

**TÜRKİYE SİNAİ KALKINMA BANKASI A.Ş.**  
**INTERNAL REGULATION ON**  
**PREVENTION OF LAUNDERING PROCEEDS OF CRIME**  
**AND FINANCING OF TERRORISM**

**FIRST PART**

**Purposes, Legal Grounds and Definitions**

**Purposes and Legal Grounds:**

**Article 1:** This Regulation has been prepared and issued for the purpose of guiding the practices of the Bank pursuant to and in line with the pertinent provisions of the articles currently valid and in force of the Law on Prevention of Laundering Proceeds of Crime no. 5549 promulgated in the Official Gazette issue 26323 on 18/10/2006, and the regulations and directives associated thereto, the Law on the Prevention of the Financing of Terrorism no.6415 promulgated in the Official Gazette issue 28561 on 16/02/2013 and the regulations and directives associated thereto, and 40 Recommendations of FATF determining the International Regulations pertaining thereto, and Wolfsberg Principles, and the "Guideline For the Turkish Banking System on Significance of Fight Against Laundering of Crime Revenues and Financing of Terrorism" of the Banks Association of Turkey.

**Abbreviations and Definitions:**

**Article 2:** For the purposes and in the context of this Regulation:

"Assets" mean money, any kind of movable or immovable, tangible or intangible goods or rights which have monetary value, and any kind of legal documents or instruments certifying rights on them, and/or fund, proceeds, benefit and value derived from inter-conversion of them, owned or possessed or directly or indirectly controlled by a natural or legal person;

"Bank" refers to and stands for Türkiye Sınai Kalkınma Bankası A.Ş.;

"Beneficial owner" means natural person(s) who ultimately control(s) or own(s) natural person who carry out a transaction within the Bank, or the natural persons, legal persons or unincorporated organizations on whose behalf a transaction is being conducted;

"Board of Directors" refers to the Board of Directors of Türkiye Sınai Kalkınma Bankası A.Ş.;

"FATF" refers to and stands for the Financial Action Task Force;

"Freezing of asset" means removal or restriction of the power of disposition over the asset for the purpose of preventing obliteration, consumption, conversion, transfer, assignment, conveyance and other dispositional actions of the asset or restriction within the framework of transactions permitted by MASAK;

"Laundering of Crime Revenues" (Money Laundering) refers to actions and initiatives taken with the intention of incorporating the revenues and proceeds of illegal acts into the financial system for the sake of creating an impression that they have been obtained legally, thereby especially releasing them from cash form, and of making such revenues and proceeds legitimate by changing their identity through a process contained in the financial system itself;

"MASAK" refers to and stands for the Financial Crimes Investigation Board affiliated to the Ministry of Treasury and Finance;

"Permanent Business Relationship" means a business relationship that is established between the Bank and its customers through services such as opening an account, lending loan, financing, factoring or financial leasing, and that is permanent due to its characteristics;

"Risky countries" mean the countries that are announced by the ministry out of those which do not have sufficient laws and regulations on prevention of money laundering and financing of terrorism, which do not cooperate on combating these offences or are considered risky countries by competent international organizations;

"Shell Bank" refers to banks which do not have any physical address or existence;

"Shell Company" refers to companies which do not have any physical address or existence;

"NCCT" refers to and stands for Non-Cooperative Countries and Territories; and

"Wolfsberg Principles" refers to all of the principles accepted and treated as an important international guideline for healthy business management in the Private Banking practices by ABN AMRO, Banco Santander Central Hispano, Bank of Tokyo - Mitsubishi UFJ, Barclays, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC, JPMorgan Chase, Societe Generale, and UBS.

## **SECOND PART**

### **Customer Acceptance**

#### **Know Your Customer Principle:**

**Article 3:** Subject to and in accordance with the "Regulations on Prevention of Laundering Proceeds of Crime and Financing of Terrorism" promulgated in the Official Gazette issue 26751 on 09/01/2008, the Bank has adapted the "Know Your Customer" principle in all of its transactions with its retail, individual and corporate customers and all of its corresponding banking relations. To this end, each customer is subject to a preliminary investigation by the relevant bank employees. The purpose here is to ensure openness and transparency in the customer transactions and information, and establishment and maintenance of a relationship based on reciprocal trust.

#### **General Principles in Customer Acceptance:**

**Article 4: (a)** In the Bank, the customer acceptance process is based on and comprised of determination of and collating adequate information about the customer's real identity and address; coherency of the customer's documents and information; the reason of the customer's preference of the bank and the purpose of opening an account; the customer's profession and main revenue- raising activities; profile and capacity of the customer's transactions; suppliers and buyers of the customer; and location of the customer business offices and activities, as well as verifying the accuracy of all such information through other sources.

**(b)** One of the basic responsibilities of the bank employees is to investigate not only the financial assets of the customer, but also the sources of his funds and the customer's name and reputation in legal, social and ethical terms.

