

**T. VAKIFBANK T.A.O.**

**POLICY PAPER FOR THE  
PREVENTION OF LAUNDERING  
OF CRIMINAL PROCEEDS AND  
TERRORISM FINANCING AND  
PRINCIPLES OF  
IMPLEMENTATION**

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**PART I: INTRODUCTION:** Policy paper and implementation principles that are prepared in the context of 5549 numbered Law and Regulations and Communiqués issued in accordance with this law and that should be complied by our Bank's organization and employees are presented below. (The said text shall be referred as paper.)

## **1.1. OBJECTIVE**

In this paper, it is intended that;

- The Bank's policies, procedures and control methods shall conform to the law and regulations of institutions that are authorized by law,
- Prevention of use of Bank's product and services and its other affiliates to finance laundering of crime proceeds and terrorism,
- Evaluation of customers, transactions and services on risk based approach towards elimination of risks that Bank may encounter,
- Bank's staff shall be informed on fight against crime proceeds and legal and administrative liabilities,
- Re-evaluation of Bank's work flow processes for the aim of reminding personnel liabilities at any moment and being open to assessment on the basis of risk,
- Determination of audit and training activities on this issue within the Bank,
- Protection of Bank's national and international reputation and customer quality,
- Provision of required compliance and cooperation for international contracts and correspondent relations for providing required compliance to "5549 numbered law on Prevention of Laundering Criminal Proceeds Act" and concerned regulations that are prepared on the basis of this Law and provisions of other sub-regulations and fulfilling obligations on this issue as the Bank.

Bank's policy towards prevention of laundering proceeds of crime and financing of terrorism is based on its determination on international agreements and initiatives, provisions of national law and particularly, protection of Bank's reputation and trust.

## **1.2. SCOPE**

This paper includes the General Directorate of Bank, domestic branch, affiliated branch, office and affiliates. In addition, the provisions contained in this paper include Bank's overseas branch, representative Office and its affiliates otherwise any adverse provision exists.

### **1.3. LEGAL THEORY**

Provisions and implementations in this paper have been prepared by taking into account;

-5549 numbered Law on Prevention of Laundering of Criminal Proceeds and Terrorism Financing published in 18.10.2006 dated and 26323 numbered Official Journal,

Regulations on Compliance Program to the Obligations regarding Prevention of Laundering of Criminal Proceeds and Terrorism Financing published in 16.09.2008 dated and 26999 numbered Official Journal and amended by 02.01.2010 dated and 27450 numbered Official Journal,

-Regulations on Measures regarding Prevention of Laundering of Criminal Proceeds and Terrorism Financing published in 09.01.2008 dated and 26751 numbered Official Journal and amended by 02.01.2010 dated and 27450 numbered Official Journal,

-Regulations on Inspection of Laundering Offence published in 04.08.2007 dated and 26603 numbered Official Journal and amended by 05.02.2010 dated and 27484 numbered Official Journal,

-General Communiqué on Notification of Suspicious Transactions towards Financing Terrorism published in 07.11.2007 dated and 26693 numbered Official Journal, [(II) and (III) parts of General Notification Paper of Financing Terrorism for Suspicious Transactions have been abolished with 6 numbered MASAK General Paper].

-MASAK 5 numbered General Communiqué regarding Simplified Measures published in 09.04.2008 dated and 26842 numbered Official Journal,

-MASAK 6 numbered General Communiqué regarding Notification of Suspicious Transaction published in 27.09.2008 dated and 27010 numbered Official Journal,

-MASAK 7 numbered General Communiqué regarding Identification and Address Verification published in 02.12.2008 dated and 27072 numbered Official Journal,

-MASAK 8 numbered General Communiqué regarding Identification and Address Verification of Customers with continuous business connection published in 26.05.2009 dated and 27239 numbered Official Journal,

-MASAK 9 numbered General Communiqué regarding simplified measures that must be obeyed in the context of principle of recognition of customer published in 02.01.2010 dated and 27450 numbered Official Journal

And, unless they are also contrary to national regulations; recommendations, principles, standards and guides by Banks Associations of Turkey as national and United Nations, FATF, European Parliament and Council of European Union as international have been considered. In addition, the importance of struggle with Laundering of Criminal Proceeds and Terrorism Financing and Turkish Banking System Implementation Guide

published by T.B.B have been consulted for determination of high risk customers, transactions and services.

## **1.4. DEFINITIONS**

Bank: Means Türkiye Vakıflar Bankası T.A.O.,

Act: means 5549 numbered Law on Prevention of Laundering of Criminal Proceeds that entered into force on 18.11.2006,

Ministry: means Ministry of Finance,

MASAK: Financial Crime Investigation Board,

Presidency: Presidency of Financial Crimes Investigation Board,

Coordination Board: means Coordination Board for Combating Financial Crimes,

Regulations: Measures on Prevention of Laundering of Criminal Proceeds and Terrorism Financing published on 09/04/2008 dated and 26751 numbered Official Journal,

Audit Officer: means Finance Inspectors, Account Experts, Customs Inspectors, Revenue Controllers, Sworn-in Bank Auditors, Treasury Controllers, Banking Regulation and Supervision Agency and Capital Markets Board Experts.

Assets: means money and all kinds of movable or immovable and tangible or intangible property and rights of which value can be represented by money and all kinds of legal documents and instruments verify the rights on these properties,

Proceeds of Crime: means proceeds (assets) derived from crime,

Laundering: means taking proceeds of crime abroad or hiding their illegitimate source and using certain processes in order to form the opinion that they were acquired via legitimate ways,

Laundering of Criminal Proceeds Offence: means assets values resulting from a crime that requires one year or more imprisonment; means laundering of criminal proceeds offence with the aim of taking abroad, hiding their illegitimate source or coming through that these are obtained by a legitimate way,

Financing Terrorism: means providing or assuring money or every asset that can be represented with money, rights, debt receivable and interest to be used wholly or partially to commit terrorist acts

Financial Institution: Banks, institutions having the authority to issue bank card or credit card other than banks, competent institutions stated in foreign exchange legislation, money lenders in the context of legislation on lending money, financing and factoring

companies, capital market intermediaries and portfolio management companies, managers of investment funds, investment partnerships and insurance, reinsurance and retirement companies, financial leasing companies, institutions offering services of settlement and custody in the framework of capital market legislation, General Directorate of Posts and Telegraphs limited to the banking activities,

FATF: Financial Action Task Force is an organization established within OECD for taking measures towards the development of national legal systems on prevention of laundering proceeds of crime and financing terrorism, harmonization of legislations, strengthening role of financial system and providing continuous cooperation among member countries in 1989 by G-7 countries. Turkey became a member in 1991. Recommendations issued by the Organization are binding for member countries.

Risk: means the financial losses or loss of reputation that the Bank or the Bank employees may suffer due to the fact that the services offered by the Bank are used to launder criminal proceeds or terrorism financing, or due to the failure to completely comply with the obligations imposed by the Code.

Real Beneficiary: means real person, legal person of whom transaction is made or real person or people who is real beneficiary of account or transaction and who has control of unincorporated enterprises in the context of Bank,

Continuous business relationship: means business relationship that is having the nature of continuity and that is established between the Bank and customer for the services of opening an account, issuing credit or credit card, safe deposit box, financing, factoring, financial leasing, life insurance or private pension,

Electronic Transfer: means transaction for sending money of specific amount or securities to recipient, from a financial institution to another financial institution through using electronic means (transactions made via Western Union and Money gram are included).

Off-Shore Banking: Off-shore banking means banking made through the banks established in the regions where banking transactions are based on principle of confidentiality as well as offering private banking activities, where the tax advantage exists, provision of easy transfer facilities, where getting license and establishment of bank is subject to simple operations and financial privacy is principle,

Shell Bank: means Bank that doesn't have a physical service office in any country, that doesn't employ full time staff and that isn't subject to inspection and permission of an official authority in terms of banking transactions and records,

Person having political influence: means political party leader and provincial/district heads and their assistants, deputies, mayors and deputies, senior bureaucrats, judicial and military personnel and political parties,



Risky countries: means countries that don't have sufficient regulations on prevention of laundering and financing terrorism, that don't cooperate in the fight against this crime and countries that are accepted as risky by competent international organizations,

Indirect correspondent account: means type of account that is opened in a financial institution established in Turkey by a financial institution established in foreign country in the context of correspondent relationship and type of account that offers to the customers of foreign financial institution to write cheques,

Suspicious transaction: means if there is any information, suspicion or point that requires suspicion whether the assets of a transaction made or attempted to be made by Bank or via Bank, are acquired within illegal ways or used for illegal purposes or used by terrorist organizations, terrorists or people who finance terror or are there any connection among them,

Compliance Officer: means officer who is authorized by the Bank to make sure that the Bank shall act in compliance with its obligations arising from the applicable legislation pursuant to the Code on the Prevention of Laundering of Criminal Proceeds as well as the legislation put into force on the basis of that Code.

