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# FLORET COMMODITIES PVT LTD

Know Your Customer / Customer Due Diligence  
(KYC/ CDD)

(Policy and Procedure)

## INTRODUCTION

**We M/s Floret Commodities (Private) Limited has formulated the Know Your Customer / Customer Due Diligence Policies referred here as “CDD/ KYC policy”, based on the criteria/ guidelines Specified by Exchange and Securities & Exchange Commission of Pakistan (SECP)**

**The CDD/ KYC policy has been approved by the Board of Floret Commodities Pvt Ltd in the meeting held on July 08, 2022. In the said meeting, the Board has authorized the CEO to approve any Subsequent amendments or modifications associated with this policy**

**This policy defines different types of customers, their minimum required information & Documents along with the characteristics of High-Risk Customers, who pose greater than Average risk of money laundering**

In the last few years, across the whole world regulation have been put in place to discourage money laundering and financing of illegal/criminal activities. Furthermore, under the United Nation umbrella, several international agreements have been signed by U.N. member states under which member states are bound to implement policies that discourage money laundering and monitor financial transaction that are suspicious and raise concern about money laundering. Pakistan is a signatory to such agreement and is a member of relevant bodies such as Financial Task Force (FATF). Pakistan has to abide by the recommendation of FATF and other relevant bodies and implement appropriate policies and procedures. Pakistan has enacted the ANTIMONEY LAUNDERING ACT 2010. Financial institutions and intermediaries must comply with the provision of this Act.

This document set out according to the guidelines provided by the Securities & Exchange Commission of Pakistan on Know Your Customer (KYC) & Customer Due Diligence (CDD) Policies and Procedures and Anti Money Laundering ACT 2010. The said document would assist the concerned staff to understand and adopt these guidelines, which will help them to meet their regulatory obligations. The said policy and procedures are in accordance with the Pakistan Mercantile Rules and regulations. The Management of the Company with the help of the concerned staff will timely review the said document, to identify and establish any additional controls to strengthen the Know Your Customer (KYC) & Customer Due Diligence (CDD) policy and procedures of the Company.

**The KYC Form is attached as Appendix I and shall be considered as integral part of CDD/KYC policy.**

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## Type of Customers, Information & Documents Required

### KNOW YOUR CUSTOMER

Type of Customer	Information Required	Documents Required
Individuals / Sole proprietor Ship	<ul style="list-style-type: none"> <li>• Full name as per Identity document of the Applicant</li> <li>• Date of Birth, Gender, Marital status, Religion, Occupation, and Qualification</li> <li>• Residential Status, Nationality, Country of Residence</li> <li>• Details of Employer/Business</li> <li>• CNIC/NICOP/SNIC/POC/Passport Number</li> <li>• Existing Mailing and Permanent address</li> <li>• Residential Telephone Number, Office Telephone Number, Fax Number, Mobile Number and Email address</li> <li>• NTN and STN number</li> <li>• Nature and Type of Account</li> <li>• Details of Bank Account</li> <li>• Source of Income, Gross Annual Income, Sources of Fund for Stock Market, Expected value of Investment</li> <li>• Knowledge of stock Market and Investment experience</li> </ul>	<p>Copy of CNIC or passport or attested copy of B form in case of Minor Detail of Business / Employment Proof Zakat Exemption Certificate (If Applicable) Guardian Certificate (If Applicable), Source of Income documents.</p>
For Joint Account Holders / Partnership	<ul style="list-style-type: none"> <li>• Duly filled and signed Account Opening Form (AOF) by Title and Joint Account Holder(s).</li> <li>• Physical presence of Title and Joint Account Holder(s) at any of the FLORET COMMODITIES Office along with valid original ID document.</li> <li>• Attested Copies of valid ID document of Title and Joint Account Holder(s).</li> <li>• Attested Copies of valid ID document of witnesses.</li> <li>• Local Mobile Number and/or email address.</li> </ul>	<p>Copy of CNIC of authorized signatories List of Authorized signatories along with power of attorney Resolution authorizing investments Copy</p>