**(c)** Customer accounts are opened only in the name of the real beneficiary and user thereof. At the time of account opening, the customers are requested to give a statement that they are acting and transacting in their own name and account, and not in the account of third persons.

**(d)** Unless clearly and legally authorized by the customer and proven so by a documentary proof, and unless the account opening purposes and requirements are clarified adequately, demands of third persons to open accounts in the Bank in the name of one or more persons by proxy or under a power of attorney are not accepted and fulfilled. For the accounts opened in the name of minors, the age limits are checked and controlled.

**(e)** The Bank avoids entering into individual, private banking and credit customer relationships with persons and organizations, about the illegitimate acquisition of whose material assets has been found or detected a doubt, information or documentary proof upon evaluation and investigation by the Bank.

**(f)** At the time of account opening, in addition to and other than the basic determination of the customer's identity, all legal, administrative, financial and personal introductory information, i.e. citizenship number, power of attorney, contract, and contact information such as telephone number and electronic mail address, as well as profession and educational background information are requested and taken. Such contact information is confirmed pursuant to and as per the relevant provisions of the regulation.

**(g)** In the Bank, all customer relationships are based on continuous communication and reciprocal information exchange and trust and transparency. The Bank does not accept as its customer the persons and organizations that show reluctance in and refrain from filling in the customer information and introduction forms, or fail to submit and file the documents required for customer identification, or provide misleading or unverifiable information.

**(h)** It is recommended that enhanced diligence is placed on opening an account for and in the name of exchange offices; jewelers; traders of precious stones and metals such as gold, etc.; persons residing abroad; travel agencies; passenger and cargo transporters; casinos; dealers of luxury vehicles; dealers of antiques; art galleries; carpet traders; real estate brokers; leasers of air and sea crafts and vehicles; traders of finished leather goods; producers and traders of auto spare parts; factoring companies and cash-based businesses and similar other industries and profession groups generally termed and named as "Risky Sectors and Profession Groups", and also that their customer identity and descriptive documents as well as their industry information are recorded carefully and completely, and that their customer accounts are monitored diligently. Moreover, if and whenever deemed necessary, periodic inspection and audit reports are requested and received from foundations and associations, so as to monitor and follow up their fields of activity or their financial standing.

**(i)** The Bank should be cognizant of the sensitivity of organizations and entities managing funds of others such as financial institutions, intermediary institutions, portfolio management companies and investment (mutual) funds shown towards the Prevention of Laundering of Proceeds of Crime, and of the applicable laws and regulations to which they are subject, and of adequacy of their policies and procedures in connection therewith. If and when deemed fit and necessary, the Bank receives and holds an information and statement form or memorandum from its counterparty verifying that the latter shows such diligence and care.

**(j)** It is preferred not to work or cooperate with persons resident in anti-democratic countries and territories of the world, called "Gray Zones", where the rules of the law system are not practiced, and are along the illegal drug production - distribution lines where both the organized crime activities such as smuggling and terrorism, and corruption and bribery are very widespread. However, if and when it is necessary to work or cooperate with such persons, then and in this case, reinforced and enhanced "Know-Your-Customer" principles and approval and monitoring standards are followed up.

**(k)** Because of higher risks contained therein, certain reinforced and enhanced customer recognition (Know Your Customer), approval and monitoring standards are applied for customers resident in, or for transactions associated with, Offshore Centers and (Offshore) Free Zones which are regarded as attractive centers for depositing of the funds earned from organized crime activities or used in financing of terrorism due to the banking secrecy, tax advantages and legal immunity they offer, or International Finance Centers where strict banking secrecy rules and laws are applied.

#### **Customer Identification and Confirmation:**

**Article 5:** Customer identification must be completed at the time of opening a customer account, and legible photocopies of each of the relevant documents shall be received.

The customer identification methods required to be applied are detailed below in the following paragraphs.

#### **(a) Customer identification of natural persons**

(1) In customer identification of natural persons, their name, surname, place and date of birth, nationality, type and number of the identity card, address, sample of signature, and telephone number, fax number, e-mail, if any, and information on job and profession, and for Turkish citizens, as additional information, the names of mother and father and T.R. identity number shall be received.

(2) Name and surname, place and date of birth, mother's and father's name, nationality, type and number of the identity card of the person concerned shall be verified through

(3) T.R. identity card, T.R. driving license or passport for Turkish citizens;

(4) Passport, certificate of residence or any type of identity card considered proper by the Ministry for non- Turkish citizens. After originals or notarized copies of documents which are subject to verification are submitted, their legible photocopy or electronic image shall be received or information regarding the identity shall be recorded in order for submittal upon request of authorities.

(5) The address submitted while establishing permanent business relationship shall be verified through a certificate of residence, any utility bill drawn up within the previous three months from the date of transaction for a service requiring subscription such as electricity, water, natural gas, telephone, any document issued by a public institution or through any other documents or methods approved by MASAK. Legible photocopies or electronic image of the documents to be verified shall be received or the information specific to them shall be received.

