



**COMPLIANCE POLICY ON LEGISLATION
REGARDING
ANTI-MONEY LAUNDERING &
COMBATING FINANCING OF
TERRORISM**

 PASHA Bank	COMPLIANCE POLICY ON LEGISLATION REGARDING AML & CFT	Document No	UYM / 101
		Validity Date	02/10/2009
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1. OBJECTIVE AND SCOPE

The foundations of the banking profession are laid on trust, reputation and stability. Within this context, Pasha Yatırım Bankası A.Ş. aims at full compliance with the legal framework concerning the prevention of laundering proceeds of crime and financing of terrorism.

This regulation has been prepared to define the necessary processes to determine the duty, authority and responsibilities and to ensure the compliance of all the Pasha Yatırım Bankası A.Ş. personnel with the obligations within the framework of the Law No.5549 Prevention of Laundering Proceeds of Crime, Law No.6415 on the Prevention of the Financing of Terrorism and related legislation, which concerns the prevention of laundering proceeds of crime and terrorist financing.

2. DEFINITIONS

Bank: Pasha Yatırım Bankası A.Ş.

Law no.5549: Law on the Prevention of Laundering Proceeds of Crime published on the Official Gazette dated 18/10/2006 and numbered 26323,

Law no.6415: Law on the Prevention of Financing of Terrorism published on the Official Gazette dated 16/02/2013 and numbered 28561,

Regulation on Measures: Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism (ROM)

Regulation on Compliance: Regulation on Program of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism (RoC)

Legislation: Legislation (law, regulation and Communiques) published by MASAK regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism

Staff / personnel / employee: an individual who works at the Bank on a permanent or temporary basis at all levels and positions employed in the Bank,

Compliance Officer: Staff assigned by the Bank's Board of Directors who is vested the required authority for ensuring compliance with obligations introduced by the Law no 5549 and 6415 and the related legislation in force,

Deputy Compliance Officer: Staff appointed with all the duties, authorities and responsibilities of the compliance officer to act in his/her place in case of his/her temporary absence due to leave of absence, sickness and similar causes,

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Customer Identification and Recognition: The Bank's development of internal policies and procedures to possess and acquire sufficient information about its customers and their activities,

Customer Acceptance Policies: The entirety of rules and principles to be used in the admittance of customers such as their background, history, country of residence, connected accounts, commercial and business activities and other risk indicators,

MASAK: Financial Crimes Investigation Board,

FATF (Financial Action Task Force): The Financial Action Task Force, which has been established in 1989 in Paris by G-7 countries, has 31 members including Turkey and 2 international institutions and issues international regulations to combat laundering and makes recommendations to countries in these issues,

Examiner: Finance Inspectors, Tax Inspectors, Customs and Trade Inspectors, Sworn-in Bank Auditors, Treasury Comptrollers, Insurance Supervisory Experts and Actuaries, Banking Regulation and Supervision Agency Experts and Capital Markets Board Experts due to Law no 5549,

Permanent Business Relationship: a business relationship that is established between obliged parties and their customers through services such as opening an account, lending loan, issuing credit cards, safe-deposit boxes, financing, factoring or financial leasing, life insurance and individual pension, and that is permanent due to its characteristics

Proceeds of Crime: The value of wealth created by crime,

Money Laundering Offence: The offence defined in article 282 of Turkish Criminal Law No 5237 dated 26/09/2004,

Obliged Party: Those who operate in the field of banking, insurance, individual pension, capital markets, money lending and other financial services, and postal service and transportation, lotteries and bets; those who deal with exchange, real estate, precious stones and metals, jewelry, all kinds of transportation vehicles, construction machines, historical artifacts, art works, antiques or intermediaries in these operations; notaries, sports clubs and those operating in other fields determined by the Council of Ministers,

Politically Exposed Persons (PEP) : President of state or Prime Minister with high-level government duty, high level politicians, government officials, legal or military personnel, political party members and representatives at significant positions, persons at managerial positions in state institutions,

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Suspicious transactions: The case that 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 within or through the obliged parties, is acquired through illegal ways or used for illegal purposes, for terrorist activities or by terrorist organizations or terrorists or those who finance terrorism.

