



# **KNOW YOUR CUSTOMER AND CUSTOMER IDENTIFICATION PROCEDURE**



## KNOW YOUR CUSTOMER AND CUSTOMER IDENTIFICATION PROCEDURE

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## 1. PURPOSE

The most important tools of the fight against the money laundering and financing of terrorism are an effective notification system for suspicious transactions and the Know your customer process that is conducted based on documents and information in accordance with the customer acceptance policy. In this context, we aim in our Bank at preventing the persons and institutions that will not be provided with banking services due to the risks of money laundering and financing of terrorism from being accepted as customers at our Bank in accordance with the customer acceptance policy, and at accepting the persons and organizations considered to be of high risk only after applying higher security measures and approval mechanisms compared with other customers.

The points to be taken into account during the acceptance of the customer, documents and information that need to be received, approval procedures for the acceptance of the high-risk customers, the procedure and principles of identification and confirmation are described in this procedure within the framework of the "Anti-Money Laundering and Combating Financing of Terrorism Policy" that has been adopted by the Board of Directors.

It is also intended with this procedure to ensure awareness of the Bank and its employees of their legal and administrative obligations.

## 2. RISK ANALYSIS

Banks have been designated as "Obligor" as required by the "Law No. 5549 on Prevention of Laundering Proceeds of Crime" and the "Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism" which is based on this law. For this reason, the failure to fulfill the duties and responsibilities defined by the Law and the relevant Regulation constitutes a criminal offense.

### 2.1 Operational Risk

The involvement of the Bank in the activities of money laundering and financing of terrorism, identifying these persons as customers and providing them with accounts, and/or entering into a continuous business relationship with them lead to serious risks for the Bank and its employees.

Legal Risk: As explained in the regulation as well, laundering of proceeds of crime is a serious criminal offense requiring the sentence of imprisonment under the TCL. Certain responsibilities and obligations have been assigned by statutory regulations to the banks that are considered "obligor" for the prevention of money laundering and financing of terrorism.

In these regulations, judicial and financial sanctions are imposed on the relevant legal entities in case of failure to comply with such responsibilities and obligations:

- In case of violation of identification, STN (suspicious transaction notification), the obligation to provide continuous information, and failure to notify suspicious transactions, the obligors are sentenced to an administrative fine of up to TL 21.232.-

- In case of violation of the article 7 of the Law on the obligation to provide information and documents as well as the article 8 on safekeeping and submission, 1-3 years of imprisonment and an administrative fine of up to TL 5000 will be imposed.

The administrative fine, which is assessed separately for the person in charge who failed to fulfill the obligation in the event that the obligation was not complied with, has been abolished through the revocation of the article 88 of the "Law on the Amendments to the Turkish Criminal Law and Some Other Laws" that was published in the Official Gazette No. 29044 dated 28.06.2014 and the article 13, paragraph 2 of the Law No. 5549.

In order to avoid legal misconduct, it is essential to know and implement exactly the legal obligations defined in the law and related sub-regulations, such as the obligation of identification in particular, control of the documents described in the legislation that underlie the confirmation, identification in the subsequent transactions, recognition of the ultimate beneficiary, monitoring of the customer's status and transactions, and others, and to consult the Compliance Officer in case of hesitation. In addition, the Bank staff must take part in periodic training programs to be organized by the Compliance Officer in relation to these matters.

## **2.2 Credit Risk**

Such actions by persons involved in money laundering and financing of terrorism as becoming a customer of our bank and utilizing a credit from our bank and providing the assets of the companies and individuals registered in risky countries as collateral against the use of this credit create customer risk as well as counterparty risk for our bank. In such transactions, it is highly likely that some of the information provided by the customer would be false, the collateral would be problematic, and the repayment probability of the credit would be low.

## **2.3 Reputation Risk**

The name of the bank being mentioned along with the persons who carry out activities relating to money laundering and financing of terrorism, its unwitting assistance in these activities through services that it has provided will cause a serious loss of reputation for the bank both in national and international banking markets and before regulatory authorities. The cost of the loss caused by this risk can be very high. For this reason, the "**Know Your Customer**" steps outlined in this procedure must be fully implemented and maximum attention should be paid with respect to high-risk customers in particular during customer acceptance.

## **3. DEFINITIONS**

The terms used in this procedure are to be understood as follows;

**Law no. 5549:** The Law No. 5549 on Prevention of Laundering Proceeds of Crime,

**Law no. 6415:** Law no. 6415 on the Prevention of the Financing of Terrorism,

**Regulation on Measures:** Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism,



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**Banking Law:** Banking Law No. 5411,

**Legislation:** The current Laws, Regulations, and Communiqués and the decisions and instructions of MASAK concerning the prevention of money laundering and financing of terrorism,  
**MASAK:** The Financial Crimes Investigation Board,

**Customer Relationship Officer:** All employees of the Bank who are in direct contact with its potential or existing customers, who accept customers and conduct activities related to the marketing of products and services of the Bank to customers,