#### **(b) Customer identification of legal persons registered to trade registry**

(1) In customer identification of legal persons registered to trade registry, the title of the legal person, its trade registry number, tax identity number, field of activity, full address, telephone number, fax number and e-mail, if any, and the name, surname, place and date of birth, nationality, type and number of the identity card, and a sample signature of the person authorized to represent the legal person and for Turkish citizens, as additional information, the names of mother and father and T.R. identity number shall be received.

(2) The title of the legal person, its trade registry number, field of activity, full address shall be verified through documents of registration to the trade registry; its tax identity number shall be verified through documents drawn up by the related unit of Revenue Administration.

(3) Identification information of persons authorized to represent the legal person shall be verified through identity cards stipulated in Article 5(a) and their authority to represent shall be verified through documents of registration.

(4) After originals or notarized copies of documents which are subject to verification are submitted, their legible photocopy or electronic image shall be received or information regarding the identity shall be recorded in order for submittal upon request of authorities.

(5) In establishing permanent business relationship, the Bank shall verify through consulting records kept by the related trade registry office or the database of Turkish Union of Chambers and Commodity Exchanges whether the information given in registration documents are up-to-date and correct.

(6) In case of a request of transaction, within the scope of an existing permanent business relationship, on behalf of the legal person by a written instruction of the person authorized to represent the legal person the authenticity of the identification information of the person authorized to represent the company may be verified through a notarized signature circular comprising the information in identity cards provided that there is no doubt that the instruction is from the representative of the company.

#### **(c) Customer identification of associations and foundations**

(1) In customer identification of associations the name of the association, its aim, log number, full address, telephone number, fax number and e-mail, if any, and the name, surname, place and date of birth, nationality, type and number of

the identity card and sample signature, and for Turkish citizens, as additional information, the names of mother and father and T.R. identity number of the person authorized to represent the association shall be received. The name, aim, log number and full address of the association shall be verified through the charter of the association and documents of registry in the associations' log; the identification information of the person authorized to represent the association shall be verified through identity cards stipulated in Article 5(a); and the authority to represent shall be verified through documents of authorization to represent.

(2) In customer identification of foundations the name of the foundation, its aim, central registry record number, full address, telephone number, fax number and e-mail address, if any, and the name, surname, place and date of birth, names of mother and father, nationality, type and number of the identity card and sample signature of the person authorized to represent the foundation and for Turkish citizens the additional information as the names of mother and father and T.R. identity number shall be received. Name, central registry record number, full address of the foundation shall be verified through foundation deed and records kept by the General Directorate of Foundations; the identity information of the person authorized to represent the foundation shall be verified through identity cards stipulated in Article 5(a); and the authority to represent shall be verified through documents of authorization to represent.

(3) After originals or notarized copies of documents which are subject to verification are submitted, their legible photocopy or electronic image shall be received or information regarding the identity shall be recorded in order for submittal upon request of authorities.

(4) Customer identification for branches and representatives of foreign associations and foundations in Turkey shall be conducted depending on registry documents in the Ministry of Interior.

#### **(d) Customer identification of trade unions and confederations**

(1) In identification of workers' unions and confederations, information such as name, objectives, registry number, full address, telephone number, fax number (if any) and electronic mail address of the union or confederation, as well as the first name and surname, birth place and date, mother's name, father's name and nationality of the persons authorized to represent the union or confederation, and T.R. identity number, and type and number of identity document as for the Turkish citizens are received and collated. The information collected as above is confirmed through comparison with the internal bylaws of these entities and other registration documentation kept in the provincial labor directorates affiliated to the Ministry of Labor and Social Security, and identity of the real persons acting for and on behalf of the union or confederation is determined in accordance with the real person customer identification method, while their authorization is confirmed through the said registration documentation or the certificates of authorization granted to them.

(2) After originals or notarized copies of documents which are subject to verification are submitted, their legible photocopy or electronic image shall be received or information regarding the identity shall be recorded in order for submittal upon request of authorities.

#### **(e) Customer identification of political parties**

(1) In identification of political party organizations, information such as name, full address, telephone number, fax number (if any) and electronic mail address of the relevant unit of the political party, as well as the first name and surname, birth place and date, mother's name, father's name and nationality of the persons authorized to represent the political party, and T.R. identity number, and type and number of identity document as for the Turkish citizens are received and collated. The information of name and address of the relevant unit of the political party is confirmed through comparison with its internal bylaws, and identity of the real persons acting for and on behalf of the political party is determined in accordance with the real person customer identification method, while their authorization is confirmed through the certificates of authorization granted to them.

(2) After the originals or notarized copies of documents which are subject to verification are submitted, their legible photocopy or electronic image shall be received or information regarding the identity shall be recorded in order for submittal upon request of authorities.

