH – who each own or control 25% of Parent C (i.e., each individual has a 6.25% indirect ownership of MP2 through Parent C).

Parent D has four individual investors – IK, IL, IM and IN – who each own or control 25% of Parent D (i.e., each individual has a 6.25% indirect ownership of MP2 through Parent D).

Under this scenario, the individuals who own or control 10% or more of MP2 are IA, IC, IF and IH, each owning 11.25%. IB, ID, IG, II and IJ each own only 5% of MP2, and IK, IL, IM and IN each own only 6.25% of MP2.

**Q6** I don't understand how the 10% applies with respect to Family Members. Can you please provide an example?

**A6** See the [presentation slide deck](#) for the August 5 Special RMC meeting, which shows this example graphically.

Market Participant 3 (MP3) has four owner companies, Parent A, Parent B, Parent C and Parent D. Parents A and B have a 40% ownership interest in MP3 each, and Parents C and D have a 10% ownership interest in MP3 each.

Parent A has four individual investors – IA, IB, IC and ID – who each own or control 25% of Parent A (i.e., each individual has a 10% indirect ownership of MP3 through Parent A).

Parent B has four individual investors – IE, IF, IG and IH – who each own or control 25%.of Parent B (i.e., each individual has a 10% indirect ownership of MP3 through Parent B).

Parent C has two individual investors who are Family Members – Husband A and Wife A – who each own or control 50% of Parent C (i.e., each owns 5% indirect ownership of MP3 through Parent C, and as Family Members they have a 10% indirect ownership of MP3).

Parent D has two individual investors who are Family Members – Husband B and Wife B – who each own or control 50% of Parent D (i.e., each owns 5% indirect ownership of MP3 through Parent D, and as Family Members they have a 10% indirect ownership of MP3).

In this scenario, each of the individuals on their own or as part of a family owns or controls 10% of MP3.

**Q7 Why is PJM collecting from non-publicly traded Market Participants first?**

**A7** PJM is starting with non-publicly traded Market Participants in the first tranche, as these entities do not have any current reporting requirements to submit this information where it would be publicly available. Eventually, PJM will require updated Principal and Beneficial Owner information of all existing Market Participants.

**Q8 Why are you starting to collect this before it has been endorsed by the MRC and MC?**

**A8** PJM has the ability under its Operating Agreement and Tariff to collect the information that it deems necessary to ensure it can review the riskiness of its Market Participants – both when they enter and on an ongoing basis.

As PJM has said all along during this effort, PJM sought the changes endorsed by the RMC as a way to ensure transparency in the Tariff as to how we are defining Principal – more specifically with the categories of Principal that were already contained in the Tariff and to augment it by including Beneficial Owners in the definition.

**Q9 How and when will you collect information from publicly traded Market Participants (and municipals, cooperatives and joint action agencies)?**

**A9** Publicly traded, municipal, cooperative and joint action agency Market Participants will be asked to provide Principal information to PJM during the annual recertification process, which commences in January 2025. Information sought will include the names of the Principals (which, as defined, include Beneficial Owners and Board members) and the percentage of ownership of each Beneficial Owner.

**Q10** If I am a non-publicly traded entity, but my parent and/or guarantor is a publicly traded entity, am I to respond in this current tranche?

**A10** If it is a wholly owned subsidiary fully consolidated under the publicly traded parent company, it will be treated as a publicly traded Market Participant and will be required to provide updated Principal information during the annual recertification process starting in January 2025.

**Q11** Will the non-publicly traded Market Participants who have updated their information prior to annual recertification still need to do the annual recertification?

**A11** Yes, there is additional information that is collected through annual recertification that is not being sought through this effort, such as any sector changes or changes in affiliate information. But to the extent there are no changes in your Principals, including Beneficial Owners, at the time of annual recertification, you will not need to update that information.

**Q12** Why do you need government-issued IDs of non-publicly traded Market Participants?

**A12** PJM seeks to ensure we are reviewing the correct individuals. Thus the request for government-issued IDs is to ensure there is efficiency and accuracy with the background check process PJM will engage in. Government-issued IDs will strictly be utilized for identity verification, which is consistent with one of the four due diligence pillars of FinCEN.

**Q13** How will government-issued IDs be stored (to address PII concerns)?

**A13** Government-issued IDs will be collected and stored utilizing the Membership Management Community with added encryption for the protection of this PII data. As discussed at the RMC, PJM will save this data only for the time frame required to complete our KYC business processes after which time it will be deleted. See [PJM Tools Security Information here](#) for additional information on how PJM secures PII and other confidential or sensitive information in PJM Tools.