**Know Your Customer and Approval Form:** The form that has been designed separately for natural persons and legal entities within the scope of the Know your customer policy, which must be filled out by the Customer Representative who carries out the customer acceptance and controlled by the Operations Unit and the Internal Control Unit. It contains the information about the customers as well as the information and documents that are required to be kept in the customer's file and that must be obtained for identification and confirmation at the account opening (**ATTACHMENT-1**)

**Customer Information Form:** The information form, which is an attachment to and an integral part of the Banking Services Agreement, to be provided by the Customer to inform the Bank of such points as his/her personal and social status, financial condition, occupation, income generating activities, investment resources, banking products and services that are preferred and intended to be used,

**The NCCT (Non-Cooperative Countries and Territories) List:** The abbreviation in English of the list published by FATF (Financial Action Task Force) that contains the countries which do not cooperate in the fight against the proceeds of crime and financing of terrorism,

**FATF (Financial Action Task Force):** The Financial Action Task Force set up by the G-7 countries in Paris in 1989, having 31 countries, including Turkey, and 2 international agencies as members and advising countries on the fight against laundering by issuing international regulations on such matters,

**Ultimate Beneficiary:** Natural persons or persons who control the Natural persons, legal entities or establishments that are not legal entities for which transactions are carried out before the obligor or who are in the position of being the final beneficiary of the account or transaction relating to them,

**PEP (Politically Exposed Persons):** Senior government officials such as heads of state or of government, senior politicians, government officials, judicial or military personnel, political party officials and representatives in key positions, persons in charge of public administration,

**Policy:** The "Anti-Money Laundering and Combating Financing of Terrorism Policy" adopted by the Board of Directors of Pasha Yatırım Bankası A.Ş.,

Other terms mentioned in the procedure are used with their meanings in the policy.



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### DUTIES AND RESPONSIBILITIES

#### 4.1 Customer Relationship Officers

The bank's main objective in the acceptance of customers is to prevent those who do not meet the criteria set out in the customer acceptance policy from becoming bank customers. In this regard, Customer Relationship Officers have the primary responsibility.

During the customer acceptance, it will be observed first and foremost that the potential customers are the persons that the bank can accept as customer. In the event that the prospective customer is someone the bank can accept as a customer, evaluation of the customer according to the acceptance policy of the bank will be done by the Compliance Officer and high-risk customers will be determined. For high-risk customers, customer acceptance will not be done without obtaining the approvals mentioned in this procedure.

Customer Relationship Officers are charged with and have the responsibility for obtaining the documents related to the recognition and identification of the customer, observing and periodically confirming the validity of the information obtained from the customers within the scope of the continuing business relationship, paying special attention to the transactions that seemingly have no reasonable, legal, and economic purpose, and, therefore, obtaining sufficient information about the purpose of the requested transaction. The staff accepting the customer will not request that an account be opened without getting the documents that need to be received. In the event that there is a missing document or information at the time of account opening, it will be ensured that it is provided by the customer

#### 4.2 Compliance Officer

The Compliance Officer is responsible for the establishment and coordination of the procedures for the recognition of the customer and acceptance of customers in the Bank and for the compliance of these processes with the provisions of the relevant Laws and regulations. In addition, the Compliance Officer is responsible for the following:

- To investigate the banks and financial institutions which the bank will establish correspondence relationship with within the framework of embargo and prevention of money laundering, to evaluate and advise on the approach of the relevant bank or financial institution on money laundering and the financing of terrorism in the context of the questionnaire provided by the bank and other information / documents,
- To identify and announce the checkpoints required to be applied and the documents and forms required to be received by the relevant units in the process of recognition of the customer,
- To take the necessary measures/to ensure that they are taken by evaluating the findings of the Internal Control,
- To carry out the necessary checks from the blacklists issued by MASAK and foreign regulators within the framework of the anti-money laundering and combating financing of terrorism and database querying and monitoring applications,
- In addition to undertaking embargo control about the prospective customer during the customer acceptance stage, providing feedback within the scope of anti-money laundering by making risk assessment,

- To provide training periodically on legislation and its requirements and the relevant procedures of our Bank in order to raise awareness about "Compliance" within the Bank.

### **4.3 Operations Unit**

The Operations Unit is responsible for the following for persons to be identified as a customer:

- Approving, over the system, the customers with identification and updating processes undertaken in accordance with the existing information and documentation by verifying their information,
- If there are deficiencies in the required documents to be received at the time of account opening, asking for them from the relevant customer representative before the account opening and confirming the information present on the identification documents in accordance with "Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism",
- Taking action for high-risk customers based on the view of the Compliance Unit and approval by the General Manager or Business Unit,
- Filing the documents obtained from the customers for recognition and identification of the customer in the operation files located on the common area and in the physical environment always ready to be used with the current information,
- Notifying the Compliance Officer if it is determined that action has been taken on behalf of others but not notified to our bank
- Performing the identification and confirmation of the person authorized to represent the legal entity during the identification process.