*Handwritten signature/initials*

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	<ul style="list-style-type: none"> <li>• Copy of Zakat Declaration (CZ-50) duly attested by notary public as per the prescribed format for Zakat exemption (Optional).</li> <li>• For Non-Muslims FLORET COMMODITIES, written request for Zakat non-applicability.</li> <li>• Power of Attorney duly attested by Notary Public on prescribed format duly signed by all Account Holders (optional).</li> <li>• Copy of NTN certificate, if NTN is provided in AOF.</li> <li>• Copy of NICOP for non-resident Pakistanis, Passport for foreigners duly attested by Consulate office of Pakistan or Notary Public of respective country.</li> <li>• Bank statement or utility bill; or other residential identifying information;</li> <li>• Bank references.</li> <li>• Proof of Employment/ Business</li> <li>• If the account is opened by the officer of government, Special resolution/Authority from the Federal/Provincial/Local Government department duly authorized by the Ministry of Finance or Finance department of the concerned provincial or Local Government.</li> </ul>	of latest financials of partnership
<b>For Companies, Corporate Firms, Trusts and other legal entities</b>	<ul style="list-style-type: none"> <li>• Full name as per Identity document</li> <li>• Company registration /Incorporation number</li> <li>• Date and country of Incorporation</li> <li>• Date of Business Commenced</li> <li>• Residential Status</li> <li>• Type of Business</li> <li>• Name of parent Company</li> <li>• Email, website and contact number</li> <li>• Registered and mailing address</li> <li>• NTN number and Sales Tax number</li> <li>• Details of Contact Person and authorized person to operate the account</li> <li>• Nature and Type of Account</li> <li>• Details of Bank Account</li> <li>• Financial and General Information including Investment experience, Expected value of investment, recent change in ownership of the company, customer type,</li> </ul>	Copy of CNIC/ passport of all Directors Audited Accounts of the company Memorandum and Article of Association Board Resolution authorizing investments Certificate of Incorporation/ Commencement of Business List of Authorized Signatories along with copy of

*As per*


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	<ul style="list-style-type: none"> <li>• Certified true copy of Board Resolution. Power of Attorney*</li> <li>• Certified true copies of Constitutive Documents of the Applicant (Memorandum &amp; Articles of Association, Act / Charter / Statute / By-laws / Rules &amp; Regulations, Certificate of Incorporation, Certificate of Commencement of Business, Prospectus for Modaraba, Relevant licenses and registration issued by Regulatory Bodies etc.)</li> <li>• Certified copy of list of Directors / Trustee (if applicable) *</li> <li>• List of authorized signatories.</li> <li>• List of Nominated persons allowed placing orders.</li> <li>• Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Authorized Signatories.</li> <li>• Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Contact Person.</li> <li>• Attested copies of C.N.I.C. / N.I.C.O.P / Passports of the Witnesses.</li> <li>• Certified copy of N.T.N. Certificate. (If exempted please provide Exemption Certificate).</li> <li>• Latest Audited Accounts of the Company.</li> </ul>	<p>CNICs and power attorney</p> <p>Certified copy of Trust Deed Trustee / Governing body Resolution for investment</p>
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### **Customer Due Diligence**

This is the policy of Floret Commodities Pvt Ltd that it will not open or maintain any anonymous or fictitious account. When there is doubt about the veracity or adequacy of previously obtained customer identification data, or there is a suspicion / red flags warning CDD measures would be applied which include the following:

- Identification and verification of the customer including beneficial ownership on the basis of documents, data or information obtained from customer and from reliable and independent sources;
- Understanding and, obtaining information on the purpose and intended nature of the business relationship; and
- Monitoring of accounts/transactions on on-going basis to ensure that the transactions being conducted are consistent with the Floret Commodities knowledge of the customer, the customer's business and risk profile, including the source of funds and updating records and data/information to take prompt action when there is material departure from usual and expected activity through regular matching with information already available with Floret Commodities.
- Floret Commodities will obtain such documents from different types of customers as provided in Determine whether the person is acting on behalf of a customer and should take reasonable steps to obtain.