Shell bank: a bank which does not have any physical office in any country, does not employ full time staff and is not subject to control and authorization of an official authority in terms of banking transactions and registrations

Risky countries: 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

Fund: money or any instruments such as bank credits, bank or travellers cheque, money orders, securities, shares, guarantees, bill of exchange, bonds, policies, letter of credits and property, right, claims of every kind whether movable or immovable, tangible or intangible, however acquired, which could be represented by money and all kinds of documents in any form, including electronic or digital, evidencing title to, or interest in such assets

Assets: means the fund, all kinds of proceeds, benefits and values derived from conversion of them into one another, jointly or wholly owned or possessed or directly or indirectly controlled by a natural or legal person,

Freezing of asset: removal of the power of disposition over the asset for the purpose of preventing obliteration, consumption, conversion, transfer, assignation, conveyance and other dispositional acts of the asset or restriction of it within the framework of transactions permitted to be carried out in the second and third paragraphs of Article 13 of the Law

The offence of the financing of terrorism: providing or collecting funds for a terrorist or terrorist organisations with the intention that they are used or knowing and willing that they are to be used, even without being linked to a specific act, in full or in part, in perpetration of the acts that are set forth as crime within the scope of Article 3 of the Law

Service Risk: the possibility of financial loss or loss of dignity among obliged parties or their employees due to use of their non-face-to-face, private banking, intermediary banking services for the purpose of money laundering or terrorist financing

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Country Risk: the risk which is possible to be exposed by obliged parties due to business relationships and transactions with citizens, companies and financial institutions of the countries that are announced by the Ministry out of those lacking appropriate money laundering and financing of terrorism laws and regulations, being non-cooperative in the fight against these offences or being identified by competent international organizations as risky

3. DUTIES AND RESPONSIBILITIES

3.1 All Employees of Pasha Yatırım Bankası A.Ş.

The employees of the Bank at all levels are obliged and responsible:

- to learn and abide by Law 5549 on the Prevention of Laundering Proceeds of Crime, all related legislation and the Bank's internal regulations on this topic,
- to act in accordance with the customer identification principles as defined in this regulation in all customer identification and banking transactions,
- to participate in all training sessions organized on this topic,
- to act in maximum care and diligence in the performance of banking transactions and to report suspicious transactions to the Bank Compliance Officer in accordance with the suspicious transaction reporting system.

3.2 Compliance Officer

Within the context of this regulation, he/she has the duty and responsibility:

- to ensure the fulfillment of the Bank's obligations in the prevention of laundering proceeds of crime and financing of terrorism in accordance with the legislation and the group policies, to institute the necessary control environment to serve this purpose and to ensure its proper functioning and develop recommendations in this context when necessary,
- to prepare the necessary reports to be submitted to MASAK and other legal authorities in accordance with the legislation, to fulfill the obligation to inform and submit documentation to MASAK, to investigate possible suspicious transactions that have been reported by other departments of the Bank or identified by himself/herself and evaluate the results of such investigation and report the transactions that can be described as suspicious within the time frame defined by the legislation to MASAK,

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- to monitor the domestic and international regulations on the prevention of the laundering proceeds of crime and financing of terrorism and inform the Bank personnel about such legislation and to ensure that internal regulations of the Bank are updated in accordance with the changes in the legislation,
- to prepare internal training documents to make sure that the MASAK legislation and FATF recommendations are fully understood by the Bank personnel at all levels, to keep procedures of compliance updated and to send reminder notes to the staff on a periodical basis to keep the necessary information fresh in order to increase Compliance culture and staff awareness regarding local legislation,
- to work in coordination with the internal control department to establish monitoring and reporting systems to prevent laundering proceeds of crime and financing of terrorism and customer identification obligation ,
- to report to the Board of Directors on a quarterly basis about the activities of the department acting bona fide in an objective and independent will, acceptable and honest manner.
- ensures the implementation and proper management of procedures regarding Ethics and prevents conflict of interest and internal fraud cases from happening in the Bank
- coordinates the implementation of monitoring, measure and the control of Compliance activities in the Bank regarding MASAK legislation, ethic principles and financial security.

3.3 Other Obligations

3.3.1 The Training of Personnel

It is obligatory to train the Bank personnel in the fields of customer identification and suspicious activities regarding Prevention of the Laundering Proceeds of Crime and Financing of Terrorism and Ethics, Competition Act, Embargo and keep them updated in compliance related issues. Due to local legislation; Prevention of the Laundering Proceeds of Crime and Financing of Terrorism trainings are being organized for existing staff annually and for the new comers in the first 3 months period.