### **4.4 Internal Control Unit**

The Internal Control Unit is responsible for checking the existence and completeness of the documents required to be obtained from the customers within the scope of the MASAK's Regulation on Measures.

### **4.5 All Units**

All units of our bank are responsible for storing information and documents belonging to our customers in all kinds of environment for legal periods (8 years).

## **4. GENERAL PRINCIPLES AND RULES**

### **5.1 Customer Acceptance**

Natural persons or legal entities meeting the criteria set out in the Customer Acceptance Policy are considered to become customers of our bank. Whether or not the persons meeting these criteria will be customers in our bank is ultimately decided by the relevant Customer Relationship Officers and the General Manager in line with the marketing strategies.

Recognition of the customer means that the Bank getting sufficient knowledge of its customers and their activities and developing its own policies and procedures in order to obtain this information. Although Know your customer process is an important tool within the scope of preventing money laundering and financing of terrorism, it is at the same time a principle that would ensure that the needs of the customer are determined more accurately and, consequently,

the quality of service is increased. Therefore, the recognition of the customer should be considered as a continuous process applicable not only for new customers but also for existing customers. Documents and data relating to Know your customer are among the most important sources of information for the bank.

### **5.1.1 Measures and Know-Your-Customer Practices**

#### **5.1.1.1 Standard Know-Your-Customer Practices (Customer Due Diligence)**

The Bank will activate the standard know-your-customer practices under the following conditions. While continuous business relationship is established;

- Regardless of whether these transactions are carried out in a single operation or in a few seemingly connected operations, when carrying out transactions amounting to TL 20,000 or more;
- When there is doubt about the adequacy or accuracy of the previously obtained data on the customer's identity.

The Standard Know-Your-Customer measures include the following:

- a) To determine the customer's identity and identify and confirm the identity information using the document, data (Identity Sharing System - ISS) or information obtained from a reliable and independent source;
- b) In order for the Bank to identify the final beneficiary of legal persons, trusts, and similar legal entities;
  - To take necessary measures to determine and confirm the identity of the final beneficiary,
  - To take risk-based and necessary measures to understand the shareholding structure and final beneficiary of the customer, (Such measures also apply to other persons acting on behalf and/or on account of the customer),
- c) To get information from the customer about the nature and purpose of the business relationship requested to be established,
- d) To get information from the customer about his/her wealth and income and make observations in this context,
- e) To create a financial profile for all customers, which would include such points as the purpose of opening an account or establishing a business relationship, expected transactions, nature of the credit to be used, expectations relating to the place which the outgoing payments will be made, and description of business relationships,
- f) To continuously monitor the business relationship, including the examination of the transactions made during the relationship, and ensure that the documents, data, or information held are up-to-date with respect to making sure that the transactions performed complied with the information that the bank had on its customer, its business, risk profile, and sources of funds,
- g) To determine the risk level of the customer within the scope of the monitoring and control activities that are required in order to identify the transactions or operations that might be related to the money laundering or the financing of terrorism prior to the transaction.



In order to prove to the competent authorities that the standard know-your-customer practices are appropriate with respect to the risks of preventing money laundering and financing of terrorism, the bank will implement standard know-your-customer practices for all customers and move into the know-your-customer practice developed for customers with a high risk profile within the scope of the customer's industry or country risk, service / product risk.

#### **5.1.1.2 Enhanced Know-Your-Customer Practices/ Enhanced Due Diligence (Enhanced Measures)**

In cases like the ones below that by nature carry the risk of money laundering or financing of terrorism, the bank will adopt the enhanced know-your-customer practice in addition to the standard know-your-customer practice;

- When there is a suspicion of money laundering or financing of terrorism, regardless of the transaction amounts,
- In non-face-to-face transactions (instructions sent via phone, email, internet banking, etc.)
- When higher-risk transactions (that carry a higher risk of being part of a money laundering plan due to their nature, size, frequency or unusualness) are detected in the transaction monitoring process,
- When the bank establishes a business relationship with offshore companies, offshore companies active commercial companies controlled by offshore companies, foundations or trusts as well as with offshore companies that are controlled by an active commercial company,
- When the existence of a Politically Exposed Person was detected,
- If the customer is operating in risky industries,
- If the customer is a national of a risky country or residing in or associated with risky countries or territories,

If the customer mainly uses banking products and services in the high risk category

Enhanced Measures are applied to the customer under the Enhanced Know-Your-Customer/ Enhanced Due Diligence within the framework of the risk-based approach.

One or more or all of the following measures are applied in proportion to the risk that was identified;

- Acquisition of additional information about the customer and more frequent updating of the identity information of the customer and the ultimate beneficiary,
- Obtaining additional information on the nature of the business relationship,
- Acquisition of as much information as possible about the assets involved in the transaction and the source of the funds belonging to the customer,
- Getting information about the purpose of the transaction,
- Requiring the approval of a senior official for entering a business relationship, maintaining an existing business relationship, or performing a transaction,
- keeping the business relationship under tight supervision through the determination of the types of transactions that require additional control by increasing the number and frequency of the controls being implemented,

- Requiring the first financial movement in the establishment of a permanent business relationship to be made from another financial institution in which the principles of Know your customer are implemented.