## **1.5. DUTIES AND RESPONSIBILITIES:**

Bank and employees cannot make any transaction and action that shall be considered as laundering of proceeds of crime or that shall facilitate these activities. With this aim, the employees have to show necessary attention and care against the possibility of laundering of proceeds of crime with their customer relations. Otherwise, they may face legal sanctions as penalty to imprisonment in accordance with concerned law.

Determination of functioning rules and responsibilities of staff is included in compliance policy of our Bank in the framework of fighting against proceeds of crime and our Bank's existing work flows and implementations must be complied with.

Bank's obligations in accordance with 5549 numbered law and concerned regulations published in 18.10.2006 dated 26323 numbered Official Journal are given below under main titles.

- Recognizing the customer–Identification
- Reporting of suspicious transaction
- Training and internal audit
- Establishment of control and risk management systems
- Appointment of compliance officer
- Providing information and documents
- Retaining and submitting

## **PART II: GENERAL PRINCIPLES AND RULES RELATED TO RECOGNITION OF CUSTOMER:**

### **2.1. Method to be followed while establishing customer relations and recognition of customer:**

In accordance with the legislation on Prevention of Laundering of Criminal Proceeds and Terrorism Financing; Bank is responsible for identification of its customers' identities, records of declared addresses and provision of promoting information and documents specific to the bank's internal implementations and verification of these implementations and storing the record physically and electronically. Obtaining respective documents once for customers with prolonged business relation isn't counted as adequate, keeping the information updated and controlling customer transactions by tracking them are as part of the liability.

The Bank realizes its obligations through its staff and existing system.

### **2.2. Guiding Principles of Customer Acceptance:**

Personnel does reasonable researches and receives required information and documents related to below issues before establishment of transaction with customer and during maintaining continuous business relationship;

- Determination real identity and address, verification by using reliable, valid document, data or information,
- Consistency of documents and information among each others,
- Professional activity/field and financial situation of customer,
- Purpose of preferring the Bank and opening account,
- Determination of whether transaction is made for somebody and identification of real beneficiary, who owns the property of legal persons and partnerships; and who controls those properties,
- Profile and capacity of transaction,
- Buyers and sellers,
- Business or activity place,

Customer relation is not established with people and institutions that avoid providing information and documents and that give misleading information and information which cannot be verified.

### **2.3. Customer Acceptance Policy:**

In case of demand of establishment of continuous business relationship and benefiting from services of our Bank, below mentioned matters should be strictly obeyed by the staff of our Bank.

-Customer accounts are opened on customer's real name-surnames or titles. Account cannot be opened by using another name, anonymous name or nickname.

-Acceptance of customers who establish and maintain continuous business relationship under the names which are clearly seen as non-real is strictly prohibited. Customer's name registered in the system cannot consist of point (consisting of symbols such as number or punctuation marks towards defining customer's identity) or other methods towards disguising or hiding identity of real account holder.

-People and institutions that avoid providing information or give misleading information or information that cannot be verified cannot be accepted as customer. Openness should be provided in customer transactions and informations.

-It is essential to take required information and documents related to identification by negotiating with the customer or his/her legal representative in order to open account for people who demand for being customer by mail, e-mail, internet, telephone, electronic banking etc. without contacting face to face.

-Every piece of information received by customers who accept paying high expenditure and bank charges without any effort should be especially be confirmed from another source within the feasible ways; it should be made sure that the person prefers the bank within due reasons.

-Demands to open an account for the first time to use transfers from abroad are not accepted as a general rule. However, when there is a legally and economically reasonable purpose and no risk of laundering proceeds of crime a decision is made after a detailed research and then respective Legal Concord Management is informed by respective Presidency/Management.

-Treasury bond and treasury bill transactions or similar transactions that comes from another bank or mediator institution via Electronic Security Transfer system if there would be any suspicion regarding bank, supervisor and beneficiary information, necessary investigations are made by respective unit and situation is notified to Legal Concord Management.

-If there is a strong suspicion of acquiring the physical assets within legal ways in the evaluation for persons or institutions, then the bank neither initiates any banking relation, nor accepts their assurance and bail.

-Unless they are certified legally by the customer and purpose of opening an account and necessity are not revealed, third parties' requests to open accounts on behalf of one or multiple person are not performed.

-Procurations have to be approved by a public notary. When the application is made by a representative, confirmation from the institutions issued the documents is necessary.

-Age limit is controlled carefully while opening accounts on behalf of minors. Custodian/guardian information is received.

-Reasonable information should be obtained about the intended use of safe-deposit boxes, especially the safe-deposit boxes that are used often by multiple persons should be

inspected at first whether it is used in accordance with the reasonable purpose that was determined at first.

- "Shell Banks" that don't have a physical address in any country, at least one full-time employee, is not subject to supervision and authorization of any official authority in terms of banking transactions and records, is not an institution of a respected bank that has reasonable regulations to prevent laundering proceeds of crime and audit procedures are not accepted as customer, cannot mediate direct or indirect transactions.

- Trade bill, check or letter of guarantee issued by banks, which are in the countries which have bad reputation regarding laundering proceeds of crime on an international medium and financing terrorism and necessary audit and inspections are widely accepted as weak, or banks of those countries are not given credit or put into process. It has vital importance for our bank not to enter that kind of business relation.

- Persons and institutions which are in the list about combat against laundering proceeds of money published by government agencies are not accepted as customer, if any negativity is detected after establishing customer relations then Legal Concord Management is informed about those persons and institutions.

Legal Concord Management's opinion should be taken into consideration every hesitated matter about customer acceptance policy.

## **2.4. Customer Tracking Policy:**

1. Evaluation of customers about potential laundering proceeds of crime and relevant risks, identification of customers and providing informative information and documents to ratify them should not be limited to customer acceptance phase; customer relations and transactions should always be monitored. If the documents that are used to identify are no longer valid, information and documents in question should be updated, all transactions should be in accordance as the customer declared or known trade activities. When there are transactions that are not in accordance with what the customer declared or known trade activities, we should request additional documents to confirm respective transaction.

2. We should be extra careful about sophisticated and abnormally big transactions, transactions which don't have reasonable legal and economical purpose; sufficient information should be requested about the purpose of transaction from the customer. In suspicious situations when there is not sufficient information from the customer, the transaction should not be carried out, even if it does Legal Concord Management should be immediately informed. Information, documents and record acquired in this context are kept as part of "Our Retaining and Submitting Liability."

3. When there is a suspicion regarding the accuracy and sufficiency of customer identification information, identification and ratification should be done again. If this can not be carried out, then the business relation would be terminated.

4. It should be monitored whether the real account owners use their accounts which had been opened by 3rd party via procuration, accounts should be used within the purpose of the accounts.

5. We should be extra careful about transactions such as deposit money into account, withdrawal from an account and electronic transfer which are not made face to face; transactions that are not suitable to customer's financial profile and activities should be monitored closely and Legal Concord Management should be informed in case of any irregularity.

6. In order to minimize the risks to finance terror and laundering via new products and technological developments, our Bank 's Legal Concord Management makes necessary investigations within New Product Development Regulation.

Briefly, all account activities, information and documents, general behaviour style and request to our Bank that belong to our customer who is in a continues business relation with our Bank should be monitored closely within the customer identification principles and customer acceptance principles by out branch personnel and administrator and they should inform Legal Concord Management when there is a suspicious situation.

### **PART III: LEGAL LIABILITIES AND IMPLEMENTATION OF OUR BANK**

Institutions and persons who work within nationwide have important duties in order to combat against laundering and avoid usage of financial system by criminal, and they are obliged to take preventive measures.

Bank's liabilities regarding laundering proceeds of crime and financing terrorism within the context of 5549 numbered Law are listed below.

#### **3.1. Recognizing the Customer Principle–Identification Liability**

According to the third part of the Policy Paper for Prevention of Laundering of Criminal Proceeds and Terrorism Financing, which was issued on the date of 09.01.2008 in order to implement the "Prevention of Laundering of Criminal Proceeds and Terrorism Financing", Recognizing the Customer, 5<sup>th</sup> clause states that for all transactions made in the Bank,

- a) Regardless of amount for continuous business relationship
- b) When the amount of one or multiple connected transactions is **twenty thousand TRY** or more,

- c) For electronic transfers, when the amount of one or multiple connected transactions is **two thousand** TRY or more,
- d) Regardless of amount for notifications of suspicious transactions,
- e) Regardless of amount when there is a suspicion regarding the accuracy and sufficiency of customer identification information, identification and ratification should be done again.

Identification of customers and people who act on customer's behalf by obtaining information regarding customer's identification and ratification of the accuracy of that information is necessary. Identification is completed before business relationship or transaction. Besides, according to Measures Regulation's 5th clause; information regarding purpose and nature of business relationship is received from the customer.

