

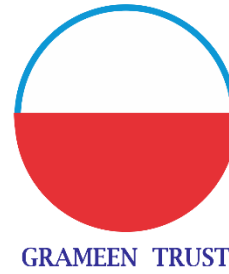
## **Anti-Money Laundering and Anti-Terrorist Financing Policy Turkish Grameen Microfinance Program (TGMP)**

### **1. Scope of Anti-Money Laundering Policy:**

- Money Laundering was incorporated to the Turkish Law of Number 4208 on November, 19, 1996.
- Turkey has adopted the requirements of EU Money Laundering Directive in its legislation (Law on Prevention of Laundering Proceeds of Crime No. 5549, as amended).
- Prohibition of terrorist financing was incorporated to the Turkish Law of Number 6415 on February 7, 2013.
- Turkish Grameen Microfinance Program (TGMP) follows the policies and procedures to prevent and deal with its general Anti-Money Laundering and terrorist financing standards and principles designed by the government. The management ensures that these standards are implemented into day-to-day business.
- Anti-money laundering policy is designed with regard to the Turkish Law of Number 4208 and it is approved by the Board of Directors of TGMP.
- The Policy is mandatory for all the employees of TGMP. Endeavors should be ensured that the employees are not involved in money laundering and terrorist financing.
- The anti-money laundering policies are applied to all of the branches of TGMP.

### **2. What is Money Laundering?**

Money laundering involves the placement of illegally obtained money into legitimate financial systems so that monetary proceeds derived from criminal activity are transformed into funds with an apparently legal source. Money laundering has many destructive consequences both for society as a whole and for those entities involved in money laundering activities. With respect to society as whole, money laundering may provide resources for drug dealers, terrorists and other criminals to operate and expand their criminal activities. With respect to entities, any involvement, whether it be to instigate, assist, conceal, or ignore the source, nature, location, ownership or control of



money laundering activities, can lead to both civil and criminal proceedings against both the individual and the entity involved. Additionally, the adverse effects, including the adverse publicity to the Firm associated with involvement in money laundering events cannot be emphasized enough.

Money laundering transactions may include:

- Advising a potential or existing client on how to structure a transaction to avoid reporting and/or record keeping requirements;
- Engaging in any activity while willfully or recklessly disregarding the source of the funds or the nature of the Clients transaction;
- Engaging in any activity designed to hide the nature, location, source, ownership or control of proceeds of criminal activity;
- Dealing in funds to facilitate criminal activity; or
- Dealing in the proceeds of criminal activity. Money laundering can involve the proceeds of drug dealings, terrorist activities, arms dealings, mail fraud, bank fraud, wire fraud or securities fraud, among other activities.

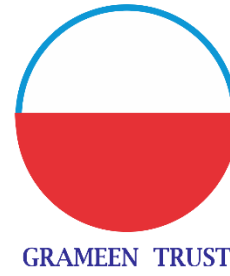
### **3. Objectives for Prevention of Money Laundering:**

TGMP has developed a clear set of policies and procedures outlining its general AML standards and principles. Detailed documents ensure that these standards are implemented into day-to-day business.

All policies and policy-related documents are published on a global policy platform so they can be accessed by all staff at any time. They are subject to an annual review cycle to ensure their conformity with AML regulations.

Objectives pursued by this policy are as follows:

- To prevent criminal elements from committing money laundering activities;
- To promote a policy of knowing the customer as a basic principle for the business practices of TGMP as the personnel have in-depth knowledge about every client;



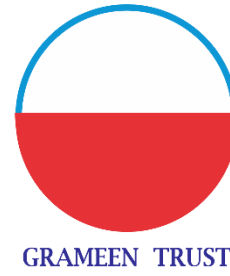
- To conduct self-assessments of compliance with Anti-Money Laundering Policy and procedures.

#### **4. Main Principles:**

- The anti-money laundering control policy does not make reference to any religion, race, language and Politically Exposed Persons (PEPs). Compliance with all applicable laws and cooperation with external and internal authorities, controllers, auditors and inspectors.
- With regard to “Know your customer policy” identification of customers regardless of monetary limit before executing transactions is maintained. TGMP continuously reviews the anti-money laundering policy so as to stay updated about clients and updates the client information from which high risk is expected. Information about new laws regarding money laundering is conveyed immediately to the personnel responsible for money laundering procedures.
- Anonymous accounts are not maintained by the accounting department of TGMP.
- TGMP does not conduct business with shell banks.
- TGMP applies same policies of money laundering policies to combat terrorist financing. As the actors make an illegitimate use of the financial sector. In addition to this, the techniques used to launder money and to finance terrorist activities are very similar and in many instances identical.
- TGMP operates with banks that have licenses to operate within Turkey. Currently, TGMP operates with Ziraat Bank.