### **5.1.2.3 Simplified Measures**

The points related to the principle of Know your customer that need to be complied with are allowed to be implemented in a simplified manner in situations where the risk of laundering and financing of terrorism could be deemed to be low in terms of transaction types. In this context, the Compliance Officer may implement simplified measures under conditions like those below that carry a low risk of money laundering or financing of terrorism by their nature:

- In transactions in which the banks, which are domiciled in our country or in other countries that are subject to regulations and supervision complying with the international standards in the area of combating the laundering and financing of terrorism, are the customer of the obligors other than financial institutions,
- In transactions in which the customer is a company quoted on Borsa İstanbul,
- In transactions in which the customer is a public agency within the scope of the central government or a professional organization qualifying as public agency under the Law no. 5018,

Simplified measures are not implemented in order for the customers to be classified as customers with a low money laundering risk, and they make it possible to have simplification in the customer's identification documents. Customers to whom Simplified Measures are applied do not need to submit documents for the confirmation of some of their information.

With respect to the customers thought to have a low risk of money laundering, appropriate enhanced know-your-customer measures/Enhanced Measures shall be implemented in the event of the emergence, during the business relationship, of one of the cases that meet the high risk criteria that are described in the section 5.1.7.

The approval of the Compliance Officer is required for the implementation of Simplified Measures.

### **5.1.2 Persons and Institutions Not To Be Accepted As Customers:**

Pasha Yatırım Bankası A.Ş. does not accept the following individuals and organizations as customers:

- Individuals whose real identities and addresses cannot be determined and confirmed,
- Individuals and entities mentioned as banned/blacklisted in the lists issued by MASAK on the topic of money laundering and financing of terrorism,
- Legal entities with a very complex structure that do not allow the identity of the ultimate beneficiary to be determined and confirmed,
- Natural persons and legal entities with doubts existing about the legality of their businesses or funding sources,

- Individuals, groups or legal persons that are to be suspected of involvement in criminal activities or membership in a criminal organization or terrorist organization or politically supporting or financing such an organization,
- Banks without a physical service office in any country, which do not employ full-time staff and which are not subject to control and licensing by an official authority with respect to their banking transactions and records,
- Shell companies / banks,
- Individuals with low social reputation (with names mentioned along with issues such as arms smuggling, environmental pollution, and bribery),
- Casinos and gambling venues, including those operated on the Internet, because they are illegal in Turkey.

### **5.1.3 Know Your Customer Process**

It requires adequate information and documents about all customers (natural persons and legal entities) of the Bank to be collected and kept. The information and documents in question are kept as printed matter and electronically in accordance with the Bank's relevant procedures.

The transactions for recognizing individual and corporate customers located within the country are realized by Customer Relationship Officers. For this purpose, customers are visited or invited to the Bank and identification is made; missing customer documents are obtained and customers are asked to fill out the "Customer Information Form" that is attached to the Banking Services Agreement. The banking services agreement in particular is filled out and signed in the presence of Bank officials.

Contact information of the individual and corporate customers with whom ongoing business relationship was set up will be confirmed when necessary within the framework of the risk-based approach.

- IN NATURAL PERSON CUSTOMERS;  
ALL account beneficiaries
- IN LEGAL ENTITY CUSTOMERS;  
Legal Entity itself  
Its shareholders with a stake of 25% and over  
Legal representatives that will carry out transactions with our Bank on behalf of the legal entity

Information on and documents required within the scope of the identification in the MASAK's Regulation on Measures will be collected.

### **5.1.4 Assessment of Customer Risk**

In accordance with the going concern basis, the Bank must classify its new and existing customers according to the risk categories that reflect the risk level connected with the money laundering and/or financing of terrorism:



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- HIGH-RISK customers: Customers with an industry, country, product/service risk (see 5.1.7).
- MEDIUM-RISK customers: Customers which do not need to be closely watched but which are absolutely monitored.
- LOW-RISK customers: Customers whose industry, country, and product risks are low.

Risk classification of the customers is made by the Compliance Officer.

### 5.1.7 High-Risk Customers

The persons and entities listed in the following subparagraphs are considered in the high-risk category pursuant to our Bank's acceptance policy.

After the customer's risk level has been determined by the Compliance Officer during the stage of initiating the business relationship, approval is obtained for an account to be opened with the consent of the General Manager / Business Unit in the acceptance of high-risk customers. For high-risk customers within the scope of the article 26/A titled Enhanced Measures of the MASAK's Regulation on Measures;

- The customer's risk is shared by email with the senior manager of the Business Unit by the Compliance Officer together with the view of the Compliance Officer,
- The customer acceptance is realized in case the Business Unit approved the customer risk.