The determination of the training requirement and the means of training along with the provision of training activities are under the responsibility of the Compliance Officer in coordination with and supported by the Human Resources Department. The training programs are structured as to encompass the minimum requirements of the legislation.

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The Compliance Officer has the authority to determine which employee(s) are to be kept exempt from the training programme, the training frequency for each employee and the training methods to be used. The training activities are carried out within the framework of annual programs prepared by the Compliance Officer.

3.3.2 The Obligation to Provide Information and Documents

Within the scope of its obligations regarding the prevention of laundering of proceeds of crime and terrorist financing, the Bank is obliged to provide all information, documents and records in every type of environment, all necessary passwords and information necessary for fully and accurately accessing to or retrieving these records and render necessary assistance and convenience in these matters in case such information is requested by MASAK Presidency. Such information and documentation are to be submitted to MASAK by the Compliance Officer.

3.3.3 The Obligation to Keep Confidential Information

Pasha Yatırım Bankası A.Ş. employees are not allowed to disclose the confidential information that they acquire as part of their duties such as; customers or related persons, their transactions and accounts, business activities, enterprises, wealth or professions with their parties and are not allowed to use such information in their own or other's benefit.

Reporting of suspicious transactions may not be unveiled to anyone except for examiners inspecting obliged parties that are defined in the Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism and courts of law during trials.

These obligations also apply for the previous employees of Pasha Yatırım Bankası A.Ş., who no longer work for the Bank.

3.3.4 Retention of Records and Documents

Due to Law No.5549 Prevention of laundering Proceeds of Crime and related MASAK legislation; The obliged parties shall retain the documents, books and records, identification documents kept in all forms regarding their transactions and obligations established in the Law for eight years starting from the drawn up date, the last record date, the last transaction date respectively and submit them when requested. For the dormant accounts the requested period calculated from the beginning of the closing date of the account.

The suspicious activity reports and analysis of suspicious activities are also in the scope of retaining obligation.

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4. GENERAL PRINCIPLES AND RULES

There are two fundamental elements in the identification of persons speculating to use the Bank as an intermediary in their laundering activities. These are know your customer policies and suspicious transaction reporting system.

4.1 The Requirement of Customer Identification (KYC – Know Your Customer)

The requirement of customer identification reduces and controls the risk of laundering and facilitates the process of identifying transactions related with illegal activities. The purpose of customer identification is to achieve clarity and transparency in the transactions of and information about the customer and to establish and maintain a relation based on mutual trust with the customer.

Within the process of customer identification, it is necessary to have adequate information about the following and to document such information as much as possible:

- the determination of accurate identity and addresses,
- identification of beneficial owner,
- the consistency of documents and information,
- the purpose of choosing the Bank to open an account,
- information on the purpose and intended nature of the business relationship,
- the nature of the business, profession of the customer and the main revenue generating line of business,
- the customer's source of funds/ wealth,
- the expected or predicted pattern of transactions ,
- buyers and sellers,
- business address or location of incorporation.

On the other hand, the above-mentioned information and related documentation may not always be adequate for proper identification of a customer. Especially customers operating in high-risk lines of business and predominantly on a cash-basis should be visited by the customer relations manager(s) on site in case there is some suspicion about the activities of the customer. The execution of customer identification procedures accurately and completely is very important to properly evaluate a customer within the framework of customer admittance policies of the bank.

Customer identification is not a one-off process. It is necessary to update the customer information constantly during the course of relations with the customer.

Depending on the risk status of the customer, information is more frequently updated in the case of high-risk customers.

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The methodology of updating customer information and documents is clear and well-articulated in internal policies.

The fundamentals of the requirement of customer identification entail the determination of customer acceptance policies and real identity of the customer.

4.1.1 Customer Acceptance Policy

As a fundamental principle, Pasha Yatırım Bankası A.Ş. shall not provide banking services to individuals and institutions which have not been cleared of all the stages of customer identification.

As a general customer acceptance policy, Pasha Yatırım Bankası A.Ş. employees shall admit customers only after taking into consideration factors such as the customer's background, country of residence, related accounts, business activities and other risk indicators.

