

IS INVESTMENT'S POLICY ON STRUGGLE AGAINST LAUNDERING PROCEEDS OF CRIME AND TERRORISM FINANCING

Since international public becomes increasingly sensible to the laundering proceeds of crime and terrorism financing, numerous countries perform legal arrangements in connection with this matter and reinforce their existing practices. In our country also various legal arrangements have been made in this subject and the same sensibility has been shared by Turkish people.

Having an esteemed and reliable position in international domain, İş Yatırım Menkul Değerler A.Ş. considers the struggle against laundering proceeds of crime and terrorism financing beyond conformity to legal arrangements, as a social responsibility taking into account the destruction caused by this subject in social life and gives importance to this struggle. Our Company considers also the said struggle as an important factor of the conformity and integration to international system.

IS Investment's policy on preventing laundering proceeds of crime and terrorism financing is based on international agreements and initiatives of which Turkey is a Party, on the provisions of the Law of Prevention of Laundering of Black Money number 4208 entered into force upon its publication in the Official Gazette dated 19.11.1996 and most particularly, on the faith and determination to protect the brand's reputation and reliability.

In this context, IS Investment aims:

- To protect IS Investment's reputation and reliability while continuing its financial activities,
- To ensure the conformity of internal arrangement, application, follow up, reporting and control methods to the laws and arrangements,
- To prevent the use of IS Investment in order to launder proceeds of crime and terrorism financing by means of internal application, follow up and reporting systems.
- To ensure that our employees are informed on legal obligations and principles related to the matter,
- To protect the client quality by observing the principles and procedures of "Knowing the Client",
- To ensure required harmony and collaboration in international agreements and relations with correspondents.

Knowing the Client

Policies, principles and practices conforming to legal regulations have to be adopted within the concept of "Knowing the Client" as the most efficient way to be protected against the launderers of criminal revenues. The objective is to ensure the clarity of client transactions and information, to establish and maintain a relation based on mutual confidence.

General Principles Related to Client Acceptance

It is realized upon performance of required formalities in below listed matters and obtaining the information:

- Determination of identity and address,
- Purpose of preferring and opening account in IS Investment,
- Profession, main professional revenue source,
- Place of work or place of activity,
- Internal coherence of documents and information.

Furthermore, necessary care and attention have to be paid on below listed subjects:

- Intra Company policy, regulations, arrangements related to account opening transactions, acquisition of information related to client, reporting, follow up and control activities are regularly revised.
- In case there is a doubt, information or document showing that the persons' and institutions' wealth and funds are not earned in legal ways, such persons and institutions are not accepted as client and their guaranties are not accepted even if they are not direct clients.
- Considering that the relations with clients have to be based on mutual exchange of information, confidence and clarity, the persons and institutions abstaining from or being unwilling to fill client presentation and information forms or providing misleading and non confirmable information are not accepted as client.
- Pursuant to the principle saying that "Client accounts must be opened solely in the name of real clients", any account under an anonymous name or surname may not be opened in the name of a third party different from the real owner upon the demand of a beneficiary who is not real person.
- Opened accounts are used only by the persons for whom the account is open, their proxies and legal representatives.
- Unless it is expressly stated by the client that they are legally authorized and the purpose and necessity of opening the account is declared, the demands made by the third parties to open an account by proxy in the name of one or more persons are not executed (accounts opened in the name of minors being excluded).
- Age limit of the accounts opened in the name of minors is checked.
- The Power of Attorney has absolutely to be notarized. Especially, in cases the client is not sufficiently known, confirmation of the Notary Public issuing the document is asked.

Client Acceptance and Responsibilities

Principles related to determining clients' identities, recording declared addresses, receiving required information and documents, justifying such information in case there is doubt, preserving the records in physical and/or electronic media are fully observed while defining the job of concerned unit and personnel, gaining new clients (opening account and similar transactions subject to continuous relation with client) and acting as broker for the transactions of clients with whom any account relation is not established.

Persons and Institutions who will not be accepted as client

Persons whose true identities and addresses are not defined

The persons and institutions that want to open an account under a name different from the real one, abstain from or are unwilling to fill client presentation and information forms or providing misleading and non confirmable information are not accepted as client. Offering capital market and brokerage services to such persons and institutions is avoided.

Persons and institutions whose names appear in the lists published by official institutions to hinder laundering of black money and financing of terrorism

The persons and institutions whose appearance in the lists (OFAC list, etc.) published by the official organizations within the context of struggle against criminal revenues are not accepted as client. Existing accounts in IS Investment of the persons and institutions whose negative status in this domain is noted after the establishment of client relation are closed and any brokerage service is offered for their transactions in the capital market.

Shell Banks

The “Shell Banks” which do not have neither a physical address nor minimum one full time employee in any country; of which the banking transactions and records are not subject to the control and authorization of an official authority; which are not the subsidiary of a reputable bank subject to regulations and control procedures acceptable from the point of view of prevention of laundering criminal revenues and banking transactions are not accepted as client, any brokerage service is not offered to their direct or indirect transactions.