#### **(f) Customer identification of non-resident legal persons**

Customer identification of non-resident legal persons shall be made through copies of the documents approved by the consulates of the Republic of Turkey corresponding to the documents in related country required for legal persons residing in Turkey or through the copies of the documents attached apostille by an authority of the country which is a party to the "Convention on Abolishing the Requirement of Legislation for Foreign Public Documents". Also, in a risk-based approach, when necessary, identity information shall be verified through notarized Turkish translations of copies of the documents.

#### **(g) Customer identification of unincorporated organizations**

(1) In the banking transactions carried out on behalf of unincorporated organizations such as building, housing estate or business center management, information such as name of the organization, its full address, telephone number, fax number (if any) and electronic mail address of the relevant organization, as well as the first name and surname, birth place and date, mother's name, father's name and nationality of the persons authorized to represent the organization, and T.R. identity number, and type and number of identity document as for the Turkish citizens are received and collated.

(2) The accuracy of identity information of the real persons acting for and on behalf of the organization is determined and checked in accordance with the real person customer identification method, while the information about the organization and the authorization of the real persons acting for and on behalf of the organization are confirmed through the notary-certified decision book of the organization. Information indicating the name, aim, activity field and the address of the partnership shall be verified through notarized partnership agreement, tax identification number shall be verified through the certificates drawn up by the relevant unit of Revenue Administration, identity of persons requesting transaction on behalf of the joint venture shall be verified through identity documents stipulated in Article 1.(a), authorization shall be verified through the documents indicating the authority to represent.

(3) After the originals or notarized copies of documents which are subject to verification are submitted, their legible photocopy or electronic image shall be received or information regarding the identity shall be recorded in order for submittal upon request of authorities.

#### **(h) Customer identification of public institutions**

In the banking transactions entered into with public administrations in the coverage of general administration, or with professional organizations treated as public administrations, as per and under the Public Fiscal Administration and Control Law no. 5018, identity of the real persons acting for and on behalf of these entities is determined and checked in accordance with the real person customer identification method, while the information about the authorization of the real persons acting for and on behalf of the organization is confirmed through the certificates of authorization issued in accordance with the laws.

#### **(i) Customer identification of those acting on behalf of others**

(1) In the event that a transaction is requested on behalf of legal persons or unincorporated organizations by persons who are given the authority by the persons authorized to represent;

i) Customer identification of legal persons and unincorporated organizations shall be carried out in accordance with Articles 5(b) to (g)

ii) Customer identification of persons authorized to represent legal persons or unincorporated organizations and the persons who are given the authority by persons authorized to represent shall be carried out in accordance with the procedure in Article 5(a). In cases where the customer identification of the person authorized to represent cannot be

carried out through the identity documents specified in Article 5(a), the customer identification shall be carried out through power of attorney or circular of signature provided that they contain the information specified in identity documents and that they are notarized.

iii) Authorization of persons who are given the authority by the persons authorized to represent shall be verified through notarized proxy or a written instruction of persons authorized to represent. The signatures on the written instruction of persons authorized to represent are verified through their signatures on the notarized circular of signature.

(2) In the event that transactions are made by another person on behalf of a customer that is natural person, customer identification of the person acting on behalf of the customer shall be carried out in accordance with Article 5(a). Besides, authorization of the person acting on behalf of the customer shall be verified through the notarized power of attorney. In cases where identification of the customer on behalf of whom the act is carried out cannot be conducted in accordance with Article 5(a), it shall then be conducted through the notarized power of attorney.

In the event that the identification of the customer on behalf of whom the act is carried out has already been made due to previous transactions, the requested transaction can be conducted through the written instruction of the customer on behalf of whom the act is carried out provided that the customer's signature on the written instruction is verified through his/her signature which is already available to the Bank.

3) In transactions carried out on behalf of minors and persons under legal disability by their legal representatives, the authority of those appointed as guardian by court decision, curators and trustees are verified through the original or notarized copy of the relevant court decision. In the event that fathers and mothers request a transaction on behalf of their minor child, it shall be sufficient to identify the child on behalf of whom the transaction is requested and the parent requesting the transaction in accordance with Article 5(a).

(4) After documents which are subject to verification are submitted, legible photocopy or electronic image of their originals or notarized copies shall be received or information regarding the identity shall be recorded in order for submittal upon request of authorities.

### **Customer identification in the subsequent banking transactions**

**Article 6:** In the subsequent banking transactions effected as a part of continuous business relationship with customers who have already been identified in accordance with the established procedures, only identity information is received and is then compared to the information kept in the bank. In the case of suspicion about accuracy of the information received, the accuracy of such information is checked through comparison of the information held by the bank with the information contained in the confirmatory identity documents or their notary-certified copies after submission and filing of the latter.