Pasha Yatırım Bankası A.Ş. do not accept the following individuals and institutions as customers:

- Those individuals, whose accurate identity and addresses cannot be - verified,
- Individuals and institutions, which are listed in the black lists issued by regulations such as; MASAK, OFAC, EU, etc. in relation with laundering proceeds of crime and financing of terrorism,
- Shell banks,
- Individuals with a negative reputation due to being connected with activities such as arms smuggling, environment pollution and bribery, etc,
- Individuals and institutions, which are doing business in countries/jurisdictions that do not cooperate with FATF (also listed as NCCT),
- Casinos, which are illegal according to Turkish legislation, including virtual casinos.

the criteria of bank's customer portfolio is as follows;

- relationship based on mutual reliance,
- customers do not involve in unlawful behavior,
- customers do not involved money laundering and terrorist financing activities,
- presents adequate information in the documents and information required to be presented or submitted

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- in compliance with bank's goal and objectives

In addition to the persons who will not be accepted as a customer, the following issues should also be considered:

- It is necessary to proceed with extreme caution and care in admitting as customers those individuals and institutions for whom there are suspicions about the source of wealth and funds.
- Politically Exposed Persons and their first-degree relatives, associates, the companies controlled by such individuals and other individuals who are known to be in close relation with such individuals are categorized at the highest level in risk classifications.
- Accounts shall not be opened for third parties other than the real owner with anonymous names or nicknames.
- Necessary precautions are taken in accordance with the legislation to identify the ultimate beneficial owners of the accounts.
- Unless the legal representation by the customer is clearly documented and the purpose and necessity of account opening is declared, the requests by third parties to open accounts in the names of one or more persons with the use of proxies shall not be processed.
- Proxy and other general instructions shall always be notarized and in suspicious cases, confirmation shall be obtained from the institutions, which prepare the documents.
- Correspondent banking: Information shall be requested from correspondent banks about their respective compliance systems, including the incidence of past investigations and/or penalties incurred due to the laundering proceeds of crime or terrorist financing and the existence of official legislation in the country concerned. General Manager's conclusion is required for correspondent bank account openings. Related rules and principles, role of Compliance Unit concerning account openings is being clarified in KYC procedure.

4.1.1.1 Risk Groups

All customer accounts shall be evaluated based on certain criteria such as the background of the customer, nationality, country of residence, business activities, the purpose of account utilization and other risk indicators and the high-risk accounts are recorded in the system as such. With a risk based approach enhanced control

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procedures and measures are applied to the customers classified in the high-risk category. Related procedures shall be outlined in the sub-regulations to be prepared by the relevant departments.

Due to ROM, in proportion to the identified risk, one or more or all of the enhanced measures for transactions within the scope of transactions requiring special attention, taking measures against technological risks and Relationships with risky countries. Furthermore, customer classification due to risk levels, establishment of the methodology and frequency of the review of high risk customers are under the responsibility of the Compliance Officer.

The used risk criteria inter alia are the following;

- Customer risk
- Service risk
- Country risk

Determining the client's risk level below mentioned criteria are observed and evaluated as a whole;

- demographic and financial information,
- nature of the business,
- transactions' type and transaction parties,
- value of the assets at the Bank's disposal and / or volume of the transactions carried out
- the adequacy level of measures of the countries where the customer doing business or domiciled regarding anti money laundering and terrorist financing

Customer risk

- High risk country citizens or the legal persons domiciled or doing business in high risk countries and/ or regions (including off-shore countries),
- Politically Exposed Persons, families and close associates,
- Operating in high risk business fields appointed by the regulator and governmental authorities as being potentially high risk for money laundering (cash intensive business, dealers in high value of precious goods, etc.)
- Using the types of the Bank products that are classified as high risk,
- Correspondent banks
- Associations, foundations, charities and other non-governmental Organizations,
- if there is a suspicion of the ultimate beneficial owner

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Service risk

- Electronic transfers,
- Private banking services,
- Non-face-to-face transactions,
- Services introduced by new and developing technologies

Country risk

- countries subject to sanction and embargoes by MASAK, UNSC, EU, OFAC,
- countries identified by the Financial Action Task Force as non-cooperative and tax heavens,
- countries identified as lack of appropriate money laundering laws and regulations or significant level of corruption

In accordance with high risk customer review, the below mentioned additional measures are being carried out in order to comply with enhanced measures;

- Gathering additional information on the customer and updating more regularly the identification data of customer and beneficial owner,
- Obtaining additional information on the intended nature of the business relationship,
- Gathering information, to the extent possible, on the source of the asset subject to transaction and source of funds of the customer,
- Obtaining information on the reasons for the transaction,
- Approval of senior manager to commence or continue business relationship or carry out transaction,
- Conducting enhanced monitoring of the business relationship by increasing the number and frequency of the controls applied and by selecting the patterns of transactions that needs further examination,
- Requiring that in the establishment of permanent relationship the first financial transaction is carried out through another financial institution subject to customer due diligence principles.