Ratification of address and other contact information which were taken during identification should be completed before business relationship or transaction just like identification. Respective day's buying rate of exchange by Central Bank of The Republic of Turkey is based on determination equivalent of foreign currency and documents that enable to pay in foreign currency. Therefore if transactions in question exceeds the identification limit above, regular identification is necessary.

How does the Bank determine and verify customer's ID and address information is available in respective parts and they can be performed by personnel who makes the transaction via these tools as part of risk based approach.

### **3.1.1. Method of Identification:**

#### **3.1.1.1. Identification of Real Persons:**

##### a-During identification of real persons;

- Name, Surname
  - Birth place and date,
  - Mother and father's name for Turkish citizens,
  - Nationality
  - Identification number for Turkish citizens,
  - The type of ID and number,
  - Address and specimen signature,
  - If available phone number, fax number, electronic mail address,
  - Information about job and profession
- information of respective person's are obtained.

b-Regarding information accuracy of customer's name-surname, birth place and date, name of mother and father, nationality, type of ID are ratified through;

For citizens of Turkey

- Republic of Turkey ID card,
- Republic of Turkey driving license,
- Passport,

For real persons who are citizens of TRNC (Turkish Republic of Northern Cyprus)

- ID card given by TRNC offices
- TRNC passport
- Residential permit,

For other real persons who are not Turkish citizens,

- Passport,
- Residential permit,
- ID that is approved by the ministry,

In the respective legislation states that authorized personnel can take the legible copies or electronic image of the originals of identification documents or public notary approved copies or via distinctive information of document and our Bank takes the electronic image of the IDs and utilizes the system of Directorate General of Civil Registration and Nationality.

Other official IDs (such as; ID cards belong to institutions, lawyer IDs) cannot be used during identification.

When there is an establishment of continuous business relation with a real person it is obliged to ratify the information above and necessary documents should be kept by using electronic document management system.

C-Accuracy of declared address to constitute a continuous business relationship is ratified by any of the documents below.

- Settlement document,
- E-State Database (record from the population system based on address),
- Bills that require subscription in the name of customer for a service like electricity, water, gas, phone which were issued **within the last 3 months.**
- Any document given by a public office.

-In the name of 3rd party bills that require subscription providing the document (such as marriage license) that shows the connection to bill owner.

-Bills that require subscription **within last 3 months** issued for his/her mother or father for adult children.

-In case of making notification to customer's address via mail, document regarding the notification.

-Report regarding delivery of credit card to the address that customer had declared.

-Business relationship by a real person on behalf of another real person requires declared address of the person who acts on behalf of the real person but there is no need for address ratification. Address information of the customer needs to be ratified.

Opening an account in our bank by wage payment; for public administrations and public institutions or institutions with more than 100 personnel or business's personnel, notification of institution's address to Bank would be enough to confirm the address information of the customers in question. Personnel do not have to verify their own address for this kind of customer relationship

Our Bank uses information processing methods to implicate these kinds of transactions and E-State database to verify Turkish citizens' real persons.

### **3.1.1.2. Identification of Legal Persons:**

#### **3.1.1.2.1. Making Transaction on Behalf of a Legal Person Registered to Trade Registry:**

Identification of legal persons registered to trade registry

- a.) Title of legal person,
- b.) Trade registry number
- c.) Taxpayer identification number,
- d.) Topic of activity,
- e.) Mailing address,
- f.) Telephone number,
- g.) -If available phone number and electronic mail address,
- h.) Specimen signature, name, surname, birth place and date, type of ID and its number information of the person who is authorized to represent a legal person and for Turkish citizens additionally name of mother and father and their citizenship number are obtained.

Given above (a, b, d, e) subparagraphs are confirmed through documents regarding trade registry; subparagraph c is confirmed through documents issued by Revenue Administration's respective unit.



Identification information accuracy of the person who is authorized to represent the legal person is verified by way of Identification in Real Persons part, power of attorney is verified via documents that authorizes representation.

Besides ID information of legal person partners who own more than %25 of a legal person or are controller of %25 and more of funds and/or administration must be detected and retained. Electronic document management system is used to retain the documents in our bank.

As part of a current continuous business relationship, when a transaction on behalf of the legal person is demanded with the written instruction of an authorized representative of a legal person, after making sure the instruction belongs to the institution's authorized personnel, ID verification of authorized personnel can be done with specimen signature approved by public notary.

Actuality and accuracy of information in continuous business relationship verification documents is obligatory by either

- Referring respective trade registry or

- Verification by checking database of The Union of Chambers and Commodity Exchanges of Turkey.

#### **3.1.1.2.2. Foreign Settled Legal Persons:**

For Foreign Settled Legal Persons;

- A-Title of legal person,

- B-Trade registry number (equivalent in respective country)

- B-Taxpayer identification number,

- D-Topic of activity,

- E-Mailing address,

- F-Telephone number,

- g-If available phone number and electronic mail address,

- H-Specimen signature, name, surname, birth place and date, type of ID and its number information of the person who is authorized to represent a legal person, and for Turkish citizens additionally name of mother and father and their citizenship number are obtained.

The above (a,b,d,e) subparagraphs are verified through Firm Main Contract ,which is in charge of keeping the records in the respective country, and registry records which shows firm officers, their power of attorney and the fact that the firm still operates.

Identification of authorized people who represents a legal person is verified through identification documents stated in Identification of Real Persons, power of attorney registration documents issued in the respective country and specimen signatures' verification is done through signature declaration which contains signature images.

Besides ID information of legal person partners who own more than %25 of a legal person or are controller of %25 and more of funds and/or administration must be detected and

retained in customer file. Electronic document management system is used to retain the documents in our bank.

Identification of legal persons that are settled abroad requires; Republic of Turkey consulate approved corresponding documents that are necessary for legal persons in Turkey or it must be verified through apostille by country's authorized office as part of "Lifting the Necessity of Foreign Official Documents Verification".

Besides if any of the documents above is in a foreign language, public notary approved Turkish translations must be demanded.

### **3.1.1.2.3.Associations and Foundations:**

Identification of Associations requires,

- a.) Name,
- b.) Purpose,
- c.) Generation number,
- d.) Mailing address,
- e.) Telephone number,
- f.) If available information regarding phone number and electronic mail address,
- g.) Specimen signature, name, surname, birth place and date, type of ID and its number information of the person who is authorized to represent the association, and for Turkish citizens additionally name of mother and father and their citizenship number are obtained.

Association's name, purpose, generation number and address information are verified with association's code and record of association's generation number. Identification information accuracy of the person who is authorized to represent the association is verified by way of Identification in Real Persons part, power of attorney is verified via documents that authorizes representation.

Identification of Foundations requires,

- a-Name,
  - b-Purpose,
  - c-Central registry record number,
  - d-Telephone number,
  - e-If available information regarding phone number and electronic mail address,
- Specimen signature, name, surname, birth place and date, type of ID and its number information of the person who is authorized to represent a legal person, and for Turkish citizens additionally name of mother and father and their citizenship number are obtained.

Foundation's name, purpose, central registry record number and address information are verified via respective registry documents kept in Directorate General of Foundations. Identification information accuracy of the persons who are authorized to represent the foundation is verified by way of Identification in Real Persons part, power of attorney is verified via documents that authorizes representation.

Identification of foreign associations' and foundations' branches and representations, are done via respective kept in Ministry of Internal Affairs documents

Identification of foundations and associations requires after the submission of originals of identification documents or public notary approved copies, legible copy is taken by respective personnel and stored in customer file. Electronic document management system is used to retain the documents in our bank.

#### **3.1.1.2.4. Trade Unions and Confederations:**

Identification of Trade Unions and Confederations requires;

- a.) Name,
- b.) Purpose,
- c.) Registry number,
- d.) Mailing address,
- e.) Telephone number,
- f.) If available phone number and electronic mail address,
- g.) Specimen signature, name, surname, birth place and date, type of ID and its number information of the person who is authorized to represent the trade union or confederation, and for Turkish citizens additionally name of mother and father and their citizenship number are obtained.

Trade union's and confederation's name, purpose, central registry record number and address information are verified via respective registry documents kept in Ministry of Labour and Social Security. Identification information accuracy of the persons who are authorized to represent these institutions is verified by way of Identification in Real Persons part, power of attorney is verified via documents that authorizes representation.

Identification of trade unions and confederations requires after the submission of originals of identification documents or public notary approved copies, legible copy is taken by respective personnel and stored in customer file. Electronic document management system is used to retain the documents in our bank.

### **3.1.1.2.5.Political Parties:**

Identification of Political Parties requires,

- a.) Name,
- b.) Mailing address,
- c.) Telephone number,
- d.) If available phone number and electronic mail address,
- e.) Specimen signature, name, surname, birth place and date, type of ID and its number information of the person who is authorized to represent a legal person, and for Turkish citizens additionally name of mother and father and their citizenship number are obtained.