In the subsequent face-to-face transactions conducted under permanent business relationship of those who were duly identified formerly, identity data shall be received and compared with the Bank's data. After making comparison, the name and surname of the natural person who is conducting the transaction shall be entered into the related document and his/her sample signature shall be received. In the event that there is suspicion on the authenticity of the data received, these data shall be verified after the submission of identity documents which are subject to verification or of their notarized copies with the Bank's data. As to the subsequent transactions conducted by using the systems allowing non-face-to-face transactions, necessary measures shall be taken for authentication of the customer and updating the information for customer identification.

### **Customer identification of those acting for the benefit of others**

**Article 7:** "Beneficial owner" refers to the natural person(s) who ultimately owns or controls a customer and/or the person on whose behalf a transaction is being conducted. It also incorporates those persons who exercise ultimate effective control over a legal person or arrangement.

(a) Necessary actions are taken in order to determine whether the applicant is acting for and on behalf of another person or not, and the identity of the real user and beneficiary of the intended transaction. To this end, reminder notes as to the responsibility of persons acting in their own name, but in account of other persons are posted at places easily visible by all customers in all Branch Offices and Departments of the Bank serving directly to the customers.

(b) In cases where the person requesting the transaction declares that he/she is acting for the benefit of someone else, the identity and the authority of the person/legal person requesting the transaction and the identity of the person/legal person for the benefit of whom the transaction is conducted shall be identified in accordance with Article 5..

(c) In cases where there is a suspicion that the person is acting in his/her own name but for the benefit of someone else although he/she has declared that he/she is not acting for the benefit of someone else, measures for the identification of the beneficial owner shall be applied

### **Identification of Beneficial Owner**

**ARTICLE 8:** (a) The Bank shall take necessary measures in order to detect the beneficial owner. The identification documents shall be verified. A notarized circular of signature including identity information can be used in this respect.

(b) When establishing permanent business relationship with legal persons registered to trade registry, the Bank shall identify, in accordance with article 5, the natural or legal person partners holding more than twenty-five percent of the legal person's shares as the beneficial owner.

(c) In cases where there is a suspicion that the natural person partner holding more than twenty-five percent of the legal person's shares is not the beneficial owner or where there is no natural person holding a share at this rate, necessary measures shall be taken in order to detect the natural person(s) who is/are ultimately controlling the legal person. And natural person(s) detected shall be considered as beneficial owner.

(d) In cases where the beneficial owner can not be detected according to paragraph (b) and (c), the natural person(s) registered to trade registry that have the power and authority to represent the legal person at the top-level management shall be considered as beneficial owner.

(e) In a permanent business relationship with other legal persons and unincorporated organizations, necessary measures shall be taken in order to detect the natural person(s) who is/are ultimately controlling the legal person. In case where the beneficial owner can not be detected, the natural person(s) that have the power and authority to represent the legal person at the top-level management shall be considered as beneficial owner.

## **THIRD PART**

### **Appointment of Compliance Officer, Powers, Duties and Responsibilities of Compliance Officer**

#### **Appointment of Compliance Officer:**

**Article 9:** Pursuant to the provisions of Article 4 of the Regulation on Actions and Measures, and Article 29 of the Regulation on Compliance Program for Prevention of Laundering Proceeds of Crime and Financing of Terrorism promulgated in the Official Gazette issue 26999 on 16/09/2008, the Bank appoints an exclusive Compliance Officer bearing and satisfying the qualifications sought for in Article 30 thereof, who will administratively report directly to the Board of Directors.

Bank branches established abroad are to assign "Compliance Officers" which will be responsible toward the official authorities and governmental bodies of the country.

## **Powers, Duties and Responsibilities of Compliance Officer:**

**Article 10:** (a) To investigate, to the extent of reach of his powers and within the bounds of possibility, the suspicious or dubious transactions or actions reported to him or learned directly by him ex officio, and to evaluate the resulting findings and information, and to report to MASAK (The Financial Crimes Investigation Board) the transactions believed to be suspicious;

(b) To act in good faith, reasonably and honestly, neutrally and with his own free will and volition in reviewing and evaluating the suspicious transactions and in reporting them to MASAK, and to take all required actions for confidentiality of such reports and disclosures;

(c) To request all kinds of information and documents from all and any units and organs of the Bank as and to the extent required in the course of evaluation and review of suspicious transactions and

(d) To conduct and manage the training, research, development, supervision, monitoring, oversight and control activities and to assure the required coordination and communication with MASAK with a view to ensuring compliance of the Bank with all its obligations arising out of the relevant laws, regulations and communiques.

## **FOURTH PART**

### **Reporting of Suspicious Transactions and Suspicious Transactions with Postponement Request**

#### **Suspicious Transactions:**

**Article 11:** Suspicious transaction is the case where there is any information, suspicion or reasonable grounds to suspect that the asset, which is subject to the transactions carried out or attempted to be carried out, has been acquired through illegal ways or used for illegal purposes and is used, in this scope, for terrorist activities or by terrorist organizations, terrorists or those who finance terrorism.

