

Policy of Prevention of Money Laundering and Terrorism Financing

23 December 2011

Version 1.1

Fibabanka A.Ş. Policy on Prevention of Money Laundering and Terrorism Financing

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1. SUMMARY OF THE POLICY

Policy name	Policy on Prevention of Money Laundering and Terrorism Financing
Version	1.1
Policy Owner	Legislation and Compliance
Effective Date	
Revision Date	
Revision frequency	Every year
Status	

2. HISTORY OF THE POLICY

No	Version	Date	Prepared by (Name and Surname, Job)	Change
1	1.0	23.01.2009	Tuba Bayral – Compliance Officer	
2	1.1	23.12.2011	Serdal Yıldırım – Compliance Officer	Renewed for compliance with CEB NV policies and procedures.
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3. PURPOSE

Criminal proceeds (black money) laundry generally means all transactions done or participated so as to hide the illegal source of revenues from primary crimes, and to show such revenues as if acquired from a legal source.

In its daily activities, Fibabanka faces the risk of showing illegal money as legal by performing a payment or accepting deposits. Black money smurfs seek ways to legalize illegal funds by giving the image of legally acquired funds from financial transactions within the financial system. To annihilate the risk of being an intermediary to laundry of black money, Fibabanka acts cautiously in performing customer transactions.

To assist banking sector in preventing laundry of criminal proceeds and terror finance, various international organizations publish preventive, detective and removing standards.

Purpose of this policy is to create a general framework on combat with laundry of criminal proceeds and terror finance, and all employees are obliged to conduct their activities in accordance with this policy. Within this context, in addition to local legislation, Fibabanka adopts;

- FATF's standards on laundry of black money and terror finance,
- Basel Committee regulations on customer acceptance,
- Wolsberg Group's principles on black money laundry,

as best practices in banking sector, and operates according to these.

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4. SCOPE

In response to mounting concerns of international community on laundry of criminal proceeds and terror finance, many countries in the world are strengthening and continuously review their laws and regulations on this matter.

Fibabanka is obliged to ensure that the legal obligations arising from various applicable laws and regulations against laundry of criminal proceeds and terror finance are fulfilled by Fibabanka branches, headquarters units and affiliates. Fibabanka's offices, branches or affiliates abroad must comply with the standards of the country of their operation if the legislation of that country is stricter than those stated in this policy.

Consequently, Fibabanka and each of its affiliates, branches and offices must develop their own compliance program to prevent laundry of criminal proceeds and terror finance. Said compliance programs must cover this policy, Fibabanka's Know-Your-Customer Policy and local Procedures on Prevention of Criminal Proceeds Laundry and Terror Finance and Know-Your-Customer Procedures at minimum. Local procedures must meet the conditions stated in the laws and regulations of that country and in this policy.

If applicable laws and regulations conflict with this policy, related Fibabanka affiliate/branch/office must refer to local Compliance officer or Country Compliance Officer for settlement of such conflict.

5. DEFINITIONS / STANDARDS

Crime Proceeds (Black Money): all economic benefits and values obtained from acts considered as crime by laws.

Primary Crime: primary crimes related to money laundry are the crimes of acquiring assets directly or indirectly from all crimes such as corruption, misappropriation, organized crimes requiring one year or more imprisonment.

Laundry Crime: to take abroad any assets arising from crimes, or hide their illegitimate source, or make the same subject to various transactions in order to create an impression of being acquired legitimately; or buy, accept, maintain or use any asset constituting the subject of money laundry crime by knowing such nature.

Terror Finance: collecting or providing money or any goods, rights, receivables, revenue and benefit that can be valued in terms of money, by knowing and intentionally, in order to use in committing terror crimes. Even though the funds are not used, offender shall be considered committed the crime and sentenced likewise.

Real beneficiary: means the real person(s) who controls those real persons that perform the transaction with the Bank, or those real persons, legal entities or organizations with no legal entity in whose name the transaction is made, or who is the ultimate beneficiary of the accounts or transactions of them.

Suspected Transaction: Suspected transaction is a case when there is any information, suspicion or any issue requiring suspicion that an asset that is the subject of the transaction entered into or attempted by or via the obligators is acquired illegitimately or used for illegal

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purposes, or used for terrorist acts or by terrorist organisations, terrorists or terror financiers or related or connected with these.

Secret Keeping: The information on notification of suspected transaction to MASAK may not be shared with any person including those who are the parties to the transaction, except the audit personnel commissioned with obligation audit and courts during trials.

MASAK: Mali Suçları Araştırma Kurumu (Financial Crimes Investigation Board)

Compliance Officer: means the personnel appointed by our Bank's Board of Directors and equipped with required authorization in order to ensure compliance of our Bank with the obligations introduced by MASAK legislation. Head of Legislation and Compliance Department is Fibabanka's compliance officer.

CEB: means Credit Europa Bank Group including the parent Credit Europa Bank. N.V. and its subsidiaries.

FATF: means Financial Action Task Force. It means the financial task force set up by G7 countries in 1989 for prevention of money laundry.