Respective unit names, addresses and codes of political parties; identification information accuracy of the person who is authorized to represent the association is verified by way of Identification in Real Persons part, power of attorney is verified via documents that authorizes representation.

Identification of political parties requires after the submission of originals of identification documents or public notary approved copies, legible copy is taken by respective personnel and stored in customer file. Electronic document management system is used to retain the documents in our bank.

### **3.1.1.2.6.Intitutions Without Legal Persons (Includes Business Partnerships):**

A) For transactions on behalf of institutions (except business partnerships) without legal persons such as apartment, site, commercial building management, institution's;

- a.) Name,
- b.) Mailing address,
- c.) If available phone number, fax number and electronic mail address,
- d.) Specimen signature, name, surname, birth place and date, type of ID and its number information of the person who is authorized to represent the organization, and for Turkish citizens additionally name of mother and father and their citizenship number are obtained.

Identification information accuracy of the person who acts on behalf of institution is verified by way of Identification in Real Persons part, power of attorney is verified via documents that authorizes representation. Information of institution and authorization status of the person who acts on behalf of institution are verified via minute book which is public notary approved.

B) Identification of institutions without legal persons such as business partnerships requires;

- a.) Name,
- b.) Purpose,

- c.) Topic of activity,
- d.) Taxpayer identification number,
- e.) Mailing address,
- f.) Telephone number,
- g.) If available information regarding phone number and electronic mail address,
- h.) Specimen signature, name, surname, birth place and date, type of ID and its number information of the person who is authorized to represent the partnership, and for Turkish citizens additionally name of mother and father and their citizenship number are obtained.

Information regarding name, purpose, activity topic and address is verified via partnership contract approved by a public notary, taxpayer identification number, documents issued by respective unit of Revenue Administration. Identification information accuracy of the persons who demands transaction on behalf of the partnership is verified by way of Identification in Real Persons part, power of attorney is verified via documents that authorizes representation.

Identification of institutions that are not legal persons requires after the submission of originals of identification documents or public notary approved copies, legible copy is taken by respective personnel and stored in customer file. Electronic document management system is used to retain the documents in our bank.

#### **3.1.1.2.7. Companies of which Shares are not quoted to Stock Exchange**

Title, trade registry number, taxpayer identification number, topic activity, mailing address, telephone number, if available fax number and electronic mail address of legal person and specimen signature, name, surname, birth place and date, type of ID and its number information of the person/persons who is authorized to represent a legal person, and for Turkish citizens additionally name of mother and father and their citizenship number are obtained and recorded. Besides these firms are a part of simplified measures and recognition of real beneficiary is not obligatory.

However, identification information accuracy of the persons who represents the firm is verified by way of Identification in Real Persons part, power of attorney is verified via documents that authorizes representation.

#### **3.1.1.2.8. Transactions Related to Acceptance of Bunched Customers:**

According to 5018 numbered public finance management and control law to open a wage account for public administrations and institutions or institutions or enterprises that employs more than 100 personnel,

- Name, Surname
- Birth place and date,

- Nationality
- Identification number and names of mother and father for Turkish citizens,
- Workplace and residence place addresses,
- If available phone number, fax number, electronic mail address,

information must be taken from the real persons who will be paid.

Information regarding identification is verified through electronic images from MERNIS system for Turkish citizens.

As long as providing electronic image of customer's identification information from the database of Ministry of Internal Affairs Directorate General of Civil Registration and Nationality Identity Sharing System (KPS), there is a 3 months of time span starting with the opening of the account. In this context, notification of people who will be persons' names and the mailing address of their employer institute to the bank is sufficient to verify workplace address information.

#### **3.1.1.2.9. Public Institutions:**

According to 5018 numbered public finance management and control law, transaction where public administrations and institutions are the customers, identification information of real person who makes transactions on behalf of these administrations and institutions are taken and their power of attorney is verified through authority documents (law, code, appointment, main contract etc.). Obtaining identification, address and other contact information is sufficient and there is no need for verification.

#### **3.1.1.2.10. Transactions among Financial Institutions:**

Our Bank's Transactions on Its Behalf and With Other Finance Institutions:

- Other banks,
- Institutions that can issue bank card or credit card besides banks,
- Authorized organization in foreign exchange legislation,
- Loaners in the context of legislation regarding borrowing money transactions, financing and factoring firms,
- Capital market intermediary firms, financial futures intermediary firms and portfolio management firms,
- Administers of investment funds,
- Investment participation,
- Insurance, reinsurance and retirement firms and insurance and reinsurance brokers,
- Financial rental firms,
- Institutions which provides exchange and custody services within capital market legislation,
- For transaction limited to banking activities between bank and General Directorate of Post and Telegraph Organization,
- Title of financial institution,

- Trade registry number
- Taxpayer identification number,
- Topic of activity,
- Mailing address,
- Telephone number,
- -If available phone number and electronic mail address,
- Specimen signature, name, surname, birth place and date, type of ID and its number information of the person/persons who is authorized to represent a legal person, and for Turkish citizens additionally name of mother and father and their citizenship number are obtained and recorded.

Information that is necessary to be obtained regarding the financial institution that requests transaction is sufficient and there is no need to verify these information. Besides, identification information of real persons who makes transactions on behalf of respective financial institution is sufficient; verification of other identification information such as address and other contact information is not obligatory.

There is no obligation of recognizing the real beneficiary for customers in this context.

When customer is a financial institution settled in a foreign country, in order to implement the simplified measures as part of "Risk Management Part" the financial institution must have necessary regulations audits regarding prevention of SGA/TF. Concord Management's opinion must be taken to implement simplified measures. For this implementation AML survey ,which is issued by Legal Concord Management and on our web site, is written up by respective financial institution and a decision is made after considering if respective country has a settled regulation and audit to prevent laundering proceeds of crime and financing terrorism.

When our Bank's customer is a financial institution settled in a foreign country, in order to implement the measures above the foreign financial institution must be settled in a country that has an internationally suitable regulations and audit regarding laundering and financing terrorism. Otherwise simplified measurements cannot be implemented because of the respective legislation.

### **3.1.1.3. Identification of Consecutive Transactions:**

Services such as opening an account, issuing credit or credit card, safe deposit box, financing, factoring, financial rental always requires identification before making the transaction regardless of the amount. In this context for the ones whose identification had been verified as part of continuous business relationship, the identification information is

compared to the prior obtained information and voucher has the name, surname and signature of the person who makes the transaction.

If there is any suspicion regarding the accuracy of received information, a comparison is necessary with identification documents or their public notary approved copies.

#### **3.1.1.4. Transactions Related to Customers who are International Institutions or Resident Representative in Turkey or Consulate itself besides transactions related to wage payments of consulate and embassy members:**

When the customer is an institution such as International Monetary Fund, World Bank, European Development Bank or embassies/consulates in Turkey, identification of the person who makes transaction on behalf of these institutions is done in accordance with the identification of real persons part in the document.

Since these institutions are a part of simplified measures and recognition of real beneficiary are not implemented.

When institutions in question opens wage accounts for their personnel aiming continuous business relationship, real person's,

- Name, surname,
- Birth place and date,
- Nationality,
- Identification number and names of mother and father for Turkish citizens,
- Workplace and residence place addresses,
- If available phone number, fax number, electronic mail address

is taken. Among these information, verification of the ones regarding identification is performed as stated in the part of identification of real persons and by using identity sharing database.

Respective identification information and specimen signatures are obtained at the latest in 3 months starting with the transaction. Address verification also must be carried out in this time. In this context, notification of people who will be persons' names and the mailing address of their employer institute to the bank would be sufficient to verify workplace address information.

#### **3.1.1.5. Transactions Related to Retirement Contracts, Retirement Plans and Life Insurance Contracts**

Identification of real persons and legal persons in transactions regarding retirement contracts, retirement plans that gives retirement rights to personnel by deducting their wage, and life insurance contracts whose total amount of premium is two thousand TRY or each



premium being five thousand TRY is done by methods of identification for real persons and legal persons. However, because subject in question is in the context of simplified measures, transaction can be performed without verification documents by only taking the necessary information.

There is no obligation of recognizing the real beneficiary for transactions in this context.

#### **3.1.1.6. Transactions Related to Pre-Paid Cards:**

Transactions regarding pre paid cards which are tracked by the number on it, without a name, and can be activated pre payment,

- The amount in disposable ones don't exceed 300 TRY

- It can be reloaded and total loading limit can not be more than 5.000 TRY for one year (Excludes the ones that allow more than 2.000 TRY withdrawal or transfer another account)

transactions are made for pre paid cards without any need of verification as in the part of identification of real person.

#### **3.1.1.7. Identification of People Who Act on Behalf of Somebody Else:**

##### **3.1.1.7.1. Making Transaction on Behalf of Legal Persons or Institutions Without Legal Persons:**

When people authorized by legal persons or institutions without legal persons demand transactions on behalf of them;

identification of legal persons or institutions without legal persons as in "Identification" part of the document.