#### **Principals of Reporting Suspicious Transactions:**

**Article 12:** (a) It is a duty and obligation of all Bank employees to recognize, detect and report suspicious transactions or activities.

(b) Suspicious activities and transactions are reported to MASAK, regardless of the amount thereof.

(c) When necessary, multiple transactions shall be taken into consideration together in order to determine whether there is suspicion or a reasonable ground to suspect.

(d) Reporting of suspicious activities and transactions as a part of continuous information and reporting obligations does not eliminate or abolish the specific obligation of reporting of a certain suspicious activity and transaction.

(e) Suspicious Transaction Reporting Forms (STRFs) will be signed jointly by the employee in charge of underlying transaction and by the employees holding signature authority for completion of the transaction, and will be sent first to the Compliance Officer. In the case of a disagreement between the employee in charge of underlying transaction and the employee(s) holding signature authority for completion of the transaction as to whether the underlying transaction is suspicious or not, the Suspicious Transaction Reporting Form is filled in and sent with single individual signature to the Compliance Officer.

(f) The Compliance Officer will review and evaluate the information contained in the Suspicious Transaction Reporting Forms sent to him by also considering the contents of the relevant applicable laws, regulations and communiques, and depending on the results of evaluation, will decide to or not to report the underlying transaction as a suspicious activity to MASAK.

(g) The Compliance Officer will act in good faith, reasonably and honestly in the course of decision making process. The Suspicious Transaction Reporting Forms decided not to be reported and transmitted will, together with the written grounds thereof, be kept and archived for a period of 8 years for submission to the official authorities if and when requested or deemed necessary.

(h) It is obligatory to report the suspicious activities or transactions to MASAK within 10 (ten) days following the date of detection or learning

(i) A suspicious transaction reporting to MASAK may in no case be disclosed by the Bank to any third person, including, but not limited to, the parties to the underlying transaction, except for the competent courts in the course of a pending case or proceeding and for the bank inspectors and auditors in charge of supervision of compliance with the legal obligations relating thereto.

### **Principals of Reporting Suspicious Transactions with Postponement Request:**

**Article 13:** If there is any document or serious indication supporting suspicion that the assets which are the subject of a transaction attempted to be conducted or currently going on within or through the Bank is linked to offence of laundering or financing of terrorism, the Bank shall submit a suspicious transaction report (STR) to MASAK with their grounds including the request of suspension of the transaction.

The indicators specified below can be considered as documents supporting the suspicion or serious indication;

(a) If the transaction which is the subject of a STR with a request of suspension has an extraordinary qualification,

(b) It is understood after the controls made in various databases or other resources that the person(s) carrying out the transaction is or might be related to the offence,

(c) There is a risky situation that if the transaction is completed then seizure of the funds or the proceeds of crime thought to be related to financing of terrorism might be prevented or complicated.

The Bank submitting STRs with the request of suspension to MASAK shall abstain from execution of the transaction until the decision on the transaction to be made by the Minister is notified to them by MASAK. Duration of postponement of transactions cannot exceed seven work days following the submitting date of the STR by the Bank. If the decision on the transaction is not notified within that period, the Bank might execute the transaction.

## **FIFTH PART**

### **Execution of Decisions on Freezing of Asset**

#### **Execution of Decisions on Freezing of Asset**

**Article 14:** MASAK is responsible for the execution of the decision on freezing of asset made in accordance with the provisions of the Law. Masak shall send the decision on freezing of assets through electronic mail, fax or by publishing on the web site to the Bank. The Bank shall take necessary actions to freeze the asset immediately without delay and shall inform MASAK within seven days. MASAK shall also notify the repealing decisions to the persons, organisations and institutions that's assets have been frozen.

## **SIXTH PART**

### **Audit and Internal Control**

#### **Internal Control:**

**Article 15:** Internal Control Department is responsible for internal control activities. Scope of Internal Control Activities is detailed below:

- (a) Monitoring and control of the customers and transactions categorized as highly risky;
- (b) Monitoring and control of the transactions executed with risky countries and territories;
- (c) Monitoring and control of complex and unusual transactions;
- (d) Checking and testing by sampling method of whether the transactions in excess of a certain threshold amount to be determined in line with the current risk policies are coherent and congruous with the customer profile or not;
- (e) Monitoring and control of associated and related transactions which, when taken together, exceed a certain threshold amount that requires identification of customer;
- (f) Control of the information and documents required to be kept in writing or in electronic medium and of the information required to be given in electronic fund transfer messages about the customer, and requesting the completion of deficiencies, if any, and updating the same if and when required; and
- (g) Risk-focused control of the banking services which may become exposed to fraud due to newly introduced banking products and technologic innovations and advancements.