4.1.1.2 Identification of Beneficial Owner

When establishing permanent business relationship with legal persons registered to trade registry; the natural person partners holding more than twenty-five percent of the legal person's shares as the beneficial owner is being identified.

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4.1.2 Customer Identification

The other important step in the prevention of laundering proceeds of crime and terrorist financing is the identification of customer from the reliable information/ sources that is addressed by the local legislation. According to MASAK legislation, customer identification shall be made before the transactions are conducted. Also due to local legislation the obliged parties shall identify the persons carrying out transactions and the persons on behalf of or for the benefit of whom the transactions are conducted within or through the obliged parties before the transactions are conducted. The procedures to be followed in the determination of identity shall be laid out by sub-regulations to be prepared and announced to the Bank by the Compliance Officer in accordance with the detailed legislation disclosed by the Financial Crimes Investigation Board.

4.1.3 Categories of Risky Transactions

The following transactions are classified as categories of risky transactions within the context of laundering proceeds of crime and terrorist financing. The execution and control of these transactions require enhanced customer due diligence principles and enhanced measures.

a. Cash-based transactions: A predominant characteristic of proceeds of crime is its cash-based nature in general. Therefore, the related bank employee should be extremely cautious in cash-based transactions.

b. Electronic transfers: In the case of all transfers from other banks and financial institutions to our bank in favor of individuals who have not been cleared of the customer identification process, the beneficiary shall undergo customer identification process before the payment is made. Furthermore, in the case of money and securities transfers from accounts whose customer identification procedures have been completed in Pasha Yatırım Bankası A.Ş., it is obligatory to disclose;

- Name and surname, title of the legal person registered to trade registry, full name of the other legal persons and unincorporated organizations,
- Account number
- The address for identifying the originator,

The execution of transactions, which fail to comply with these requirements, is prohibited.

c. Technological risks: taking appropriate and effective measures including paying special attention to operations such as depositing, withdrawing and wire transfers which are carried out by using systems enabling the institutions to conduct non face-to-face transactions, closely monitoring the transactions that are not consistent with financial

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profile or activities of the customer or do not have connection with his/her activities, and establishing a limit to amounts and number of transactions

d. Relationships with risky countries: paying special attention to business relationships and transactions with the natural and legal persons, unincorporated organizations and the citizens located in risky countries and to obtain information about the purpose and the nature of the transactions, as far as possible, which have no apparent reasonable legitimate and economic purpose and to record them.

4.2 The Suspicious Transaction Reporting System

Bank employees shall report to the Compliance Officer suspicious transactions or attempted suspicious transactions through or by the intermediation of our Bank.

The evaluation of such reported transactions and the decision of whether to report them to MASAK lies within the authority and responsibility of the Compliance Officer. In the process of evaluating the scope of the transaction, the Compliance Officer may request the customer documentation and further information or its copy from the related department, if it is deemed necessary.

It is obligatory to report the suspicious transaction within the time frame as specified by the legislation. In order to prevent delays, tasks in relation with the reporting of such transactions are regarded as tasks with high priority for the related personnel.

If the Compliance Officer decides that the transaction is not suspicious, he/she shall declare his/her justification in writing.

The types of suspicious transactions, indicators leading to suspicious transaction reporting and reporting rules and procedures shall be determined by a procedural document prepared in accordance with the legislation. The Compliance Officer is responsible from the issuance of related sub-regulations.

4.3 Monitoring Techniques

The Internal Control Department shall monitor regularly and check whether the Bank's obligations within the context of legislation on the prevention of laundering of proceeds of crime and terrorist financing are fulfilled properly..

Customer transactions are continuously inspected by the Compliance Officer to uncover possible suspicious transactions. Types of suspicious transactions specified by the legislation and international applications shall be considered in designing the compliance procedures. The consistency of the customer transactions with the known customer and transaction profile shall be evaluated during the inspection process of the transactions.

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During limited internal controls and audits of the Compliance monitoring and control activities the transaction volumes are considered in order to understand if the detection measurements are efficient regarding STR numbers.

The Compliance Officer uses the results of the inspection activities, evaluates the efficiency and effectiveness of the early warning mechanisms and reporting systems and if necessary, works on the improvement of the mechanisms used and the development of new early warning mechanisms by consulting with the related departments.