It is possible for the customer's risk level to be changed by the Compliance Officer during the regular close monitoring activity. High-risk customers are;

- Politically Exposed Persons,
- Legal entities operating in risky industries,
- Individuals who are residing in/nationals of a risky country,
- Those operating in risky industries, cross-border centers, and free zones.

**The individuals and entities contained in the sanction lists issued by MASAK are included in the category of individuals and entities that would not be worked with by our Bank, not in the classification of high-risk customers.**

### 5.1.8 Correspondent Banks

The provision of correspondence service to and/or the establishment of an account relationship with a foreign bank or a financial institution by our Bank are subject to approval by the General Manager.

Prior to the establishment of a correspondence relationship with the banks or institutions that we will provide correspondence service with, the Financial Institutions and Investor Relations Unit ensures that the following documents are obtained from the correspondent banks and financial institutions.

- Operating license



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- Articles of Association
- List of authorized signatories
- Latest financial reports
- Documents within the scope of compliance (Anti-Money Laundering and Combating Financing of Terrorism- AML&CFT policy, Wolfsberg Questionnaire, US Patriot Act Certificate-USPAC), Agreement)

During the stage of establishing a correspondence relationship, the correspondent institution's approach to anti-money laundering and combating financing of terrorism is assessed by the Compliance Officer. Within this framework, the relevant bank or institution's;

- Ownership structure, members of the Board of Directors, information on the regulatory control that it is subject to, countries where the subsidiaries and associates are located, correspondent banks that it has been working with are checked through the Bankers Almanac.
- Any past investigations and penalties with respect to money laundering and/or financing of terrorism and the existence of any adverse news about the financial institution, and the correspondent banks that it has been working with as well as its shareholders, associates and subsidiaries are checked through the World Check with respect to the sanction list and Politically Exposed Persons.
- The adequacy of the measures by the Financial Institution regarding money laundering and financing of terrorism, its policy of combating money laundering and financing of terrorism, and its controls over the responses to the Wolfsberg Questionnaire are assessed. If necessary, additional questions are forwarded to the relevant bank through the Financial Institutions and Investor Relations Unit and the answers sent by the bank are checked by the Compliance Officer.

As required by the article 23 of the "Regulation on the Measures for Prevention of Money Laundering and Financing of Terrorism," an account is not opened in any way for shell banks which do not have a physical office service in any county, which do not employ full-time staff, and which are not subject to the supervision and licensing of an official authority in terms of banking transactions and records, and the foreign banks and financial institutions that allow their accounts to be used by such banks are not provided with correspondence service.

### ***5.2 Obtaining the Information and Documents Required***

#### **5.2.1 Identification**

Transactions in which identification will be made and their limits have been defined under this article.

Identification is one of the most important steps in the Know your customer process. In case the documents that are required to be submitted or given on the issue of identification contained insufficient information, the information provided by the customers contradicted each other, or in the event of reluctance in providing information, no business is done with the customers in question and no banking transactions are fulfilled.

Pursuant to the “Regulation on the Measures for the Prevention of Money Laundering and Terrorist Financing” issued by MASAK, **identification is mandatory in the establishment of permanent business relationship regardless of the amount.** Apart from the steady business relationship, identification is required in the following cases as well.

- When the single transaction amount or the total amount of multiple linked transactions is equal to or more than **TL 20.000 (twenty thousand TL)**,
- When the single transaction amount or the total amount of multiple linked transactions is equal to or more than **TL 2.000 (two thousand TL)** in wire transfers,
- In transactions relating to life insurance contracts, when the total of the premiums to be paid within one year is **TL 2.000 (two thousand TL)** or over or the amount of the premium in the case of single-premium policy is **TL 5.000 (five thousand TL)** or over,
- Regardless of the amount in cases requiring STR,
- Regardless of the monetary amounts in cases where there is a suspicion about the adequacy and the accuracy of previously acquired identification information,

Identification is realized through the receipt of information and documents relating to the customer’s identity and the confirmation of that information which is mandatory within the scope of the MASAK Regulations.

#### **5.2.1.1 Identification Methodology**

##### **5.2.1.1.1 Identification of Natural persons**

The bank that is designated as “obligor” under the Law nr. 5549 **must determine, before the transaction is carried out, the identities of those who make a transaction and those on behalf and account of whom a transaction is made** in the transactions made before or mediated by the bank, as indicated in the article 3 of the Law concerned. Documents relating to the identification must be retained for a period of 8 years from the date of transaction.

Identification of natural persons is made by obtaining the following information on this individual;

- Name, surname,
- Place and date of birth,
- Nationality,
- Name of parents (for Turkish citizens)
- National ID number (for Turkish citizens)
- Type and number of the identification document,
- Address and specimen signature,
- Telephone number, fax number, email address, if any, and information on his business and occupation.