#### **Audit:**

**Article 16:** The Board of Internal Auditors will carry out its audit and supervision activities so as to inspect, supervise and check on yearly basis and with a risk-based approach whether the Bank's applicable policies and procedures and its risk management, monitoring and control activities and training activities are adequate and efficient or not, and whether the Bank's risk policy is adequate and efficient or not, and whether the transactions are effected and executed in compliance with the Law and the regulations and communiques associated thereto and issued there under and the Bank's internal policies and procedures or not.

- (a) Deficiencies, faults, errors and frauds detected as a result of internal audit are reported to the board of directors, together with comments and suggestions on prevention of recurrence or repetition of them.
- (b) The deficiencies and problems detected in the course of monitoring and control activities and initiatives, as well as the risky customers, services and transactions are all included in the scope of audit.
- (c) The units, divisions and transactions to be audited will be determined by considering the Bank's operational size and transaction volume. Accordingly, the intention will be to audit a sufficient number of units, divisions and transactions of adequate qualifications representing all of the transactions executed by the Bank.

## **SEVENTH PART**

### **Periodic Reporting, Retaining and Submitting Obligations**

#### **Periodic Reporting Obligations:**

**Article 17:** The Bank is under obligation to report to MASAK all and any transactions to which it is a party or is involved in as the intermediary which are in excess of a threshold amount determined by the Ministry of Treasury and Finance if demanded so.

## **Retaining and Submitting Obligations:**

**Article 18: (1)** The Bank shall retain for eight years, the documents, in all forms, regarding their transactions and obligations starting from the drawn up date, books and records from the last record date, identification documents from the last transaction date; and submit them when requested. The starting date of retaining period relating to documents on customer identification concerning the accounts is the date when the account has been closed.

**(2)** Documents and records of suspicious transactions reports made to MASAK or internal reports made to the compliance officer, documents attached to reports, the written reasons relating to suspicious transactions decided not to be reported by compliance officer, are all in the scope of obligation of retaining and submitting.

## **EIGHT PART Training**

### **Training:**

**Article 19:** With a view to ensuring and assuring compliance with the obligations and liabilities arising out of the Law and relevant regulations and communiques, and forming and establishing a corporate culture by enhancing and improving the consciousness of the personnel about their liabilities and responsibilities relating to the corporate policies and internal regulations and on risk-based approach issues, and keeping the personnel informed and aware about the developments, the Internal Control Department and the Human Resources Department will organize the required training courses and programs and ensure participation of all of the relevant personnel thereto.

Training Programs will be prepared and arranged so as to cover the following points and issues at minimum:

- (a) Concepts of laundering of crime revenues and financing of terrorism;
- (b) Stages and methods of laundering of crime revenues and proceeds, and case studies thereon;
- (c) Laws and regulations pertaining to prevention of laundering of crime revenues and financing of terrorism;
- (d) Risk areas;
- (e) Corporate policies and procedures;
- (f) Within the frame of the Law and other associated regulations:
  - Principles as to know-your-customer;
  - Principles as to reporting of suspicious activities and transactions;
  - Safekeeping and submission obligations;
  - Obligation to give and disclose information and documents and
  - Sanctions applicable in case of breach of these obligations;
- (g) Training activities about international arrangements and regulations on combat against laundering and financing of terrorism will be conducted under supervision and coordination of the Compliance Officer. Training programs will be continuously reviewed and revised according to the current needs, and will be regularly and periodically repeated so as to keep the knowledge of all relevant Bank personnel updated in line with their duties, obligations and liabilities.

## **NINTH PART Special Conditions**

### **Special Conditions:**

**Article 20:** (a) The Bank has agreed and undertaken to comply with Wolfsberg Principles in its Private Banking practices and transactions.

(b) The Bank pays utmost attention in accepting only customers the origin of whose wealth and funds can be reasonably determined. The attention or diligence required to be shown here is comprised of obtaining from the prospective customer and reviewing and verifying before the account is opened all of the data and information such as

purpose of account opening, expected account activities, source of wealth, estimated net worth, source of funds and if any, references for validation of commercial prestige and reputation. The primary responsibility herein is borne by the Bank employee who brings in the customer to our Bank.

(c) Furthermore, customers established or residing in highly risky countries and offshore territories and those working in highly risky fields of business and civil servants and governmental officers of every hierarchical level and their relatives are also the customers required to be handled carefully.

(d) The Bank pays utmost attention not to accept any customer established or residing in Non- Cooperative Countries and Territories (NCCT) list issued and published by FATF.

(e) The Bank does not accept as customer, or to act as intermediary even in indirect transactions of, banks and companies (shell bank or shell company) which do not have any physical existence or address in any country and at least one employee working on full-time basis and are not subject to the audit of any official authority regarding its banking transactions and records.