4.4 Monitoring Activities

Standard due diligence is the common practice at Pasha Yatırım Bankası A.Ş. for all standard customers. The purpose of standard due diligence is to obtain sufficient knowledge of the customer to check full identity, to gauge the risks (essentially, reputation, legal and operational) and to fulfil our obligations with regard to preventing and tackling money laundering, corruption and terrorism

Enhanced due diligences needs are commonly identified considering the above listed criteria during customer acceptance process.

- High risk country citizens or the legal persons domiciled or doing business in high risk countries and/ or regions (including off-shore countries),
- Politically Exposed Persons, families and close associates,
- Operating in high risk business fields appointed by the regulator and governmental authorities as being potentially high risk for money laundering (cash intensive business, dealers in high value of precious goods, etc.)
- Customers who deal with the Bank products that are classified as high risk,
- Correspondent banks
- Associations, foundations, charities and other non-governmental Organizations,
- if there is a suspicion of the ultimate beneficial owner

In order to prevent money laundering, financing of terrorism, corruption periodical reviews of high risk customers are being performed by Compliance Officer as follows;

- monitoring the transactions that is particularly complex, involves an unusually large amount,
- enhanced scrutiny is based on up-to-date knowledge of the business relationship,
- monitoring the banking activities of high risk country citizens or the legal persons domiciled or doing business in high risk countries and/ or regions (including off-shore countries),
- monitoring the customers with high risk services,

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4.5 Freezing of Asset

During the financial research carried out within the scope of articles 5 to 7 of the Regulation, MASAK may ask for information, document and records in any form from public institutions and organizations and natural and legal persons. The information requested from public institutions and organizations and natural and legal persons shall be submitted to MASAK without delay within the required procedure, form and duration.

After the research of those about whom decision on freezing of asset has been made financial institutions shall inform MASAK about the results of the research within seven days at the latest following the receiving date of the decision on freezing of asset via post office.

In the case of the unfreezing request, unfreezing shall be applied by notifying MASAK.

The frozen asset shall be managed under the framework of MASAK legislation.

5. RISKS ASSOCIATED WITH THE INCOMPLIANCE WITH THE LEGISLATION FOR THE PREVENTION OF LAUNDERING PROCEEDS OF CRIME AND TERRORIST FINANCING

5.1 Legal Risk:

Incompliance with the rules and policies laid out in this regulation will lead to court cases against our Bank or may adversely affect the Bank's status or operations due to contracts signed.

According to Article 282 "laundering of wealth proceeds of crime" and Article 60 "security measures concerning legal entities" of Turkish Criminal Law No 5237, if a legal entity subject to private law and operating with the permit granted by the state is convicted of laundering charges due to activities carried out with the participation of its organs or representatives, and by misusing the permit granted, its operating permit may be canceled.

According to Prevention of Laundering Proceeds of Crime Law No 5549 Article 4 Paragraph (2), the obliged parties may not give the information to anybody including the parties of the transaction that they reported, other than the examiners assigned to conduct inspection of obligations and the courts during legal proceedings and those who violate these obligations shall be sentenced to imprisonment from one to three years and to judicial fine up to 5000 days.

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5.2 Reputation Risk

As banks operate on the basis of trust, the public view about the integrity and honesty of the bank and the customers' confidence in the bank are the most valuable assets of a bank. Reputation risk indicates the current and possible impact of such negative impressions on the Bank's activities and revenues. Such a risk will prevent the Bank from entering into new business relations and adversely affect the continuity of the current business relations. A bank, which experiences reputation risk, is likely to lose its customer base and face revenue loss.

5.3 Operational Risk

Operational risk indicates the potential direct and indirect losses to be incurred as a result of ineffective internal control procedures or other external effects. Operational risks are mostly related to the banks' weakness in the execution of their obligations and especially result from failures in internal control activities and mistakes in financial management.

Operational mistakes and frauds are likely to be overlooked due to weaknesses in internal control activities and this will in turn create losses for the bank, cause failure to act in a timely and appropriate manner and will lead to unfavorable consequences.

5.4 Occupational Risks

Incompliance with this regulation by the employees of Pasha Yatırım Bankası A.Ş. shall lead to the implementation of disciplinary measures in accordance with the Human Resources Regulation and serious sanctions, including termination of employment contract, may be applied.

6. VALIDITY

This policy approved by the Board Resolution numbered 62 and dated 25/06/2015 comes into force as of the date of its approval.