Regarding the information that has been received, the following documents must be obtained for those which relate to the customer’s identity (name, surname, place and date of birth, name of parents, nationality, type and number of identification document);

- For Turkish nationals;  
Turkish Birth Certificate or Turkish driver's license or Passport, or identity cards with national identification number that have been clearly stated in specific laws as having the force of official identification document
- For non-Turkish nationals;
  - passport or
  - for EU citizens, ID Card ("The Form for Entry-Exit Through Border Crossings for Those Travelling with an ID Card" should also be obtained together with the ID Card) or
  - The document issued by the Provincial Security Directorates indicating the Foreigner Identification Number (FIN) that is given to the foreigners with a residential permit of at least 6 months or
  - ID card issued by the TRNC authorities to citizens of the TRNC pursuant to the "The Agreement between the Government of the Republic of Turkey and the Government of the Turkish Republic of Northern Cyprus Concerning the Provision of Additional Facilities to the Citizens of the Two Countries" that was published in the Official Gazette nr. 23928 dated 06.10.2000

It is possible for BLUE CARDS, which are given to individuals who lose citizenship by getting permission to rescind citizenship pursuant to the article 20 of the Turkish Citizenship Law No. 5901, to be used in identification through the verification of the information on the card by querying the Blue Cards Registry of the Ministry of Internal Affairs, Population and Citizenship Affairs General Directorate Identity Sharing System under the decision no. 23887 dated 13.10.2017 of the Ministry of Finance.

This is accomplished, after the submission of originals or notarized copies of identity documents, by getting their legible photocopies or electronic images or by recording distinguishing information of the document. The documents confirmed in the Know your customer and Approval Form are marked and attached to the form and the relevant forms are signed by the staff who have done the identification by indicating the name-surname, date of control and the phrase "Same as Original".

Customer's specimen signature is obtained by getting the Banking Services Agreement and the signature card signed in the presence of the bank official.

Address confirmation of the individuals who are Turkish nationals may be made with the documents below:

- Location certificate / residence certificate,
- Invoice issued in the name of the customer within three months prior to the date of transaction for a service requiring subscription such as electricity, water, natural gas, phone,

- Document provided by any public agency (for instance, tax certificates given by the tax offices for the current period may be assessed within the scope of the documents provided by public agencies. Such documents should be understood as the documents that show the connection between the individual and the address and allow actual verification of this connection.)
- By taking advantage of the E-State databases,
- Provided that they include the information for the last three months, the lists kept by organizations that qualify as public institutions such as BEDAS and ASKI or telecommunication companies providing telephone subscription service that contain address information on the subscribers,
- E-invoices that can be verified by the obligor as belonging to the relevant institution,
- The invoice issued in the name of third party for the last three months for services such as electricity, water, natural gas, phone that require subscription, subject to the submission of a valid document (such as a marriage certificate) that shows the link between the third party and the document holder,
- For major children residing with their families, an invoice issued in the mother's or father's name for the last three months for services such as electricity, water, natural gas, phone that require subscription,
- For major children staying in the dormitories, the letter indicating the address to be obtained from the schools they studied at or the dormitories they stayed in,
- In case of notification made via return-requested registered mail to the customer's address, the document indicating that the notification was made to the customer,
- For banks, the credit card delivery note indicating that the individual was present at the address that he had declared,
- The note regarding the receipt of dispatches made by the obligors to their customers by the customer in person and at the address that had been declared.

Without requiring the above-mentioned documents at the same time, banks were allowed to take advantage of the "Address Sharing System" at the General Directorate of the Population and Citizenship Affairs of the Ministry of Interior through the amendment to the first paragraph of the article 45 of the Population Services Law nr. 5490 that was made by the fourteenth paragraph of the article 32 of the Law nr. 5838 that had been published in the Official Gazette nr. 27155 dated 28.02.2009. Therefore, the confirmation of the address information that had been declared by the customer is possible both by the methods mentioned in the section 4 of the Financial Crimes Investigation Board's General Communiqué Nr. 7 and by taking advantage of the "Address Sharing System" (ASS) at the General Directorate of the Population and Citizenship Affairs of the Ministry of Interior.

Address confirmation for individuals residing abroad is made through;

- passport containing address information or



- identity documents containing the address information of the citizens of the contracting countries of the “European Agreement on Regulations Governing the Movement of Persons between Member States of the Council of Europe” or
- document containing the residence information that is issued by the foreign Consulates or Embassies in Turkey

Customer Representative is responsible for obtaining the documents that are essential to the customer’s identification and for forwarding them to the Operations Unit.

The Identification Methodology was described in detail in the “Regulation on the Measures for the Prevention of Money Laundering and Financing of Terrorism” issued by the Financial Crimes Investigation Board and published in the Official Gazette nr. 26751 dated 09.01.2008.

#### **5.2.1.1.2 Identification in Legal Entities Registered in the Trade Registry**

Within the scope of the MASAK’s Regulation on Measures, identification in legal entities registered in the trade registry is made through;

- Trade Registry Gazette for Establishment or the Articles of Association of the company,
- Activity Certificate (Registry Record)
- Tax Certificate
- Circular of Signature
- Letters of Authorization and Identity Cards of the Persons Authorized to Represent the Legal Entity.