#### **5. Monitoring and Control Procedures:**

TGMP has an in-depth risk based assessment of its customer and transactions completed. The purpose of monitoring and control is to protect TGMP against risks and to monitor and control on a permanent basis whether the operations are carried out in accordance with the Law and other arrangements issued as per the Law as well as the policies and procedures of TGMP which follows the embargoes and financial sanctions enforced by the government and the Board takes actions accordingly.



TGMP has adopted the following monitoring policies for potentially suspicious activities:

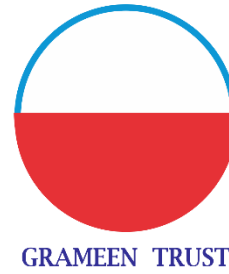
- Monitoring and controlling customers and transactions in the high risk group.
- Monitoring and controlling complex and extraordinary transactions.
- Ensuring that a transaction conducted by the customer is consistent with the information about the customer's business, risk profile and fund resources on a permanent basis throughout the term of the business relationship;
- Auditing the performance of the borrowers at all the microfinance branches by the personnel.
- Controlling transactions conducted by using systems which enable non-face-to-face transactions, the personnel keep a record of the transactions conducted. Consequently, these transactions are reported to the board of directors.
- Risk-based control of newly introduced products and services which may be exposed to abuse due to technological developments.

#### **6. Training for Anti-Money Laundering and Anti-Terrorist Financing:**

Training is carried out to ensure the compliance with the Law and other arrangements issued as per the Law. In addition to this, training plan focuses to develop a corporate culture by increasing the sense of responsibility of the personnel with respect to the policies, procedures and risk-based approaches and to update the personnel's knowledge.

Training activities will be carried out under the supervision and coordination of the management of TGMP. It is essential to conduct the training activities under the yearly training program. The training program will be prepared by the Human Resource Department with the contribution of other relevant units. The effective performance and implementation of the training programs will also be supervised by the management of TGMP.

TGMP provides all personnel with the necessary training about Anti-Money Laundering and Anti-Terrorist Financing. Priority of training is given to personnel who directly deal with the customers. It is essential to train the new employees about money laundering and terrorist financing during the orientation period. Trainings include on-the-job and on-line training



methods. On-the-job trainings are delivered by trainers who are designated by TGMP. It is imperative to attend the learning courses.

Record of all the training meeting is kept by the Human Resources Department of TGMP. Training courses also covers the reporting of transactions to the government. It provides detailed information about the internal policies with regard to money laundering, terrorist financing and other problems faced by TGMP.

TGMP also provides training regarding money laundering procedures and policies to third parties if they participate in some function related to TGMP.

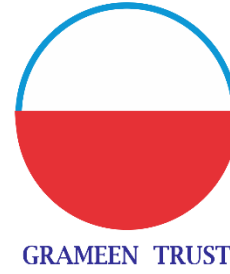
#### **7. Independent Testing:**

Adherence to the requirements of the Anti-Money Laundering program is subject to independent testing by Internal Audit function of TGMP and the Annual External Year-End Audit held at TGMP by Price Water House Coopers.

#### **8. Internal Audit:**

The purpose of internal audit is to give assurance to the Board of Directors regarding the effectiveness and adequacy of the whole Compliance Program. TGMP procures that corporate policies and procedures are reviewed and inspected annually by using a risk-based approach in order to determine the efficiency of training of risk management, monitoring and control activities. Moreover, the internal audit ensures that the risk policy is adequate and effective and to monitor the conducted transactions are in accordance with the Law. Within the scope of internal audit activities:

- Defects, faults and abuses that are discovered as a result of internal audits as well as opinions and recommendations to prevent their recurrence are reported to the Board of Directors.
- Deficiencies discovered in the course of monitoring and control studies and risky customers, services and transactions are included in the scope of the audit when determining the scope of the audit.



- Audit the number of units and transactions that are representative of the whole transactions conducted at TGMP in terms of quantity and nature.

## 9. Record Retention:

All data obtained according to client identification and Anti Money Laundering security measures must be documented. Records must be kept for a minimum of 5 years, notwithstanding potentially longer retention periods under local civil or commercial law. In addition to this, TGMP establishes a record for new customers and maintains a record of identification documents.

## 10. Contact:

The financial advisor of TGMP is responsible for the anti-money laundering procedures.

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