

iŞ FAKTORİNG



Policy on the Fight against Laundering
Proceeds of Crime and Financing of
Terrorism

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1. Primary Basis of the Policy

Depending on the increasing sensitivity of the international public opinion to the prevention of laundering proceeds of crime and financing of terrorism, the international initiatives and regulations for the global pursuance of the fight against laundering proceeds of crime and financing of terrorism have also gained acceleration recently. Various legislative regulations are made in this respect and a great importance is attached to the enhancement of the existing applications in our country, as is the case in many countries sharing the same sensitivity.

Our Company adopts and pays attention to the fight against laundering proceeds of crime and financing of terrorism as a social responsibility, beyond the compliance with the laws and regulations.

The primary basis of this Policy is comprised of:

- The initiatives, agreements and regulations to which our country is a party;
- The international standards and recommendations for the prevention of laundering proceeds of crime and financing of terrorism, as well as the generally accepted approaches, methods and applications;
- The Law on Prevention of Laundering Proceeds of Crime and the other legislation in force based on this Law.

2. Definitions

Company	: İş Faktoring A.Ş.
Ministry	: Ministry of Finance of the Republic of Turkey
MASAK	: Financial Crimes Investigation Board of the Ministry of Finance of the Republic of Turkey
Regulation on Measures	: Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism published on the Official Gazette dated 09.01.2008 and numbered 26751
FATF	: Financial Action Task Force
OFAC	: Office of Foreign Assets Control
Laundering Proceeds of Crime	: Transactions to retrieve the revenues acquired from illegal means from cash form to enter the same into financial systems (Money Laundering), and to legitimize the same by means of changing their identities through proceeding in the financial system in order to make them look like to have been acquired from legal means.
Compliance Officer	: Personnel who is employed in the Company in accordance with the Law on Prevention of Laundering Proceeds of Crime and with the legislation in force based on the Law, and who is in charge and authorized to ensure the compliance of the Company with the obligations arising out of this legislation.

3. Purpose of the Policy

For its approach to this issue, the Company believes in the importance of the effectiveness in its internal regulations and applications and as a policy, it aims:

- To protect the elements of reputation and confidence of İş Faktoring A.Ş. brand in maintaining its financial activities;
- To ensure the compliance of the internal regulation, application, monitoring, reporting and control methods with the laws and regulations;
- To prevent, with its internal application, monitoring and reporting systems, the use of the Company for the purpose of laundering proceeds of crime and financing of terrorism;
- To ensure that its employees are informed about the legal obligations and the principles governing the issue;
- To maintain the customer quality;
- And to ensure the necessary compliance and cooperation in its international agreement and

correspondent relations.

4. Scope of the Policy

This Policy applies to the General Directorate and all branches of the Company.

In addition, the Company oversees that policies and applications for the purpose of the "Prevention of Laundering Proceeds of Crime and Financing of Terrorism" are established by its financial affiliates.

5. Duties, Authorities and Responsibilities

Pursuant to Article 29 of the "Regulation on Program of Compliance Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism" published on the Official Gazette dated 16.09.2008 and numbered 26999, the Company appoints a Compliance Officer who has the qualifications specified in the said Regulation and who will directly report to the Board of Directors or the General Director. The duties, authorities and responsibilities of the appointed compliance officer are as follows:

- Conducting investigations about potential suspicious transactions which have been referred to him/her or which he/she has become aware of him/herself in the framework of his/her authorities and capabilities and evaluating the facts and findings he/she has acquired, and reporting those transactions which he/she has adjudged to be suspicious to MASAK;
- Acting in good faith, reasonably, honestly, impartially and independently in evaluating and reporting suspicious transactions to MASAK, and taking measures to procure confidentiality of such reports;
- Asking for all kinds of information and documents from all units of the Company in the scope of evaluation of the suspicious transactions;
- Conducting the training, research, development, monitoring and control studies in order to assure the compliance of the Company with the Law as well as the regulations and communiqués enacted as per the Law, and ensuring necessary communication and coordination with MASAK.

Moreover, all the Company personnel at every level is liable to follow the up-to-date legislation in force in this respect and to take the necessary precautions within the scope of any announcements made and any information provided about the Company policies and procedures or the Company applications including e-mails with the purpose of fulfilling all of its duties and responsibilities in an accurate and attentive manner in order to protect the Company against the risk related to the laundering proceeds of crime and financing of terrorism, with the effective implementation of this Policy in accordance with its intended purpose.