OFAC: means Office of Foreign Assets Control. It is the department of the Treasury of United States of America that executes the economic and commercial sanctions on countries, people and groups that engage in terrorism, narcotics traffic and other crimes.

BASEL: International Bank of Settlements' committee that is established by participation of the officials of central banks and banking supervisory authorities of developed countries, and publishes the international advisory standards on banking issues

6. GENERAL RULES AND PRINCIPLES

Fibabanka's standards against black money laundry, terror finance and other fraudulent acts contain the efforts to prevent misuse of Fibabanka for such purposes.

Fibabanka establishes and develops relationships with customers, the wealth and revenue sources and commercial activities of whom can be reasonably concluded to be legal. To this end, Fibabanka performs customer assessment for each possible customer before entering into business relationship, and continuously tracks the legality of the business of customer within its authorization and means throughout the time it serves the customer.

The standards described in the following sections must be understood as minimum standards set by Fibabanka based on the legislation

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6.1. Risk Detection

To minimize black money laundry risk, Fibabanka must apply appropriate know-your-customer procedure before entering into business relationship with a customer, and monitor the customer transactions performed by the customer during the continuation of the relationship.

Risk of black money being laundered through financial institutions can be managed most effectively by understanding the possibility that customers and their transactions may be held subject to black money laundry, and by establishing connection between transactions and risk.

In measurement of potential black money laundry risk, it is recommended to consider and evaluate country risk, customer risk and product/service risk factors.

Local Black Money Laundry Procedures would serve as guide in detecting customer's black money laundry risk.

During customer acceptance, names must be checked against national and international black lists using one or more internal and/or external application.

Status of the customers who are defined as risky would serve as evidence in monitoring customer transactions. Monitoring the transactions of risky customer is one of the main elements of the Procedure on Prevention of Criminal Proceeds Laundry and Terror Finance.

6.1.1. Country Risk

Country risk, along with other risk factors, provides useful information on potential black money laundry risk. There is no definition recognized by governments or institutions that a certain country is riskier.

Factors that allow us to conclude that a country is riskier can be listed as;

- Countries subject to sanctions, embargoes and likewise measures applicable by United Nations (UN), European Union (EU), US Foreign Assets Control Office (OFAC) etc. institutions,
- Those who are defined by FATF as;
 - ✓ Not cooperating on combat with black money laundry,
 - ✓ Not having sufficient laws and regulations against black money laundry
 - ✓ Providing funds and assistance to terrorist acts,
 - ✓ Countries where considerable level of corruption and other crimes are committed.

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6.1.2. Customer Risk

Defining the potential black money laundry risk that can be caused by a customer would be an important input in evaluating total black money risk. Fibabanka needs to determine whether a certain customer would cause higher black money laundry risk or not, based on its own criteria. It would be important to emphasize various risk variables in this definition.

There is no generally accepted consensus on which customers cause higher risk, but we think that a customer who has the properties below would potentially carry higher black money laundry risk.

- Companies established in offshore, ambiguous and seemingly non-aligned jurisdictions. (non-cooperating countries in FATF's black list, and the countries in similar databases, or those in the list of those whose assets are frozen by competent authorities).
- Customers operating in high risk business lines (those engaged in trade of precious stones and metals, casinos etc.).
- Cases where the real beneficiary cannot be identified or is not disclosed.
- Customer who establish relationships with the Bank through an intermediary (proxy). In relationships established via intermediary / proxy, applying sufficient procedures for the intermediary / proxy would reduce the black money laundry risk as provided in local regulations.
- People with high political influence (PEPs).
- Customers which don't have a transparent shareholding structure.
- Charity organizations and non-profit organizations which are not subject to any audit.

6.1.3. Service Risk

Defining the laundry of criminal proceeds and terror finance risk that may be caused by a service provided by Fibabanka would also help assess the total black money risk. Services with higher black money laundry risk must be included in evaluation of total black money risk. When determining whether the services provided contain black money laundry risk or not, definition of regulators, government authorities and other reliable sources, on products with high black money laundry risk must be taken into consideration.

For example;

- International correspondent banking transactions,
- Delivery and trade of cash and valuable assets,

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- Commercial finance transactions intended to be entered into for extraordinary prices,
- Non-standard businesses. For example; a service or product that the customer describes in a way and intends to buy from Fibabanka. A banking transaction that Fibabanka has not offered previously.

For the avoidance of doubt, it must be known that, no service that would allow the customer to transact anonymously, preventing being identified.

6.2. Identification

Before entering into business relationship with a customer, Fibabanka performs customer evaluation for each customer candidate. In cases where identification is not possible or no sufficient information on the purpose of the business relationship can be obtained; no business relationship will be established, and the requested transaction will not be performed. During the continuation of the relationship, Fibabanka will continuously monitor the customer and his/her/its business, to be sure of their legality.

During Customer acceptance, Fibabanka will identify and verify the potential customer's ID.

An imperative part of customer evaluation is comparison of names against internal and external blacklist. This process covers reviewing publicly available data sources about the customer in order to avoid entering into relationship with customers that have a bad reputation.

It is essential to meet the customer face to face and identify them. In cases where this is not possible, customer's ID must be verified by reliable third party sources.