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- (i) Evidence to determine authority of such person to act on behalf of the customer, which shall be verified through documentary evidence including specimen signature of the customer;
- (ii) Identification and verification of the person purporting to act on behalf of the customer.
- (iii) Identification and verification of the customer.
- (e) Each customer shall be categorized as high or low risk, depending upon the outcome of the CDD process
- (f) When Floret Commodities has reason to believe that a customer has been refused by another brokerage house due to concerns over illicit activities, that customer should be classified as higher-risk and apply enhanced due diligence procedures. Floret Commodities will maintain a list of all such customers where the business relationship was refused or needed to be closed on account of negative verification
- (g) if the CDD measure could not be completed satisfactorily, the account shall not be opened or if already opened, the relationship should be treated as high risk and reporting of suspicious transaction with FMU will be considered with the approval of senior management.
- (h) If there is doubt of money laundering or terrorist financing activity by any customer, and it is believed that initiating CDD process will tip-off the customer, Floret Commodities will not pursue CDD process rather file STR with the approval of senior management.
- (i) Government entities accounts shall not be opened in the personal names of the government officials and account which is to be operated by an officer of the Federal or Provincial or Local Government in his/her official capacity, shall be opened only on production of a special resolution or authority from the concerned administrative department or ministry duly endorsed by the Ministry of Finance or Finance Department/Division of the concerned Government. Any rules, regulations or procedures prescribed in the governing laws of such entities relating to opening and maintaining of their bank accounts should be taken into consideration. If the customer is a legal person, In addition to above measures, Floret Commodities takes the following specific measures
  - i. Understand the nature of customer's business and its ownership and control structure i. Identify and verify the identity of the natural persons (whether acting alone or together) who ultimately own the legal person by obtaining relevant information from the customer
  - ii. Where there is doubt as to whether the natural persons who ultimately own the legal person are the beneficial owners or where no natural persons ultimately own the legal person, identify the natural persons (if any) who ultimately control the legal person or have ultimate effective control of the legal person; and
  - iii. Where no natural persons are identified, identify the natural persons having executive authority in the legal person, or in equivalent or similar positions.

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### **Enhanced Due Diligence**

Floret Commodities will apply Enhanced Due Diligence (EDD) on the customers that are identified as high risk. circumstances where a customer presents high risk of ML/TF include but are not limited to the following

- i. Customers belonging to countries which are non-compliant with anti-money laundering regulations according to FATF.
- ii. Such body corporate, partnership, associations and legal arrangements including non-government organization or not-for-profit organization which receive donations; and
- iii. Legal persons or arrangements with complex ownership structures.

Enhanced Due Diligence measures include but are not limited to the following:

- i. Obtain approval from senior management to establish or continue business relations with the such customers,
- ii. Obtain additional information of customer related to occupation, volume of assets, and information available by public database.
- iii. Update regularly the identification data of customer and beneficial owner if any;
- iv. Obtain additional information on the intended nature of the business relationship
- v. Establish, by appropriate means, the sources of wealth and/or funds or beneficial ownership of funds.
- vi. Obtain additional information on the reasons for intended or performed transactions.
- vii. Conduct during the course of business relations, enhanced monitoring of business relationship by increasing the number and timing of controls applied and selecting patterns of transactions that need further examination.
- viii. Where customer hesitate to receive any correspondence to his mailing address,


### **Politically Exposed Persons (PEPs)**

PEPs are the persons holding important public positions and include heads of state, ministers, influential public officials, judges and military commanders including their family members and close associates either socially or professionally.

Relationship with these PEPs exposes reputational risks, and extra information requests from law enforcement or judicial authorities including seizure order of these account. This creates lack of confidence by public investing in brokerage industry.

Floret Commodities is more vigilant in establishing relationship with PEPs and has following controls while dealing with these PEPs.

- i. Apply additional Identification procedures to determine whether the customer is a politically exposed person;

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- ii. Obtain senior management approval for establishing business relationships with such customers;
- iii. Take reasonable measures to establish the source of wealth and source of funds; and
- iv. conduct enhanced ongoing monitoring of the business relationship.

Senior management approval is obtained to continue a business relationship once a customer or beneficial owner is found to be, or subsequently becomes, a PEP.

In assessing the ML/TF risks of a PEP, Floret Commodities shall consider factors such as whether the customer who is a PEP:

- (1) Is from a high-risk country;
- (2) Has prominent public functions in sectors known to be exposed to corruption;
- (3) Has business interests that can cause conflict of interests (with the position held).