6. Know Your Customer Principle

In accordance with the Regulation on Measures, the "Know Your Customer" Principle underlies the Company's customer acceptance policy. The Company adopts the policies, principles and applications complying with the legal legislation as the most effective way of being protected from the ones laundering proceeds of crime within the scope of the aim of maintaining the customer quality. The purpose is to provide clarity in customer transactions and information, and to establish and maintain a relationship based on mutual trust. The Company takes necessary measures within the scope of the legislation in force and the Company policies and procedures for:

- Performance of identification;
- Recognition of the real beneficiary;
- Supply of adequate information about the objective and nature of the transaction requested;
- Monitoring of the customer's condition and transactions;
- And taking measures for customers, activities and transactions requiring special attention.

7. Customer Acceptance Principles

The Company adopts the policies, principles and applications complying with the legal legislation as the most effective way of being protected from the ones laundering proceeds of crime within the scope of the aim of maintaining the customer quality. The purpose is to provide clarity in customer transactions and information, and to establish and maintain a relationship based on mutual trust.

7.1. General Principles Regarding Customer Acceptance

- Identification of the customer and determination of his/her address;
- His/her purpose of preferring the Company;
- His/her profession and main business field bringing income;
- His/her buyers and sellers;
- His/her workplace or site of operations;
- And consistency of his/her documents and information among themselves. After performing the required operations and getting information for these issues, the acceptance is realized.

In addition, due care is taken for the following issues:

- The regulations related to the internal policies and legislation, the supply of introductory information about customers, and reporting, monitoring and inspection activities are regularly reviewed.
- In case of any suspicion, information or document regarding that the assets and funds of persons and organizations are generated through illegal ways, such persons and organizations are not accepted as customers, and their securities and sureties are not accepted even if they are not customers directly.

- Within the scope of necessity that customer relations are based on a mutual information exchange, trust and clarity, the persons and organizations that avoid or are reluctant to complete the customer introductory information forms or give misleading and unverifiable information are not accepted as customers.
- Any request by a 3. party to make transactions on behalf of a customer via a power of attorney is not fulfilled, unless they clearly evidence that they have been legally authorized by the customer and they state the purpose and requirement of making transactions.
- It is required that the powers of attorney are notarized, and a confirmation is obtained from the notary office that issued such document in case the customer is not known enough.

7.2. Customer Acceptance and Responsibilities

The job definitions of the relevant units and personnel clearly specify the principles to identify customers during acquisition of new customers, to record the addresses declared, to supply and verify the necessary information and documents, and to keep the records in physical and/or electronic environment.

7.3. Identification Procedure and Recording Information

For the Company, the primary prerequisite for establishing a continuous business relationship with customers and for the performance of transactions is to perform the identification of customers in a timely, completely and accurately manner in accordance with the legislation in force and the Company Policy and procedures.

The identification of customers is performed by realizing the required works and operations within the scope of the legislation in force and the Company Policy and procedures regarding the supply, identification, control and confirmation of the identification details of customers.

The identification is performed by receiving the identification details of customers and of persons acting on behalf of or for the account of customers and by verifying the accuracy of such details in accordance with the relevant legislation:

- Irrespective of amount in the establishment of the continuous customer relation;
- Irrespective of amount in case of a suspicion about sufficiency and accuracy of customer's identification details obtained previously;
- Irrespective of amount in cases requiring suspicious transaction reporting;
- And when the transaction amount or the total amount of more than one connected transactions exceeds the amount specified in the legislation.

Documents supplied within the scope of identification are kept for 8 years as of the beginning of the calendar year following the first transaction date.

7.4. Recognition of the Real Beneficiary

In the establishment of the continuous business relationship and in the performance of the transactions requested, the necessary measures are taken and carefully applied in accordance with the legislation in order to identify and recognize the real beneficiary.

7.5. Supply of Adequate Information about the Objective and Nature of Transactions

Special attention is paid to complex and unusual large transactions and the ones which have no reasonable legitimate and economic purpose, and necessary measures are taken in order to obtain adequate information on the objective and nature of the requested transaction.

7.6. Continuous Monitoring of Customers and Transactions

Within the scope of the monitoring and control activities, the risk profiles of customers are determined in terms of laundering and financing of terrorism by taking into consideration the customers' professions, business backgrounds, activities, financial conditions, accounts and transactions as well as the countries where they reside/carry out activities and similar up-to-date information and indicators. High-risk customers, business relationships and transactions are determined and monitored by means of the established risk management and monitoring and control processes and systems.

7.7. Taking Necessary Measures for Customers, Activities and Transactions Requiring Special Attention

The necessary measures are taken within the scope of the legislation and the Company procedures for the issues requiring special attention including the following:

- New and developing technologies;
- Systems that are capable of performing non–face-to-face transactions;
- Relations with the correspondents and risky countries;
- Business relationships about the objective of which no adequate information can be obtained;
- Other customers, business and transactions requiring special attention.