Identification of legal person and institutions without legal persons' representatives is performed as in the method of "Identification of Real Persons". If identification of the person who is authorized to

represent cannot be performed via designated identification documents, it can be done by specimen signatures or procuration that is approved by notary public.

##### **3.1.1.7.2. Making Transactions on Behalf of Real Person by Another Person:**

In case of making transactions on behalf of real person customer by another person,

Identification information accuracy of the person who acts on behalf of customer is verified by way of Identification in Real Persons part, power of attorney is verified via documents that authorizes representation. Besides authorization status of the person who acts on behalf of institution are verified via minute book which is public notary approved. When identification of customer in question cannot be done via identification documents stated in the part "Identification of Real Persons", notary public approved procuration would be

necessary. If customer's identification had been done before for prior transactions, verification of signature on the written instruction to the signature Bank holds can be done.

#### **3.1.1.7.3. Transactions Made by Legal Representatives of Minors and Restricted People on Behalf of Them**

When mother and fathers demand to make transactions on behalf of their minor children, identification of the child and custodian is done as in "Identification of Real People".

When people who are appointed as custodian/guardian by a court decision demands a transaction on behalf of their minor children, the child and the person who requested the transaction above are identified according to "Identification of Real Persons" titled clause.

Besides power of custodians appointed by court and guardians is verified through respective court decision or its public notary approved copy.

After the submission of originals of identification documents or public notary approved copies, legible copy or electronic image is taken. Copy of the document is stored in the branch with customer's other documents. Electronic document management system is used to retain the documents in our bank.

#### **3.1.1.8. Declaration of Making Transaction on Behalf of Somebody else and Recognition of the Real Beneficiary:**

15th clause of 5549 numbered Law on Prevention of Laundering of Criminal Proceeds states that;

"For transactions that require identification via or through taxpayers people, if the person who act on behalf of somebody else don't inform the taxpayer in written before the transactions, he/she will be punished with either from six months to 1 year imprisonment or five thousand days of judicial fine."

According to Prevention of Laundering of Criminal Proceeds and Terrorism Financing clause 17th responsible people must take necessary precautions to determine if somebody acts on behalf of somebody else and identification of transaction's real beneficiary, in this context in order to remind people who acts on behalf of somebody else their liability by hanging necessary announcements to all work places where customer can easily see them and take written declaration if there is activity on behalf of somebody else from the customer.

In this context our bank announced necessary text with a notice to all of its branches on 26.03.2008 and taking written proclamation became obligatory for customer with continuous business relationship. Proclamation in question must be kept in the customer file.

#### **3.1.1.9. Electronic Transfers:**

- A) For domestic and foreign electronic transfer messages for **two thousand TRY** or more, sender's;

- a) Real person's name and surname; legal person's title, other legal person's and institutions without legal person's full name,
- b) If transfer is performed by the one who instructed it, account number; when account number is unavailable, reference number regarding the transaction; for transactions referring to procuration, account number of the one who gave the procuration;
- c) At least one of the information that enables to identify the sender such as address or birth place and date or customer number, citizenship number, passport number, taxpayer identification number must be included.

Transfers which banks makes among them on behalf of themselves and transfers performed by credit and bank cards are excluded.

When an electronic transfer message is received without sender information above, missing information is requested from the sender financial institution, if the financial institution doesn't complete missing information, the electronic transfer would be denied.

#### **3.1.1.10. Confidence to Third Party**

Business relationship can be established and transactions can be performed by trusting another financial institution regarding the customer about identification of customer, person acts on behalf of customer and real beneficiary and purpose of business relationship or transaction. In this case within the context of Law and regulations regarding the Law, our bank takes terminal responsibility and must make sure that,

- Financial institution took necessary precautions regarding identifications, keeping records and recognizing the customer,

- It is dependent on regulations and audit for laundering and financing terrorism,

- Documents regarding identification would be immediately provided when demanded.

In this context, our Bank does not establish business relationships with shell banks and financial institutions that cannot be sure if shell banks use their accounts.

Before performing any transaction regarding trust to third party, compliance report must be taken from Legal Concord Management; besides after trusting third party and establishment of business relationship, identification information of the customer must be immediately taken from the third party.

#### **3.1.1.11. Simplified Measures:**

In the context of recognizing the customers by Ministry of Finance,

- Transactions performed among financial institutions to their name and accounts,

-Transactions, when customer is occupational organization qualified as public administration and institution according to 5018 numbered law,

-Business relationship via of bunched customer acceptance in the context of wage payment,

-Transactions whose customers are firms that are open to public and whose stocks are quoted to stock exchange,

-Transactions related to customers who are international institutions or resident representative in Turkey or consulate itself and transactions related to wage payments of consulate members

Transactions Related to Retirement Contracts, Retirement Plans and Life Insurance,

-Transactions concerning the pension contracts, pension plans and life insurance contracts,

-Transactions in relation to prepaid cards,

These are in the scope of simplified measures and take place in various parts of adjustment procedures in detail.

Simplified measures are not applied in cases which carry some risks such as laundering and formation of the terror financing as a result of transaction desired to be carried out. In addition to this, considering that this transaction is skeptical, it is conducted in line with this procedure.

### **3.2. RISK MANAGEMENT:**

#### **3.2.1. INTRODUCTION:**

Policy of risk management is defined in Article 11 of the regulation as to Adjustment Programmed concerning liabilities regarding laundering of the crime income and prevention of terror financing, it is defined as follows: “Liabilities make up risk management policy regarding size of an enterprise, volume of business and qualification of transactions carried out within the scope of risk management policy. Objective of risk management policy is defined as to provide definition, grading, monitoring, evaluating and minimizing of the risks which the obligated can expose to. It also includes in-house precautions complying with principles of the recognition of consumer at the minimum level.

Accordingly, Part II which clarifies General Principles and Rules and subpart “Recognition of Consumer” of the Part III which covers Legal Liabilities and Implementation of our Bank underlies our bank’s policy of risk management.

Scope of Risk Management Activity:

- a) It is obligatory to monitor and check over transactions and services of risky consumer. Because it is highly likely that transactions of risky consumer that take place in document are also risky, it is essential that necessary notices are to be

made to Legal Concord Management as soon as possible overruling transactions of consumers in question with regard to adjustment policy.

- b) It is essential to retrospectively interrogate consistency and efficiency of risk definition, risk evaluation, risk grading and risk classification through transactions carried out. Moreover; it is also obligatory to reevaluate and update in accordance with conclusion and changing conditions.
- c) It is obligatory to provide Administrative Body report conclusions of risk monitoring and risk evaluation periodically. Reporting in question is made to Audit Committee by Legal Concord Management at least once in a year.
- d) It is obligatory to obey meticulously to principles and rules that take place in document and covered in regulation issued by Financial Crimes Investigation Board in order to prevent people that want to finance terror and launder crime income, and to make notice of transaction in such risky cases to make transaction through our bank. In case it is not obeyed, bank and bank employees can experience some risk below.

**1- LEGAL RISK:** Legal risk states to prosecute against financial institution or probability of adversely effect of conditions of financial institutions and their operations in consequence of contracts. Banks are exposed to legal risks because they do not carry out liabilities that aim to compete with laundering. As a result of that, banks prefer to cancel their own banking license in the case of being continuous of breach of an obligation.

**2. RISK OF REPUTATION:** Because financial institutions operate on the basis of confidence, public opinion and confidence of consumers in the matter of confidence of financial institution are one of most important assets that any financial institution has. Risk of reputation states current and possible effects of negative impression in public opinion on activities and income of financial institution. This risk prevents entering into new business relations and also affect continue of current business relations.

Risk of Reputation does not only apply within national boundaries. FATH (Financial Action Task Force) to which our country has also a membership evaluates adjustment of member countries to advises published by it and it also conducts Article 21 out of 40 advises to countries which do not obey advises. Advise 21 covers expression "Financial Institutions should pay attention to business relations and transactions with citizens of countries which do not apply advises of MASAK or apply inefficiently and companies and financial institutions of these countries. Meaning of this in terms of financial system is to bring into discredit of financial institutions at incompatible countries before other countries and it also causes bureaucratic problems and delays in transactions between foreign financial institutions and incompatible financial institutions.

In case a country does not obey advises and continues to not bring into action regulations about adjustment, when evaluating requests to open a branch and

representative agency, additional measures such as warning of non-financial sector institutions because of carrying laundering risk in transactions with institutions of nonconcurring countries and limit business relations and financial transactions with citizens of this country become a part of this activity.

**3. OPERATIONAL RISK:** It is the highest probability of risk that our bank and staff members may encounter. It puts forth the risk of incurring to loss of financial institutions directly or indirectly by the reason of inactive internal control procedures or external factors. Most of the operational risks, also called as risk of activity are in relation with weakness of financial institutions 'conducting liabilities.