6.3. Identification of Real Beneficiary

In cases where is necessary to identify the real beneficiary, appropriate identification of the real beneficiaries is required.

Identification of real beneficiaries in legal persons, is done by identifying the real owner of the legal entity and producing with appropriate documentation.

6.4. Purpose of Account Opening

Before opening an account for a customer, Fibabanka must obtain sufficient information on the purpose and reasons of account opening.

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6.5. Embargo

National authorities and supranational entities like European Union, United Nations apply restrictive measures against some countries, organizations, groups, companies and real persons based on the suspicion that they violate internationally recognized behaviours and norms or act like terrorists or support terrorism. Names of such designated people are listed in detail in regularly updated embargo and sanctions lists. If there is a similarity between the name on the sanctions list and the ID information at the Bank, it should be reported to Legislation & Compliance Department. Legislation & Compliance will assess the case, and report to authorities if it deems necessary.

Likewise, restrictive measures which are also binding for banks are applied for some designated regions. Within this context, most widely applied measures are arms embargo and financial embargo. Arms embargoes generally cover all products that can be used for military purposes and associated services. Financial embargos generally prohibit usage of certain assets by certain countries, organizations, groups, companies and real persons or provision of any financial service to such people, and has important role in combat against terrorism.

Bank employees are banned to intentionally help customers who directly or indirectly trade and deal with embargoed countries, organizations, groups, companies and real people.

6.6. Monitoring

Fibabanka must set up a continued monitoring structure to detect suspected transactions.

Fibabanka monitors all its customers and their financial activities to the extent of its means, in order to be aware of customers' noteworthy transactions and increasing account movements, thus detect improper customer behaviour.

Transactions which cannot be explained reasonably are defined as suspected transactions. Extraordinary and suspected transactions may cover the transactions below:

- Transactions incompatible with customer profile,
- Transactions above a certain amount,
- Intent of splitting an incoming or outgoing amount into parts without reasonable explanation,
- Transfer of company funds to personal accounts or vice versa,
- Suggestion or acceptance of improper transaction conditions,
- Avoiding identification,
- Other extraordinary and suspected transaction indications designated by competent authorities.

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6.7. Suspected Transaction Notification

Pursuant to the laws and regulations, Fibabanka is obliged to report any transaction found as suspected, to competent authorities. Competent authority in Turkey is Mali Suçları Araştırma Kurulu (Financial Crimes Investigation Board - MASAK).

To help determine whether a transaction is suspected or not, competent authorities have designated objective suspected transaction types suspected which are mandatory to be reported. In addition, there are subjective indicators that require more detailed analysis.

If, as a result of its detailed investigation, Fibabanka cannot conclude that the transaction is not suspected, it will report suspected transaction to the competent authority.

6.8. Document and Record Keeping

- All documents related to transactions,
- All documents related to identification,
- All documents related to black money laundry and terror finance

must be kept, for presentment to authorities upon request. Procedure on Prevention of Criminal Proceeds Laundry and Terror Finance, and Know-Your-Customer Procedure contain detailed information on document and record keeping obligation.

6.9. Training

All employees who are directly in relationship with customers, and the personnel who are authorized to perform cash and non-cash financial transactions, and the personnel who work at departments that assist the transactions (legislation and compliance, audit, internal control, data processing centers etc.) must be trained when starting the job and regularly thereafter, on duties and responsibilities arising from the legal obligations related prevention of black money laundry. Basic principle is to have all employees trained.

7. DISTRIBUTION

Date	Distributed to (Name and Surname, Job)
	All Employees

For any question, information and explanation request regarding this policy, Legislation and Compliance Department can be contacted.

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8. APPROVALS

No	Date	Approved by (Name and Surname, Job)	Signature
1		Bekir Dildar-Director	
2		Alev Utku – Associate General Mgr.	
3		Ahmet İlerigelen – Associate General Mgr.	
4		Murat Dinç - Associate General Mgr.	
5		Adem Aykin - Associate General Mgr.	
6		Esra Osmanağaoğlu – Coordinator	

This policy is subject to final approval of the Audit Committee within the “Compliance Program”.

9. SANCTION

Governments and regulators seriously emphasize the crime of black money laundry. Especially the recent events have made this issue more important, and countries throughout the world have enacted new laws within this context. Application of new laws is more aggressive compared to former ones.

Especially this issue, along with other issues, is of critical importance as to reputation of banks. Even an allegation on lack of necessary measures on prevention of black money laundry could result in consequences that may irreparably affect Fibabanka’s businesses nationally and internationally. That’s why Fibabanka has set high standards on combat with laundry of criminal proceeds. Fibabanka and its affiliates, branches and all offices are obliged to comply with these standards.

Compliance with this procedure is under supervision of our Bank’s Legislation and Compliance Department, Internal Control Department and Supervisory Board. In case of non-compliance, sanctions described in the Personnel Procedure shall be applicable.

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10. RELATED DOCUMENTS

- Know-Your-Customer Policy
- Know-Your-Customer Procedure
- Procedure on Prevention of Money Laundering and Terrorism Financing