8. Persons and Organizations Unacceptable as Customers

8.1. Persons whose Real Identities and Addresses Cannot Be Identified

Persons and organizations willing to make transactions under a name different than its real identity, avoiding completing the customer introductory information forms, acting reluctantly in this respect or providing misleading and unverifiable information are not accepted as customers. Provision of factoring service to such persons and organizations is avoided.

8.2. Persons and Organizations Named in the Lists Published by Government Agencies Regarding the Prevention of Money Laundering and Financing of Terrorism

Persons and organizations determined to be included in the lists published by the authorized government agencies (OFAC, etc.) within the scope of the fight against the proceeds of crime are not accepted as customers. The existing transactions of such persons and organizations, about which problems are determined in this respect following the customer relation, at the Company are terminated and their factoring transactions are not intermediated.

8.3. Shell Banks

"Shell Banks" without any physical address in any country and without at least one employee who works full-time, not subject to inspection and authorization by any official authority in terms of banking transactions and records, and not being a reputable banking institution subject to the regulations and inspection procedures acceptable in terms of the prevention of laundering proceeds of crime and banking transactions are not accepted as customers and their transactions are not directly or indirectly intermediated.

9. Natural and Legal Persons Requiring Additional Attention to Be Accepted as Customers

9.1. Correspondents

Adequate and satisfactory information and documents related to their policies, applications and controls regarding the prevention of money laundering and financing of terrorism are supplied from the counter financial institutions with which a correspondent relation will be established.

A written confirmation is obtained from the counter financial institutions regarding whether they have been investigated and punished in terms of laundering proceeds of crime or financing of terrorism.

9.2. Transactions of Customers Resident in Risky Geographical Areas or of Connected Customers

Customers residing in the domestic and foreign risky areas, falling into the following categories, or connected customers are more closely and tightly monitored. Special attention is paid to apply these principles while issuing transactions particularly with the financial institutions which reside in the risky geographical areas or which are included in the List of Non-cooperative Countries published by FATF of which Turkey is also a member.

Non-cooperative Countries

Special attention is paid to service to be rendered, transactions to be intermediated and business relationships to be engaged with citizens, companies and financial institutions of the countries that do not apply FATF recommendations or apply them deficiently and therefore are included in the List of Non-Cooperative Countries and Territories-NCCTs of FATF.

The essence and purpose of such transactions are investigated if they do not have any legal or economic purpose in view, and the findings are recorded in such a way to help the competent authorities.

Off Shores, Free Zones and Financial Centers

It is paid special and great attention to the transactions of the customers residing in offshores, free zones and international financial centers in which strict banking confidentiality laws are applied that form a center of attraction for the need to keep the funds generated from organized crimes or used in financing of terrorism as a result of banking secret, tax advantage and jurisdictional immunity they provide.

9.3. Sensitive Sectors and Business Lines for Laundering Proceeds of Crime

It is paid special attention to render service to sectors and profession groups with intense cash flows. It is ensured to record the sectoral data carefully and completely as well as the identity and identification documents of the customer, and to monitor customer transactions carefully.

10. Monitoring and Control Activities for Risky Transactions

Customer funds and transactions which result from the activities the reason of which cannot be known, which cannot be directly associated with their fields of activity and which generally result from cash transactions and bearer products are monitored with enhanced procedures. Monitoring and control activities are established and performed with a risk-based approach. Within this scope, besides the standard controls to be applied to all activities of the Company, appropriate and effective control processes, systems and methods are determined and implemented to more closely monitor the customers deemed as high-risk and requiring special attention. The monitoring and control activities essentially cover the following issues:

- Monitoring and control of the transactions of the customers in the high-risk group;
- Monitoring and control of transactions realized with risky countries;
- Monitoring and control of complex and extraordinary transactions;
- Control of the suitability, sufficiency and actuality of the existing information and documents of customers, and having the deficiencies completed;
- Checking by sampling method whether transactions in excess of the amounts determined are consistent with the customer profile;
- Monitoring constantly throughout the business relationship whether the customer transactions are consistent with the information regarding the customer's business, risk profile and fund resources;
- Control of transactions performed through the systems which enable non-face-to-face transactions;
- Risk-based control of services which might be exposed to risk and abuse in terms of laundering and financing of terrorism due to new products and technological developments.