In order to rule out risks stated above for our bank and bank personnel, it is essential in terms of prevention of Turkish Banking system from cases such as financial extortion and money laundering, the presence as creditable bank in national and international area,

- To form detailed risk-based "recognize your consumer" principles and applications,

- To establish additional attention, control and warning systems in the matters of risky zone, sector and banking products,

- To perform a function of internal audit controlling the system, monitoring and training.

In this context, our consumers and services and products of our bank are categorized in accordance with risk levels as follows:

- A- Customers With Low Risk Points
- B- Consumers with High Risk Point
- C- Products, service and transactions with High Risk Points

### **3.2.2. Customer, Service and Products According to Their Risk Points:**

#### **3.2.2.1. Customers with Low Risk Points:**

Consumers and transactions stated in MASAK'S general communiqué no 5 published in an official journal numbered 26842 and dated 09.04.2008 and general communiqué no 9 published in an journal dated 02.01.2010 are within the scope of simplified measures. They are also named as consumers and transactions with Low Points.

Transactions stated in communiqué,

- Other banks,

- Institutions vested with authority to regulate bank card or credit card except banks

-Money lender within the scope of the regulation regarding transactions of loan, financing and factoring companies,

-Managers of investment fund,

-Investment Partners,

-Insurance, reinsurance and pension companies,

-Leasing Companies,

-Institutions that offer settlement and custody services within the frame of capital market regulation,

-General Directorate of Post and Telegraph Services limited to banking activities,

covers transactions made between institutions above and bank and also between bank and financial institutions.

What means simplified measures and to which consumer and in which transaction it is applied is dealt with broadly in “Consumer Acceptance” part.

#### **3.2.2.2. Consumers with High Risk Points:**

Consumers with High Risk Points can be discussed in terms of two core risk subjects:

##### **3.2.2.2.1. Country/Region Risk:**

It is applied in such cases in which there is no regulation to launder crime income and to prevent terror financing in countries and regions consumers are located and connected.

Consumers located and interrelated in countries and regions stated below belong to group of consumers with High Risk Points and should be followed closely.

-Countries put on the list by MASAK,

-Countries of off-shore banking,

-Free zones, cross border centers,

-Tax heaven countries and countries known as tax heaven,

-Antidemocratic counties and districts which are on the route of production and distribution of illegal drugs and have high rate of crimes such as trafficking, terror and in which corruption and bribery are widespread.

##### **3.2.2.2.2. Consumer Risk:**

Consumers are classified in accordance with risks in terms of their business lines’ laundering the crime income and providing the terror financing and its evaluation and also by means of taking legal regulation provisions into account.

Shell banks are in high risk group and not establishing a business relation with shell banks absolutely takes place in relevant part of this document.

#### **3.2.2.3. Products, Services and Transactions with High Risk Points:**

- 1-Cash Business,
- 2-Electronics Transfers,
- 3-Cashier Checks upon foreign banks,
- 4-Correspondent Banking Transactions,
- 5-Transactions conducted upon alternative distribution channels,
- 6-Safe-deposit Boxes,
- 7-Risky credit Transactions,
- 8-Complex and a great quantity of Transactions

These are all products, services and transactions with High Risk Points in banking sector.

What are electronic transfers and correspondent banking and how these should be in practice of bank are covered in “Recognition of Consumer Principle/identification Liability” part of this document in detail. Moreover; points to taken into consideration in safe-deposit Transactions and necessity of establishing consumer relation with a transaction of assignment of personal check drawn upon banks abroad also take place in the part” Consumer Acceptance Policy”.

Once again, transactions relevant to alternative distribution channels are covered in Consumer Acceptance Policy and demand for transactions equals to 20.000 TL and more than this is limited in accordance with our bank’s practice in transactions like depositing money without card by our ATMs.

Risky credit transactions also become more of an issue and are most employed method while laundering black money. In the event that risk occurs with credits detected and of which facilities made available by securing with pledge with money deposit, making deposit money available in collection is the easiest way of laundering crime income. Credits of which equivalence for cash is definite and of which facilities made available are to be monitored by confirming intended use and cash resource is to be examined with sampling method.

#### **3.2.2.4. Implementation of our bank for costumers with High Risk Points and Actions to be taken:**

In the case of performing transactions by consumers with high risk points mentioned above or demand for utilizing from banking services without any account and on condition that matters in document are considered in detail,



-Legal and economic goal of transaction preferred to be performed should be ascertained and should be certified in case of any suspicion.

-Demandant of transaction from public resources (internet, public institutions etc.) or people for whom transaction is requested should be researched.

-Identification is obligatory regardless of quantity of the transaction performed as stated in a document and information and documents should be taken in this context.

-Branch/Unit staff and manager should make a search for resource of fund put in process, reason of transaction of consumers and transactions with high risk points. In case of any suspicion about transaction or consumer, it is crucial to inform Legal Concord Management.

-Demands informed that it launders crime income and retrieved documents or indicating these seriously cannot be carried out and Legal Concord Management is announced that there is a suspicious transaction by relevant Unit/Branch.

-Original and valid identification should be submitted by consumers when opening account. In case there is any suspicion, second identification process should be conducted. Transaction should not be performed if it is not ensured that identification is true.

-Identification not only consists of procurement of informative information and document but also it is obligatory that information and documents are consistent and true on their own.

-Legal asset and quality of consumer should be verified with name and title, their managers, company documents and finally with information or documents obtained from consumers and public records.

-In the case there is any inconsistency and forgery in controlling of documents submitted by consumer, it should be informed to Legal Concord Management and Reliable Banking Directorate.

-Businesses and employees performing brokerage operations such as jewellery and exchange offices should be monitored attentively and it should be ensured from identities of real obligees.

-In the case direction of legal person, consumer, does not suit the transaction profile of consumer, another company executive and/or company owner apart from the company executive that gives instructions should confirm this case.

### **3.2.2.5. Sanctions:**

#### **3.2.2.5.1. Legal Penalties:**

By operation of law no.5549, in the case liabilities relevant to identification cannot be carried out in due from, 10.000 TL fine imposed about our bank's legal entity and 2.000TL administrative fine imposed to personnel that carried out this transaction per transaction.

Fine amount is increased at the rate of revaluation coefficient each year. Fine amounts of our bank's legal entity to be conducted in 2010 for each transaction equal to 13.226 TL and it amounts to 2.644 TL for personnel. Fine amounts are issued to Bank Organization by Monitoring Deposit and Adjustment Directorate.

In the case documents within the scope of recognition of consumer and identification liability are not preserved in due form and not submitted in its desire, relevant personnel is sentenced to imprisonment from 1 year up to 3 year and imposed to fine up to five thousand days.

#### **3.2.2.5.2. Sanctions of our Bank:**

Personnel that inducted, carried out and approved are responsible for obtaining information and document in the document, transactions' perform as stated before by means of considering legislation provisions. In case of bank's exposed to administrative fine because applications in document are not conducted and not carrying out the provisions within the scope of recognition of consumer- identification even though bank is not exposed to administrative fine and in the case all these are not continuous, this situation is notified to Committee of Inspection Board.

### **3.3. MONITORING AND CONTROL LIABILITY:**

Our bank performs monitoring and control activities considering quality of transactions consumers have carried out.

Objective of the monitoring and control is to preserve our bank from risks and is to monitor and control activities in terms of their being carried out pursuant to institution's policies and procedures made by Law and by operation of law.

In this context, monitoring and control activities to be performed at bank within the scope of the legislation cover matters stated below;

- a) To monitor and to control consumers and transactions with high risk points,
- b) To monitor and to control transactions performed in risky countries,
- c) To monitor and to control complex and a great quantity of transactions,
- d) To monitor and to control related transactions that exceed amount in which identification is required by sampling method when considered together,
- e) To overcome the deficiencies, to control with sampling method and to update information of consumers that should to be preserved in print or electronically and information that is obligatory to take place in electronic transfer messages,
- f) To monitor conformity of transaction of consumer in terms of occupation, risk profile and information about fund resources of consumer during business relation periodically,

- g) To control transactions carried out by using systems that make transactions that is not face to face possible,
- h) Risk based control of transactions that can be open to abuse due to products presented recently and technological advancements.

Inspection of obtaining information and documents taking place in adjustment procedure within the scope of identification liability by operation of law is carried out by Committee of Inspection Board and Internal Control Board during on-site inspection.

In transactions performed with sampling method during on-site inspection, total transaction and amount of transaction limit is determined by Directorate of our bank's audit employees.

### **3.3.1. TRACKING POLICIES RELATED TO MONITORING ACTIVITIES:**

- Confirmation of presence of people and institutions added to the proscriptive list on lists in question is informed to Legal Concord Management by successive relevant departments.