(f) The Bank does not accept as customer any persons or entities named in the Black Lists issued and published by the Governmental Authorities in respect of Prevention of Laundering Proceeds of Crime and Financing of Terrorism. The Bank ceases the pending banking transactions and relations if and when any such event is detected or learned in the course of customer relations.

(g) The Bank does not accept any money in cash equal to TL 100,000 or its equivalent in any foreign currency as cash transactions.

(h) In all fund and money transfers executed through the Bank, the Bank requests inclusion in transfer messages the full name and address information and account numbers of the remitter and remittance beneficiary, and no money transfer to accounts termed as "Anonymous Account" is acceptable.

(i) The Bank does not accept to start a customer relationship with the receipt for collection purposes of personal checks drawn on foreign banks in foreign currency. The Bank takes care in providing the services of receipt of checks in foreign currency for collection or for discount and negotiation purposes only to persons or companies who have a deep and rooted trading past and reputation and whose business volume and material assets and properties are balanced with the amounts of checks accepted for discount and negotiation purposes and whose trading activities and transactions and business ethics are known in details.

(j) The Bank in no event accepts the opening of any account unnamed/anonymous or in the name of any person other than its real known holder.

(k) Politically Exposed Persons (PEPs): According to the FATF terminology, Politically Exposed Persons mean State or Government Heads entrusted with top level public office, and high level politicians, government officials, judicial or military personnel, political party officers and representatives at critical positions, and the persons that can be characterized as executives of public institutions in a foreign country. Before any person covered by this definition is accepted as customer, special know-your-customer principles are applied and prior consent of the top executive management of the Bank is received.

(l) Correspondent Banking: In addition to basic issues such as whether the correspondent financial institution has in the past ever been subject to any investigation and/or to any sanction or punishment regarding the laundering of crime revenues and proceeds or financing of terrorism, the bank should also take the following measures in regards with its potential advising/correspondent financial institution:

- Wholesome information should be obtained about the subject of activity, reputation and sufficiency of the audits carried out on the correspondent financial institution by use of information open to the public;
- Correspondent financial institution's controls about prevention of the laundering of crime revenues and proceeds and financing of terrorism should be assessed;

- Approval of the top manager of the correspondent financial institution should be received, and the obligations of each organization should be documented before establishing correspondent relations, and
- With regard to correspondent accounts, it should be guaranteed that the customer identity information are confirmed by the bank, that "attention" clause regarding the customers who have direct access to the accounts of the correspondent bank is fulfilled, and that identity information of the related customer can be submitted to the correspondent bank upon request.

For this purpose, the Bank may, in its sole discretion and if deemed fit and necessary, introduce specific customer acceptance rules, including but not limited to requesting from other financial institutions applying to open correspondent account in the bank, a survey form containing the above given information in writing, and implement specific work flows for which top executive's approval is required.

(m) The Bank pays utmost attention against the risk of use of the opportunities created by new and developing technologies for the purposes of laundering of money and financing of terrorism, and takes appropriate measures for prevention purposes.

(n) The Bank may enter into business relations or be involved in transactions with customers by relying upon the measures and actions taken by another financial institution in respect of determination of identity of the customer and any person acting for and on behalf of the customer and any real user or beneficiary thereof, and in collection of information about the motives underlying the business relation or transaction as the case may be. However, the Bank assumes final responsibility therein. In order to rely upon a third party as above, the Bank must make sure that the counterparty complies with requirements of the know- your-customer principle and rules, and that certified copies of identity documents will be submitted and furnished upon demand.

(o) The Bank pays utmost attention not to accept any customer sanctioned and published on the OFAC, European Union (EU), United Nations (UN) and French sanctions lists.

The Bank may use consolidated lists which are consolidated by other institutions. The lists shall be updated every month by the Internal Control Department.

(p) The Bank, on a risk based approach, shall take enhanced measures for the below detailed transactions:

- Complex and unusual large transactions and the ones which have no apparent reasonable legitimate and economic purpose
- Transactions done with risky countries
- Transactions done through new and developing technologies
- Non face-to-face wire transfer transactions
- Transactions which are not suitable with the customers economic situation and business activities.

#### **Enhanced Measures**

- Obtain additional information about the customer and update identification data of the customer and beneficial owner more regularly,
  - Obtain additional information on the intended nature of the business relationship,
  - Obtain information, to the extent possible, the source of funds of the customer,
  - Obtain information on the reasons for the transaction,
  - Obtain approval of senior management to continue the business relationship or carry out the transaction,
  - Increase the number and frequency of the controls
- When setting a permanent business relationship, request the first financial transaction to be carried out through another financial institution that applies customer due diligence principles.

## **TENTH PART**

### **Updating**

**Updating:**

**Article 21:** This Internal Regulation will, if and when deemed necessary, be updated by the authorized officers for submission to the Board of Directors for approval.

**ELEVENTH PART**

**Effective Date**

**Effective Date:**

**Article 22:** This Internal Regulation will become effective upon the Board of Directors approval.