As to the confirmation process;

- The confirmation of the legal entity’s title, trade registry number, field of activity, and address is realized by referring to the records of the relevant trade registry office or by querying the TOBB database and the confirmation of the timeliness and accuracy of the information contained in the registration documents that have been submitted is made over the website <http://www.ticaret sicil.gov.tr/>,
- The confirmation of the documents, issued by the relevant business unit of the Directorate of Revenue Administration and submitted for the confirmation of the tax identification number, is realized by querying the database of the Directorate of Revenue Administration.

In the establishment of steady business relationship with legal entities registered in the trade registry, identification of the real-person shareholders of the legal entity with a stake of over 25% is realized over the information contained in the section 5.2.1.1.1 and the identification of the corporate shareholders is realized through;

- Trade Registry Gazette at the time of Establishment or the Articles of Association of the corporate shareholder,
- Activity Certificate (Registry Record) of the corporate shareholder,
- Tax Certificate of the corporate shareholder.

In the establishment of steady business relationship with legal entities registered in the trade registry, the circular of signature approved by a notary that contains the information included in the identity documents can be used in the identification of the real-person shareholders of the legal entity with a stake of over 25% and there is no need for the confirmation of the address and contact information of the real-person shareholders.

Although it is not compulsory under the legislation to determine the identity of the corporate shareholders with a stake of over 25% of the corporate shareholder holding a stake of over 25%, accurate information is obtained by the Customer Representative about those who actually manage, control, and own a legal entity that has become a customer within the scope of steady business relationship, and this information is recorded in the attachment to the Know your customer and Approval Form.

In the event that the real-person shareholder of the legal entity with a stake of over twenty-five percent is suspected of not being the ultimate beneficiary or when there is no real-person shareholder with a stake of this size, necessary measures are taken to uncover the Natural person or persons that ultimately control the legal entity. The Natural person or persons that have been identified are deemed to be the ultimate beneficiary.

During the identification process for legal entities, identification of the persons authorized to represent the legal entity will be made by obtaining;

- name, surname, date and place of birth, parents' names, nationality, Turkish identification number for Turkish nationals, information on the type and number of the identity card
- specimen signature

Confirmation of the identity information can be made for natural persons by using the documents and procedure mentioned in the identification section (5.2.1.1.1). In case the notarized circular of signature submitted by the persons authorized to represent the legal entity contained the information that had been included in the identity documents, submission of the identity document is not required along with the notarized circular of signature.

In case the legal entity has multiple authorized people, it would suffice to make the identification of only the individuals that signed the banking services agreement and other official/officials that would transact with our bank as well as the managers represented by proxy, if any. However, the information on all representatives of the legal entity that have been authorized to carry out transactions at the Bank, date of the letter of authorization, and validity period of the relevant document are recorded in the form and system.

A copy or digital image of the originals or notarized copies of the documents that are essential for confirmation is obtained for submission when necessary or the relevant information is recorded.

After the start of the account relationship, in case a transaction is requested by an official whose identification has not been made earlier, the identification of this official needs to be made as well.

Confirmation of the legal entity's telephone and fax numbers and email address is not mandatory under the MASAK's Regulation on Measures and they will be confirmed by the Customer



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Relationship Officers when necessary by contacting the person concerned through these channels within the framework of the risk-based approach.

### 5.2.1.1.3 Acting on Behalf of Others

In the event that a transaction is requested on behalf of legal entities or unincorporated entities by persons authorized by the people who have been authorized to represent such entities, the representative authority and the identity of the individuals who have been authorized to represent are required to be determined. In case a transaction is requested by individuals authorized to represent, the identification of such individuals may be made through the power of attorney or the circular of signature, provided that it contained identity information and was certified by the notary. In the event of a transaction requested by third parties authorized by individuals that have been authorized to represent, the authorization status of such individuals is determined through the power of attorney or the written instructions issued by the individuals authorized to represent. Identification of the third parties that have been authorized will be made in the manner stipulated for Natural persons.

In the event of a transaction requested, on behalf of a Natural person that has been identified before, by another Natural person under written instructions by this person, the instructions would replace the authorization document if signature confirmation was made and the transaction would be realized after the identification was made of the individual that had been authorized by the instructions. In cases where the identification was not previously made of the customer on whose behalf action was taken, the representative authority of the individual that would act on behalf of the Natural person needs to be confirmed through a notarized power of attorney and his/her identification is to be made.

The proxy holder's original power of attorney, the Turkish Identification Number, and birth certificate, driver's license or passport are obtained.

Compliance of the power of attorney with formal requirements is examined. Based on the compliance with formal requirements, a copy of the "power of attorney" is obtained, the phrase "original copy was seen" is written by the Bank's employees on the copy obtained, and it is initialized and dated.

It is also possible for a transaction to be requested by another Natural person, on behalf of a Natural person who is a shareholder of a legal entity with an account or credit relationship and whose identification was made before, under instructions by this individual, provided that the customer's signature on the written instruction is confirmed by the signature at the Bank. The transaction is realized after the identification was made of the person that had been authorized.