- Consumers and transactions with high risk points,

- Complex and a great quantity of transactions,

- Conformity of transaction of consumer in terms of occupation, risk profile and information about fund resources of consumer,

- Accounts that is inactive for a long time but have a great quantity of transactions suddenly,

- Services that can be open to abuse due to products presented recently and technological advancements,

- Accounts and transactions in which retail consumer's cash transactions in last 3 months amount to five times of daily transactions,

- Accounts and transactions in which consumer's daily average of EFT, swift and remittance exceed to three times,

- Accounts inactive for a year become active with cash inflow and outflow,

- 10 most active private and business consumers with high risk points,

- Accounts and transactions in which a great quantity of cash inflow ends up cash outflow by means of electronic transfers within 3 days,

- Accounts and transactions in which there are only transactions carried out by means of alternative distribution channels during 6 months,

These are within the scope of monitoring activities and monitoring activities are carried out by sampling methods. In the case of suspicion about accounts and transactions in question, that should be informed to MASAK by compliance officer. If necessary, risk symptoms determined is reported to process owner units with the aim of taking action about processes and outcome of actions is monitored.

Controlling transactions carried out by using systems that make transactions that is not face to face possible is examined within the scope of fraud and procedures prepared by Office of Banking Operations Confidential Banking Directorate by relevant directorate.

Risk management, control and monitoring activities carried out within the scope of recognition, grading and updating of risky consumer, country and services are performed by Legal Concord Management under compliance officer. In addition to this, modifications are announced to Bank Organization by compliance officer with approval of Inspection Committee.

Adjustment to updating risk management, control and monitoring activities' scope and details and developments in consumer profile, product, service, legislation and sector is a main objective.

Priority of risky consumer, country, transaction and services which take place in scoring risk categories produced according to risk evaluation system is determined. Activities under acceptable risk evaluation are not examined. However; transaction is accepted as highly risky regardless of exception if there is any actual risk in the matter of laundering crime incomes and terror financing.

### **3.4. DETERMINATION AND REPORTING OF SUSPICIOUS TRANSACTIONS:**

In accordance with the law no 5549 Article 4 and Article 27 of the Measures Regulation as to prevention of laundering of crime income; if there is any suspicion that states assets are obtained illegally as to transactions performed or attempted to perform at our bank, these transactions are informed to the bank conformity officer regulating suspicious transaction notice form (Annex 1) during period stated mentioned legislation regardless of amount of transaction. Conformity Officer conducts investigation as to suspicious transaction notice and notices Financial Crimes Investigation Board under Republic of Turkey Ministry of Finance according to regulation.

#### **3.4.1. Definition of Suspicious Transaction:**

Suspicious transaction is a circumstance in which there is an information and suspicion as to operating assets obtained or attempted to obtain illegally at our bank with illegal purposes and also there is a suspicion this asset is operated by terrorists and by people that finance terror.

Definition of suspicious transaction covers both obtaining asset in question illegally and also operating it for illegal purposes. This means it aims to prevent terror financing.

Issue of whether there is a reliable reason coming suspicion into the mind should be evaluated dealing with multiple transactions.

### **3.4.2. Types of Suspicious Transaction:**

Suspicious transaction types in annex of the bank's adjustment procedure are suspicious transaction types determined by MASAK. Suspicious transaction types (annex 2) should not be considered only criterion by our branches. It is necessary to take expressions relevant to recognition of consumer that is covered by document into account. Even though it does not suit any types in annex, it is available to make suspicious transaction notice.

Issues like below constitute reason to make a suspicious transaction notice:

- Whether consumer is eager to give personal information or not,
- Non-existence of legal and economic objective,
- Giving deceptive information, document and contact information,
- Credit demand for cash not stated where to use, objective of use.

In such cases, it is obligatory to make a notice to Legal Concord Management.

### **3.4.3. Notification Procedure of Suspicious Transaction and Reporting of Suspicious Transactions:**

Our branch or General Directorate performs such actions stated below in the case they come face to face with suspicious transactions.

- Essential identification,
- To give reason and write down number of suitable type of suspicious transaction in annex of document. To explain reason of suspicion in the case it does not suit one of type,
- To determine amount subjected to transaction and determine the way of performing this transaction.

When regulating "Suspicious Transaction Notice Form", our Branch or General Directorate faxes after giving information to Adjustment Directorate. Sent Suspicious Transaction Notice Form is notified to MASAK by conformity officer with signature. If any recent information and symptoms are obtained, information should to be transmitted to Adjustment Directorate in the same way.

Within this scope, if conformity officer wants to obtain any information and document as to transaction to be carried out, it is indispensable for relevant branches and/or units to give them.

Decision whether suspicious transaction notice is made or not is under the authority of conformity officer. In the case there is no need to notice MASAK about notices from

branches and units, conformity officer preserves reason of his/her decision as documentary decision.

There is a vital point that should be in mind that MASAK examines notices made by itself and file is canceled and people are sued if people with suspicious transaction notice are detected they launder black money. In case of good faith of someone, people who made suspicious transaction notices do not have any responsibility. However; in the case someone does not make suspicious transaction notice, there are some legal sanctions stated below. Therefore; making notices in case of any suspicion is obligatory without any concern.

#### **3.4.4. Notification Period of Suspicious Transaction:**

Suspicious transactions should be transmitted to MASAK within the period of ten work days since formation of suspicion at the latest. Therefore, it is essential to notify to Adjustment Directorate at once in order to help conformity officer to make his/her sufficient examination about suspicious cases detected by branches and/or Units.

#### **3.4.5. Secrecy of Notification of Suspicious Transactions and Protection of the Informers:**

In accordance with Measures Regulation Article 29;

There are some provisions stated below:

- The liable do not give information anybody also including people being a side of transaction about making suspicious transaction notice with an exception of inspection staff assigned to liability inspection and information given at courts during judgment.

- That liability covers person, institution and organizations making suspicious transaction notification or people that carry out transactions on behalf of mentioned people or these people' representatives and deputies and finally it covers personnel that have an information about suspicious transaction. The liable for whom conformity officer is assigned and internal notifications for conformity officer are within the scope of secrecy. Conformity officers that make suspicious transaction notifications electronically cannot give cards, code, information and instruments which provide access to system.

- Real and legal person that performs liability of suspicious transaction notification, and their conformity officers, legal representative of liabilities, administrator of them and employees cannot hold responsible juristically and criminally.

#### **3.4.6. Legal Sanctions Related to Notification of Suspicious Transaction:**

By operation of law no 5549, in the case there is not any transaction notification in the matter which requires suspicion, 10.000 TL fine imposed on our bank's legal entity and 2.000TL administrative fine imposed on personnel that carried out, confirmed and not made any notification per transaction. Fine amount is increased at the rate of revaluation coefficient each year. Fine amounts conducted in 2010 for each transaction equals to 13.226 TL and amounts to 2.644 TL subsequently.

Bank legal asset and its personnel carrying out liabilities of suspicious transaction notification will not hold responsible juristically and criminally because of making suspicious transaction notification.

In the case information relevant to notifications is given to third parties, those people will be sentenced to imprisonment from 1 year up to 3 year and imposed to administrative fine up to five thousand.

### **3.5. AUDIT LIABILITY:**

In the direction of regulation provisions published in official journal dated 16.09.2008, no 26999 regarding liability adjustment programme providing the prevention of laundering crime income and terror financing, efficiency and adequacy of adjustment programme made up by bank is inspected by Bank Internal Inspection Units with the purpose of providing security.

Our bank's internal inspection examines whether risk management, monitoring, control activities and training activities of our bank's policies and procedures are efficient and sufficient or not. It again examines whether our risk policy is efficient or not and also examines if transactions are performed in conformity with policies and procedures and regulations, communiqués which come into effect pursuant to Law.

Deficiencies, mistakes and abuses that arise in consequence of internal inspections and viewpoints and opinions as to their evoking again are reported to Inspection Committee by our relevant inspection unit.

Statistical information in a relation to studies carried out internal inspection scope is transmitted to Adjustment Directorate by Committee of Inspection Board and Internal Control Directorate every year on February.

- Annual trading volume,
- Total personnel, branch, agency and similar units,
- Branch, agency and similar units inspected,
- Dates of inspections,
- Total period of inspection,
- Personnel during inspection,
- Total transaction inspected,

Conformity officer has to notify to MASAK information in question to the end of following March.

### **3.6. TRAINING LIABILITY:**

Objective of training liability is to provide conformity to liabilities under regulations and communiqué, to form organizational culture by raising awareness of responsibility about

organization policies and procedures and risk based approach and to ensure personnel information updating.

In accordance with regulation on struggle with laundering of crime income and terror financing, personnel training is aimed to ensure them to have sufficient knowledge about liabilities and implementations by means of our bank's conformity officer and Directorate of Education, by utilizing from scientific studies, standards, recommendations, informing which our country's regulation and international organizations have published within the scope of Article 21 of Adjustment Programme Regulation. Trainings are carried out within the scope of face to face training method and in-bank internet system electronically.

