

Turkish Grameen Microfinance Program (TGMP) Know Your Customer Policy

Objective of the Policy:

Know Your Customer (KYC) procedures are a critical function to assess risk and a legal requirement to comply with Anti-Money Laundering (AML) laws. KYC aims to ensure financial inclusion and integrity in the microfinance operations. It develops and promotes policies to protect the global financial system against money laundering and terrorist financing. Effective KYC involves knowing the identity of micro-entrepreneurs, their financial activities and the potential risks. KYC as a business function has become increasingly important worldwide to prevent money laundering, terrorism financing, identity theft and financial fraud. KYC is a major element in the fight against financial crime and money laundering. This policy sets the duties of Law No. 5549 on Prevention of Laundering Proceeds of Crime and relevant legislation and international regulations.

Implementation of KYC:

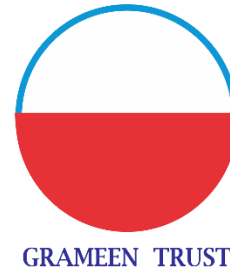
Turkish Grameen Microfinance Program (TGMP) has prepared a credit scoring system for the purpose of KYC. The credit scoring system is used to carry out the survey of KYC. KYC is completed before microcredit is disbursed to micro-entrepreneurs. Anonymous accounts are not maintained by the accounting department of TGMP.

Elements of KYC:

The KYC policy of the company broadly rests on four elements is under

- Customer Acceptance Policy
 - Customer Identification Procedures
 - Monitoring of Transactions
 - Risk management
- **Customer Acceptance Policy (CAP)**

Customer Acceptance Policy refers to the general guidelines followed by financial institutions in allowing micro-entrepreneurs to open accounts with them. Generally the guidelines



stipulate that no accounts shall be opened in anonymous or fictitious names or when the identity of the micro-entrepreneur matches with any person with known criminal background or banned entities. Similarly accounts should not be opened when the financial institution is unable to verify the identity and/or obtain documents required as per the policy of the financial institutions.

- **Customer Identification Procedures (CIP)**

Customer identification means identifying the micro-entrepreneur and verifying her identity through reliable and independent documents, data and information. Financial institutions would need to satisfy to the competent authorities that due diligence was observed in accordance with the requirements of existing laws and regulations.

- **Monitoring of Transactions**

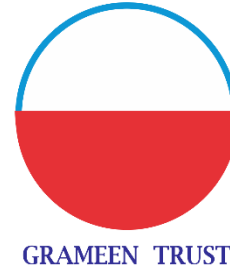
Ongoing monitoring is an essential element of effective KYC procedures. Microfinance institutions can effectively control and reduce the risk of the micro-entrepreneurs so that they have the means of identifying transactions that fall outside the regular pattern of activity.

- **Risk Management**

The adoption of effective KYC standards is an essential part of the risk management practices. Microfinance institutions with inadequate KYC risk management programs may be subject to significant risks, especially legal and reputational risk. Adequate KYC policies and procedures not only contribute to the overall safety and soundness, they also protect the integrity of the system by reducing the likelihood of financial institutions becoming vehicles for money laundering, terrorist financing and other unlawful activities.

Importance of KYC:

KYC procedures enable TGMP to make sure their micro-entrepreneurs are real, assess and monitor risks. These processes help prevent and identify money laundering, terrorism financing, and other illegal corruption schemes. TGMP must comply with KYC regulations



and anti-money laundering regulations to limit fraud. KYC regulations are an inherent part of the recollections from micro-entrepreneurs.

In the near future, TGMP will introduce MicroCreditCoin (MCC) and KYC will be one of the major use cases for MCC. All phases will strictly follow KYC and Anti Money Laundering (AML) policies. The personal information and identity proofs of micro-entrepreneurs will then be computed and compared to a legal database.

KYC Solutions Offered by Blockchain Technology:

With the advent of blockchain technology, inventive products by innovators are paving the way for inclusive financial integrity. Blockchain allows for easier auditability and improves operational efficiency.

Decentralized data storage which gives control of sensitive KYC data to consumers can be used to reduce risk for financial institutions, decrease cost and enhance consumer protection. In the future, blockchain-based KYC utilities will help bring cost savings to any industry that relies on identity verification. This is because the technology will allow financial organizations to rely on a more secure organized unified model of data handling.

A KYC utility system based on blockchain technology will enable TGMP to emancipate the process of identification verification. With the introduction of blockchain solutions to handle KYC process and the data will be available on a decentralized network. This blockchain-based KYC system will also offer better data security by ensuring that data access is only made after a confirmation or permission is received from the relevant authority. This will eliminate the chance of unauthorized access and subsequently give individuals greater control over their data.

**TURKISH FOUNDATION FOR WASTE REDUCTION
MICROCREDIT CENTER**

(Turkish Grameen Microfinance Program)

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