Real and legal persons needing an additional care in order to be accepted as client

Correspondent organizations

Sufficient and satisfactory information and documents related to their policies, practices and controls aiming to prevent laundering proceeds of crime and terrorism financing are obtained from the opposite financial organizations with which a correspondent organization relation will be established.

A written confirmation stating whether they have been investigated and sanctioned because of laundering proceeds of crime and terrorism financing is obtained from the opposite financial organizations.

For this purpose, special rules of client acceptance and a flow chart to be certified by the Conformity Staff are established. Such rules include the demand of a questionnaire comprising above indicated information related to the financial organizations wishing to open a correspondent’s account.

Transactions of the clients located or having connection in risky geographical territories

The risky territories and regions located inside and abroad and, taking part in below shown categories are defined. The clients located in or having connections in such territories are followed up more closely and strictly.

A particular attention is paid to the financial organizations of the countries located in risky geographical territories or appearing in the list of Non-Cooperative Countries and Territories of FATF (Financial Action Task Force) of which Turkey also is a member.

Non-Cooperative Countries

A particular attention is paid to the business relations to be established, the services to be offered and the transactions to be mediated in connection with the citizens, companies and financial organizations of the countries which do not observe or observe incompletely FATF's recommendations and consequently appear in FATF's list of Non-Cooperative Countries. In case these transactions do not have apparently any legal and economic purpose, their essence and purpose is investigated and the findings are recorded in a way which will be helpful to the competent authorities.

Off-shore Centers, Free Zones and Financial Centers

A particular attention and care is paid to the transactions of clients located in off-shore centers and free zones constituting a center of attraction for preservation of the funds earned from organized crimes or used for financing the terrorism as a result of the banking confidentiality, tax advantages and jurisdiction immunity they offer and the financial centers where strict rules of banking transactions confidentiality are applied.

Industries and Professional Branches Sensible In Laundering Criminal Revenues

A particular attention and care is paid when opening accounts as well as offering risky services and products to the industries and professional groups subject to intense cash movements. The data related to the industry has to be recorded carefully and completely in addition to the identity data and documents presenting the client and the accounts of this latter have to be carefully followed up.

Risky Transactions

- **Cash Transactions:** A particular attention has to be paid to the cash transactions performed in a frequency and amounts which attract the attention.
- **Electronic Fund Transfers:** In the electronic fund transfers performed, it is essential to state the complete name and address of the transferors and the complete name and address and/or the account numbers and transfer messages of the beneficiaries. The transfer messages received from the opposite financial institutions and presenting incomplete data related to the transferor and beneficiary have to be studied carefully within the context of suspicious transactions, the identity and address of the payees have to be determined and preserved by the unit making the payment.
- **Transactions Performed In Electronic Media:** Applications of the clients who will use this type of products which allow performing transactions without coming face to face with our Company's employees are assessed carefully by the authorized staff of the unit accepting the client. The systems ensuring to control centrally the transactions performed through electronic media are operated with particular attention.

Transactions of Non Profit Charity Organizations

A particular attention is paid to the transactions performed by non profit charity organizations taking into account that these latter may be abused especially by terrorist organizations and the persons earning criminal revenues.

Definition of Suspicious Transaction and Types of Transaction

Definition of Suspicious Transaction

Suspicious transaction is a case where there is information, doubt or factor evoking the doubt that the money or the values which can be represented by money and constituting the subject of the transactions performed or attempted to perform before or with the intermediary of IS Investment are earned through illegal ways.

Types of Suspicious Transaction

The types of suspicious transactions are defined by MASAK (Board of Investigation of Financial Crimes) as follows in the legal regulations.

- 1- Being unwilling to provide the information normally provided by everybody while performing a transaction, meeting with difficulties while obtaining identity information, providing very few or untrue information, submitting a potentially false document, making misleading declarations about the financial situation, the transaction performed not conforming to the declared purpose.
- 2- Transferring abnormally important amounts from or to the off-shore centers and countries where terrorist organizations and crimes such as drug and smuggling exist.
- 3- Finding out an abnormal increase in the accounts of the person opened in the bank and in other institutions and important amounts of inert sums are preserved in such accounts.
- 4- Finding out that the client transfers in suspicious way important sums of money to the addresses and accounts other than the ones with which he usually makes business or transfers money.
- 5- Transferring important cash amounts in the name or for the account of a person of ill reputation who does not have a defined professional resource, commercial experience and infrastructure or transferring important amounts of money from abroad.
- 6- Transferring important amounts of money from or to abroad usually without using an account, performing electronic fund transfers without making sufficient explanation and requiring the payment in cash of such transfers.
- 7- The person has unusually more than one account in the same institution and important amounts are reached when these accounts are considered as a whole; or dividing and keeping in separate accounts the amounts which may be preserved in the same account; or decreasing the number of transactions to the amounts for which any declaration needn't to be made in order to be saved from providing information permanently.
- 8- Numerous persons make payments to the same account without giving a reasonable explanation or perform transfer from many separate accounts to the same account.
- 9- The persons who have such a low commercial transaction volume that they do not need to work with a domestic bank open custody account in order to transfer funds to the foreign banks; or the cash deposited in the accounts opened only for the fund