The other red flags that the Floret Commodities shall consider include:

- (1) The information that is provided by the PEP is inconsistent with other (publicly available) information, such as asset declarations and published official salaries;
- (2) Funds are repeatedly moved to and from countries to which the PEP does not seem to have ties;
- (3) A PEP uses multiple bank accounts for no apparent commercial or other reason;
- (4) The PEP is from a country that prohibits or restricts certain citizens from holding accounts or owning certain property in a foreign country.

### **Simplified Due Diligence**

a. Floret Commodities shall apply simplified or reduced CDD measures in the following circumstances in order to guard against money laundering activities.

- i. Risk of money laundering or terrorist financing is lower
- ii. When the information regarding identity of the customer and beneficial owner of a customer is publicly available
- iii. Adequate checks and controls exist
- iv. Financial institutions which are subject to requirements to combat money laundering and terrorist financing consistent with the FATF recommendations and are supervised for compliance with those controls.
- v. public companies that are subject to regulatory disclosure requirements
- vi. Government administrations or enterprises

b. Normally regulated customers such as Banks, Public Listed Companies, Modaraba, NBFC, & Insurance Companies are considered as low risk customers but proper risk analysis is required to justify the simplified due diligence (SDD). Unless there is suspicion of money laundering or terrorist financing, Floret Commodities applies following measures of simplified due diligences:

- i. Reducing the frequency of customer identification updates.
- ii. Rely on third parties for verifying the identity of customer and beneficial owners.

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Iii. Reducing degree of on-going monitoring and scrutinizing transactions, based on reasonable monetary threshold.

Not collecting specific information.


### **Risk Profiling of Customers**

All relationships shall be categorized with respect to their risk levels i.e. High, Medium and Low based on the risk profiling of customer (through KYC/CDD application and as guided in the operational Manual for making effective decision whether to perform Simplified Due Diligence (SDD) or Enhanced Due Diligence (EDD) both at the time of opening and ongoing monitoring of business relationship.

### **High-Risk Clients**

The Compliance Officer will provide and will continuously update a list of the types of Clients that FLORET COMMODITIES considers to be of 'high risk,' such that enhanced due diligence procedures are warranted compared to the routine Client Identification Procedures. Following are the examples of Clients who pose a high money laundering risk:

- Non-resident customers;
- Legal persons or arrangements including non-governmental organizations; (NGOs)/ not for-profit organizations (NPOs) and trusts / charities;
- Customers belonging to countries where CDD/KYC and antimoney laundering regulations are lax or if funds originate or go to those countries;
- Customers whose business or activities present a higher risk of money laundering such as cash-based business;
- Customers with links to offshore tax havens;
- High net worth customers with no clearly identifiable source of income;
- There is reason to believe that the customer has been refused brokerage services by another brokerage house;
- Non-face-to face / on-line customers;
- Establishing business relationship or transactions with counterparts from or in countries not sufficiently applying FATF recommendations; and
- Politically Exposed Persons (PEPs) or customers holding public or high-profile positions. Politically Exposed Persons (PEPs) these generally include individuals in prominent positions such as senior politicians, senior government, judicial or military officials; senior executives of State Corporations and their family members and close associates. These individuals present reputational risk and potential conflict of interest and extra caution is required when opening their brokerage account and monitoring their account activity. The above definition is not intended to cover middle ranking / junior officials in above noted categories. However, prudence requires brokers to be careful while dealing with such customers.

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### **1. Account Shall Not Open**

**Where CDD Measures are not completed,** In case the FLORET COMMODITIES is not been able to satisfactorily completed required CDD measures, account shall not be opened or any service provided and consideration shall be given if the circumstances are suspicious so as to warrant the filing of an STR.

**Anonymous or Fictitious Account:** FLORET COMMODITIES shall not open or maintain anonymous account or accounts in the name of fictitious persons.

**Government Accounts:** Government Account shall not be opened in the personal names of the government officials.

**Proscribed Individuals/Entities:** FLORET COMMODITIES shall not provide services to Proscribed Individuals, Groups and Entities declared/ listed by UNSC (United Nations Security Council) and/ or by OFAC (Office of Foreign Asset Control –USA) OR those who are known for their association with such entities and persons, whether under the proscribed name or with a different name.

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