### 5.2.1.1.4 Identification in Associations and Foundations

In the identification of associations; information on the association's name, purpose, registry number, full address, telephone number, fax number and email address, if any, is obtained and such information is confirmed by getting the documents related to the association's charter and the record in the registry of associations. As a general rule in associations, the individuals authorized to represent the association should also be determined and the identity information on such persons should be obtained as well. Identification of the individuals authorized to represent may be made with the documents and procedure specified for natural persons and, when this was

not possible, identification may be made through the power of attorney or circular of signature as well, provided that it contained identity information and was certified by a notary.

In the identification of the foundations, information is obtained on their;

- name,
- purpose,
- central registration number,
- full address, telephone number, fax number and email address, if any.

The charter of foundation and the registration record at the Genel Directorate of Foundations are obtained for this purpose. Again, as is the case in other legal entities, the individuals authorized to represent are determined through the representation documents and the identification of such individuals is duly made. Identification of the branches and representative offices in Turkey of foreign associations and foundations is made on the basis of the documents relating to the records at the Ministry of Interior.

The accuracy of the contact information that has been obtained is confirmed again by contacting the person concerned through these channels as is the case in other Identification Methodologies.

#### **5.2.1.1.5 Identification in Trade Unions and Confederations**

In the identification of trade unions and confederations;

- name,
- purpose,
- registration number,
- full address, telephone number, fax number and email address, if any,

of these institutions are obtained. The charters of such institutions and the documents relating to the registration that is kept at the Ministry of Labor and Social Security and the documents relating to the status of representation are obtained for this purpose. Identification of the individuals authorized to represent is made in accordance with the procedure described in the section 5.2.1.1.1.

#### **5.2.1.1.6 Identification in Political Parties**

In the identification of the political party organization;

- name,
- full address,
- telephone number, fax number and email address, if any,

of the relevant unit of the political party will be obtained. The charter of the relevant organization and the documents relating to the status of representation are obtained for this purpose and the identification of the individuals authorized to represent is made in accordance with the procedure described in the section 5.2.1.1.1.

#### **5.2.1.1.7 Identification on non-resident legal persons**

The identification of non-resident legal entities is made through the copies, of the documents that correspond in the relevant country to the documents sought for legal entities domiciled in Turkey,

- that have been approved by the consulates of the Republic of Turkey or
- that contained the certificate of apostille issued within the framework of the “Convention Abolishing the Requirement for Legalisation for Foreign Public Documents,” by the competent authority of the country that is a party to this Convention.

In case the identification documents submitted have been issued in any language other than English, documents need to be confirmed through their notarized translations into Turkish.

#### **5.2.1.1.8 Identification of Unincorporated Entities**

In transactions made on behalf of unincorporated entities such as apartments, estates, or office building managements; the entity’s name, full address and telephone number, fax number and email address, if any, are obtained. The entity’s resolution book certified by a notary is obtained for this purpose and the information on the entity and its authorization status are confirmed.

In the identification of entities such as unincorporated joint ventures;

- name,
- purpose,
- field of activity,
- tax identity number,
- full address,
- telephone number, fax number and email address, if any,

of the venture are obtained.

The accuracy of the information on the venture’s name, purpose, field of activity, and address are confirmed through the notarized venture agreement and the tax identity number is confirmed based on the documents issued by the relevant unit of the Directorate of Revenue Administration. Also, identification of the individuals authorized to represent the venture is made in accordance with the procedure described in the section 5.2.1.1.1.

#### **5.2.1.1.9 Identification of Public Institutions**

In the transactions in which public administrations within the scope of the central government according to the Public Financial Management and Control Law No. 5018 and the professional organizations qualifying as public institutions are customers, identification of the individuals carrying out transactions on their behalf is made according to the article 6 of the MASAK’s Regulation on Measures. The authorization status is confirmed through the letter of authorization that has been issued in accordance with the legislation.

### **5.3 Determination of the ultimate beneficiary**

In the event that the individuals, carrying out a transaction before the banks that required identification, acted on account of/on behalf of someone else, they are legally required to report



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this to the bank in writing. However, in any case in the establishment of steady business relationship, the notification by the customers as to whether they acted on account of/on behalf of someone else is realized through the form included in the attachment to the BSA.

During the process of customer acceptance for legal entities registered in the trade registry, shareholding structure of the legal entity should be determined and legal entities or natural persons with a stake of over 25% need to be identified and confirmed in accordance with the MASAK's Regulation on Measures.

In the event that the real-person shareholder of the legal entity with a stake of over twenty-five percent is suspected of not being the ultimate beneficiary or when there is no real-person shareholder with a stake of this size, necessary measures are taken to uncover the Natural person or persons that ultimately control the legal entity. The Natural person or persons that have been identified are deemed to be the ultimate beneficiary.

Identity information of the ultimate beneficiary that has been determined is obtained and the necessary measures are implemented for the confirmation of such information. In this regard, it is possible to use the notarized circular of signature that contains identity information instead of the identity card.