- transfer is kept in such accounts for a short time and then transferred to temporary accounts without being subject to any transaction.
- 10- Existence of accounts not proportional to the activities of the enterprise and performance of transfer transactions between these accounts; performance of transactions surely not for commercial purposes from such accounts; making payments in unusual ways to the persons who do not have any clear connection to the person or company.
 - 11- Receiving high amounts of credits or loans and paying back such amounts unexpectedly in a short time and without any reasonable explanation.
 - 12- Receiving a credit in the country by declaring an account abroad as guarantee; then ensuring that the borrower seizes the money in the account declared as guarantee and brings it to the country; or paying back a credit received in the country under normal conditions by means of transfers from the off-shore banks abroad.
 - 13- While demanding a credit, to not provide convicting information about the purpose of use of the credit to be received and not providing clear information about its pay back.
 - 14- Exporting and importing sums of similar amounts in the dates close to each other.
 - 15- Giving purchase and sale orders for the amounts corresponding to each other in the accounts opened in stock exchange and term transactions markets as if some transactions were made and although there is not any reason or extraordinary situation.
 - 16- Performance of similar transactions in two or more accounts opened simultaneously in order to perform transactions in the stock exchange and doubting or knowing that the same persons are benefiting from such accounts.
 - 17- Compensating important losses occurred in the accounts opened in the stock broker continuously by means of the cash sent by another investor or transferring the profits in the other accounts always to the same investor.
 - 18- Opening accounts with very high amounts in the stock brokers and making the payment in cash when opening the account or in the day of compensation.
 - 19- Opening numerous accounts where similar transactions are performed in order that the quantity of transactions and the movements in the stock brokers does not attract the attention.
 - 20- Having doubts or existence of reasonable causes to have doubts about the use or connection of the funds with terrorism or terrorist actions.
 - 21- While performing the consultancy services for merger and acquisition operations, having doubts about the assets of the parties of these operations and their disposal of such assets.

The types of suspicious transactions listed above are for information purpose. One should take into account that the suspicious transaction may occur in a different style or nature. Although it does not correspond to the types enumerated above, in case the type and nature of a transaction evokes the doubt, it must absolutely be assessed as a suspicious transaction.

Responsibilities

Pursuant to the legal regulations in connection with laundering black money, the employees of IS Investment have to inform the “Conformity Staff” about any transaction which may be associated to the ones listed above.

The Conformity Staff has to assess the information transmitted to him as well as the other existing information by taking into consideration corresponding laws, regulations and

communiqués and to inform the situation to the competent authorities in case he deems it necessary.

Declaration of Suspicious Transaction

In case there is doubt about the occurrence of any transaction grouped under the titles of Definition of Suspicious Transaction and Types of Suspicious Transaction, the “Suspicious Transaction Declaration Form” (“Form”) is drawn up. The Form is signed by the personnel performing the operation and his manager authorized to sign for the conclusion of this operation and it is delivered to the Conformity Staff latest within the day following the date in which the transaction is detected.

In case there is a difference of views on whether the transaction is suspicious or not between the personnel performing the operation and his manager authorized to sign for the conclusion of this operation, the Form is delivered to the Conformity Staff with only one signature.

The Conformity Staff will assess the information in the Forms transmitted to him as well as the other information existing in IS Investment by taking into consideration corresponding laws, regulations and communiqués and he will decide whether to inform or not the transaction to MASAK as a suspicious one basing on the assessment result.

In case the Conformity Staff decides that the transaction is a suspicious one, the Form may be sent to MASAK by fax in the annex of a letter signed by the Conformity Staff. However, the declaration is transmitted by the Conformity Staff to the “Presidency of Board of Investigation of Financial Crimes, Atatürk Bulvarı No: 225, 06680 Kavaklıdere, Ankara” by registered mail or delivered by hand.

In cases where any delay in the declaration is deemed inconvenient, the situation has to be informed immediately to the authorized and charged Public Prosecutor in addition to MASAK.

At the end of the assessment to be made by the Conformity Staff, in case it is decided to not inform the situation to MASAK, this decision is written down by mentioning the reason. In such a case, the written reason of not informing by a Form is preserved for 5 years in order to be presented to the authorized persons upon their demand.

Any information related to the suspicious transaction declared to MASAK may not be provided by IS Investment employees to any person or organization other than the authorized ones mentioned in the law.

Declaration of suspicious transactions within the context of providing continuous information does not eliminate the obligation of declaration to be made in accordance with this provision.

Replying the Demands of Information Received From Other Institutions

The Conformity Staff is charged to meet the demands of other cooperated institutions in connection with IS Investment’s practices aiming the prevention of laundering proceeds of crime and terrorism financing or to study the declarative forms and certify their conformity.

Obligation to Provide Information and Document

Reporting to be made within the context of providing continuous information as well as meeting the demands received from the persons and institutions authorized to demand information and documents are performed in accordance with the provisions of the law and by spending maximum care and attention.