The risk profiles of customers are determined in terms of laundering and financing of terrorism by taking into consideration the customers' professions, business backgrounds, financial conditions, accounts, business operations, the countries where they reside and other relevant indicators. In accordance with the Regulation on Measures related to the high-risk transactions, the measures are taken including the following:

- To obtain additional information about the customer and to update the identity details of the customer and real beneficiary more frequently;
- To obtain additional information about the nature of the business relationship;
- To obtain information as much as possible about the source of the assets subjecting of the transaction and funds belonging to the customer;
- To obtain information about the objective of the transaction;
- To subject to the approval of the high-level officer to engage in a business relationship, maintain the existing business relationship or perform the transaction;
- To increase the number and frequency of the controls applied, and to keep a close watch on the business relationship by determining the transaction types requiring additional control;
- To make obligatory to perform the initial financial action in the establishment of a continuous business relationship through another financial institution in which the principles on knowing customer are implemented. The appropriate risk management system is established in the Company with the purpose of monitoring the said measures and the additional measures developed by the Company.

11. Suspicious Transaction Reporting

The suspicious transactions related to laundering proceeds of crime and financing of terrorism are reported to MASAK within the scope of the legislation.

In case of information or issues to require suspicion regarding that a transaction performed or requested to be performed at the Company or through the Company is related to or connected with the laundering proceeds of crime and financing of terrorism, it is ensured that the transaction determined to be suspicious, following the required research made within the bounds of possibility, is reported to MASAK within the period of time and in accordance with the principles specified in the legislation.

The necessary communication and cooperation are provided within the scope of the legislation between the parties to the process of the determination, examination and assessment of suspicious transactions and of their reporting to MASAK.

Utmost care and attention are paid by all concerned persons being a party to or very competent on the issue within the scope of the legislation in terms of the confidentiality and security of the suspicious transaction reports and internal reports made in the Company in this respect and of the protection of the parties to such reports.

The examples of customer profile and sectoral suspicious transactions are provided below.

Examples of Suspicious Transactions Related to Customer Profile

- During the application to the obliged parties, the customer presents documents, required to be submitted or handed over, with missing information, or the information the customer provides is conflicting or the customer is reluctant to provide information.
- Existence of a concrete situation that requires suspicion, such as offering of money or various gifts for performing the transaction, or negative news in the media about the customer related to laundering proceeds of crime or financing of terrorism.
- Lack of a reasonable ratio between the business/profession and financial condition of the customer and his/her transactions.
- The customer has a commercial or other relationship with risky persons or organizations.
- Companies have unusual capital, shareholding, management and employment structures compared to the other institutions in the sector or to the general company structures.

Examples of Sectoral Suspicious Transactions

- A firm (seller) which assigns its receivables arising from a forward sale to the factor continues to sell goods or services to its real or legal person customers (buyer) at high prices compared to the market conditions.
- A buyer firm pays, or makes a commitment to pay, its future debts which are far beyond its financial power, or in such a case, the seller firm gives a guarantee in favor of the buyer firm that the latter will pay its debt.
- There exists any suspicion that either the buyer or the seller firm could be a shell company or that there may be a fictitious transaction between them.
- There raises any suspicion as regards the authenticity of the invoices and/or cheques presented to the factoring company.
- There raises any suspicion that the invoices and/or cheques presented to the factoring company are stolen.
- There raises any suspicion that the goods and services specified on the invoice subjecting of the factoring transaction are sold/purchased for a price remarkably higher than their market value.

12. Monitoring, Internal Audit and Reporting Activity

Special attention is paid to establish the monitoring, internal audit, reporting and communication systems to ensure compliance with the obligations related to laundering proceeds of crime, to determine in advance and prevent the suspicious transactions, and to reveal the suspicious transactions.

13. Training Activities

Special attention is paid to ensure that all employees and particularly the managers have sufficient knowledge by making use of the regulations and notifications as well as recommendations, standard and scientific studies of the official and professional organizations involved in the national and international fight against laundering proceeds of crime and financing of terrorism, in order to enable the Company employees fully know the legal and administrative obligations related to the fight against laundering proceeds of crime and financing of terrorism.

14. Responding to Information Requests from Correspondents and Other Organizations

The activities of responding to the information requests from correspondents or other organizations in the business relationships about the Company applications related to the prevention of laundering proceeds of crime and financing of terrorism, or of examining the forms of declaration quality and of giving approval are fulfilled by the compliance officer.

In order to prevent any problem in communication and any deficiency in records, such requests are made within the knowledge and through the agency of the Deputy General Director in charge of the International Factoring and Correspondent Relations Department.

15. Keeping of Records

Special attention is paid to keep all information, documents and records, required to be obtained from customers in accordance with the legislation in force in Turkey, at least for the periods of time specified in the legal regulations and so as to be accessed easily when required.

16. Obligation to Provide Information and Documents

The reporting activities to be performed within the scope of the constant provision of information and the requests from the bodies and officials authorized to request information and documents from companies are fulfilled with utmost care and attention in accordance with the provisions of the law.

17. Effective Date

This Policy shall become effective on the day of its approval by the Board of Directors. Any amendments and updates to this Policy shall also become effective upon the approval by the Board of Directors.