Face to face training of our bank's personnel is performed by Conformity officer and personnel that is trained in Legal Concord Management and has assumed the title of specialist. Trainers consist of personnel that are trained by means of Banking Association by MASAK. Training of bank personnel is performed every year periodically.

Total personnel to be trained in order to prevent laundering crime income and terror financing is determined in accordance with our bank's total personnel, work load, changing conditions and personnel especially in charge of operation and sales department by Legal Concord Management under Directorate of Education. In a consequence of training activities, examination is applied to personnel trained and success average is preserved.

Training subjects for employees are determined in accordance with covering the issues of liabilities and sanctions by Conformity Officer:

- a) Laundering crime income and terror financing concepts
- b) Stages, methods of laundering crime income and relevant case study,
- c) Regulation relevant to prevention from laundering crime income and terror financing,
- d) Risk Zones
- e) Institution policy and procedures,
- f) Within the frame of mentioned law and regulation,
  - 1) Recognition of consumer,
  - 2) Suspicious Transaction Notification,
  - 3) Giving information and document,
  - 4) Preservation and representation,
  - 5) Giving information and document
- g) International regulations in the field of struggle with laundering and terror financing,



Outcome of all training activities and information stated below are notified to Conformity Officer by Directorate of Education within the period requested:

- a) Education Dates,
- b) District and province in which education is given,
- c) Method of education,
- d) Total education period,
- e) Total personnel trained and its proportion to total personnel,
- f) Distribution of personnel in accordance with their units and titles,
- g) Content of education,
- h) Title of educators and their profession.

Conformity officer sends statistical outcome of training that is prepared within the scope of mentioned above to Republic of Turkey Ministry of Finance, The Financial Crimes Investigation Board at the end of following March in which training is carried out every year.

Necessary memorandums about adjustment policy and procedures are conducted in our bank's portal by Adjustment Directorate.

### **3.7. LIABILITY OF PROVIDING INFORMATION AND DOCUMENTS:**

Demands for records in all medium, information, documents that can be requested from banks by Inspection Staff and Republic of Turkey Ministry of Finance, The Financial Crimes Investigation Board and reporting activities within the scope of continuous informing and finally accessing to those records and making them readable are carried out attentively and meticulously.

### **3.8. SAVING THE RECORDS:**

In accordance with law in effect no 5549 about prevention from laundering crime income and regulation and communiqué, documents in every medium about liabilities and transactions under law is obligatory to save since its regulation date and it is necessary to save books and records since their last record date and finally it is obligatory to save documents about identification during eight years since its last transaction date and submit it if necessary. Our bank provides this saving procession meticulously.

Suspicious transaction notifications and annex of notification are within the scope of saving and submission liability.

## **PART IV-RESPONSIBILITY AND OPERATION:**

General Directorate Units and Branches are responsible for all implementation of matters in this document.

This document enters into force on date of issue. Along with this document's coming into effect, "Policy Document on Prevention from Laundering Crime Income" of Inspection Committee dated 14.05.2009, no: 66 are abolished.

ANNEX 1: SUSPICIOUS TRANSACTION NOTIFICATION FORM

ANNEX 2: SUSPICIOUS TRANSACTION TYPES

ANNEX 3: FATF FORTY RECOMMENDATION DECISIONS

**ANNEX 1: FORM OF UNSAFE TRANSACTION NOTIFICATION**

<b>FORM OF UNSAFE TRANSACTION NOTIFICATION</b>	The Financial Crimes Investigation Board Ministry of Finance, N Block Dikmen Ave. 06100 Dikmen/ANKARA Tel: +90 (312) 415 37 67 Fax: +90 (312) 415 25 35 - 36
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**A- RESPONSIBLE PERSON WHO IS FILLING THE FORM**

Name Surname Title	
Responsible group Bank	
Address:	
Tel:	ID Nr:

**B-INFORMATION RELATED TO NOTIFICATION**

Date of		Document	
New or	<input type="checkbox"/> New	<i>If Annex, Date of Previous</i>	
Urgency of	<input type="checkbox"/> Standard <input type="checkbox"/> Instant <input type="checkbox"/> Very Instant		

**C- OF THE REAL PERSON CARRYING OUT THE INTERACTION**

Transaction is in the name of	<input type="checkbox"/> Own name <input type="checkbox"/> Other's name
Is the Id. fake?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Name	
Surname	
Date and place of Birth	
Mother's name	
Father's name	
Sex	<input type="checkbox"/> Male <input type="checkbox"/> Female
Nationality	
T.R. Id. Nr	
Type and Number of Identification Document	<input type="checkbox"/> Id. Nr. No: <input type="checkbox"/> Driving License No: <input type="checkbox"/> Passport No: <input type="checkbox"/> Residence Permit No: <input type="checkbox"/> Other (Name and Number)
Address	<input type="checkbox"/> Home: <input type="checkbox"/> Office:
Telephone Number	<input type="checkbox"/> Home Tel: <input type="checkbox"/> Mobile Tel: <input type="checkbox"/> Office Tel:
Fax No :	
E-mail:	
Job:	
Additional info if available	

**D- REAL PERSON HAVING A TRANSACTION**

Is the Id. fake?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Name	

Surname	
Date and place of Birth	
Mother's name	
Father's name	
Sex	<input type="checkbox"/> Male <input type="checkbox"/> Female
Nationality	
T.R. Id. No	
Type and Number of Identification Document	<input type="checkbox"/> Id. Nr.      No: <input type="checkbox"/> Driving License      No: <input type="checkbox"/> Passport No: <input type="checkbox"/> Residence Permit No: <input type="checkbox"/> Other (Name and Number)
Address	<input type="checkbox"/> Home: <input type="checkbox"/> Office:
Telephone Number	<input type="checkbox"/> Home Tel: <input type="checkbox"/> Mobile Tel: <input type="checkbox"/> Office Tel:
Fax No :	
E-mail:	
Job:	
Additional info if available	

**E- LEGAL PERSON/LEGAL ORGANISATION WHICH IS THE TRANSACTION IN THE NAME OF ORGANIZATION**

Is the Id. fake or real?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Title	
Name of organization if exists	
Taxpayer identification number	
Registration number	
Country where founded	
Place where founded	
Date of foundation	
Address	
Telephone Number	<input type="checkbox"/> Mobile Tel: <input type="checkbox"/> Office Tel:
Fax No :	
E-mail	
Website	
Additional info if available	

**F-INFORMATION OF UNSAFE TRANSACTION**

Date of transaction	<input type="checkbox"/> One digit operation      : ../../.... <input type="checkbox"/> Interrelating operations
Is there a monetary transaction/value in operation?	<input type="checkbox"/> Yes <input type="checkbox"/> No

The relation of transaction to the account	<input type="checkbox"/> Related to the account(If you mark this option fill the G part of the form) <input type="checkbox"/> Not related to the account
The place of transaction	
Type of transaction	
Cost of transaction	
The place or way of transaction	<input type="checkbox"/> Branch <input type="checkbox"/> ATM <input type="checkbox"/> Internet banking <input type="checkbox"/> Telephone banking <input type="checkbox"/> Other

#### G-ACCOUNT INFORMATION RELEVANT TO UNSAFE TRANSACTION

Type of Account	<input type="checkbox"/> Check <input type="checkbox"/> Rental safe <input type="checkbox"/> Forward exchange <input type="checkbox"/> Drawing exchange <input type="checkbox"/> Drawing account <input type="checkbox"/> Investment <input type="checkbox"/> Other
Financial institution where the account exists	
Account No	
IBAN	
Account Owner	
Opening date of account	.././....
Closing date of account	
Final account balance	
Account's Branch	
Account's type of exchange	
Is there a legal withholding on account?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Announcement of legal withholding	

#### H-TYPE OF UNSAFE TRANSACTION

TYPES OF UNSAFE TRANSACTIONS		TYPE NUMBER
TYPES OF UNSAFE TRANSACTIONS IN GENERAL		
	Types relevant to customer profile	
	Types relevant to transactions	
TYPES OF UNSAFE INTERACTIONS IN TERMS OF SECTORAL		
	Types relevant to banking sector	
	Types relevant to insurance sector	
	Types relevant to capital market	
	Types relevant to authorized institutions	
	Types relevant to loans	
	Types relevant to factoring companies	

	Types relevant to leasing companies	
	Types Relevant to Consumer Financing	
	Types Relevant to Post Office and Cargo Companies	
	Types relevant to the real estate sector	
<b>TYPES OF UNSAFE TRANSACTIONS BOUNDING TO FINANCE OF TERROR</b>		
	Types relevant to persons or transactions performed in Risky Countries	
	Types relevant to non-profit organizations	

DESCRIPTION

**Manager**

**Personnel who notified suspicious transaction**

**Name Surname**

**Name Surname**

**Signature**

**Signature**

**Compliance Office**

**Name Surname**

**Signature**