

FATF



Anti-money laundering and
counter-terrorist financing
measures

Turkey

Follow-up Report &
Technical Compliance Re-Rating

May 2022

Follow-up report





The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CTF) standard.

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Turkey's 2nd Enhanced Follow-up Report

1. Introduction

The FATF Plenary adopted the mutual evaluation report (MER) of Turkey in October 2019.¹ This FUR analyses Turkey's progress in addressing the technical compliance deficiencies identified in its MER, relating to Recommendations 23, 24 and 25. Re-ratings are given where sufficient progress has been made.

Overall, the expectation is that countries will have addressed most, if not all, technical compliance deficiencies by the end of the third year from the adoption of their MER. This report does not address what progress Turkey has made to improve its effectiveness.

2. Findings of the MER

The MER rated Turkey's technical compliance as follows:

Table 1. Technical compliance ratings, October 2019 and 1st Enhanced Follow-Up Report (June 2021)

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	LC	LC	C	LC	LC	LC	PC	C	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
C	NC	LC	LC	NC	LC	C	LC	LC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	PC	PC	PC	PC	PC	LC	PC	C	C
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	LC	LC	LC	LC	LC	C	C	C	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Source: [Turkey Mutual Evaluation Report, Dec 2019](#)

Mr Tiago João Santos e Sousa Lambin, Director, Instituto dos Mercados Publicos do Imobiliario from Portugal conducted the analysis of the re-rating.

Section 3 of this report summarises Turkey's progress made in improving technical compliance. Section 4 sets out the conclusion and a table showing which Recommendations have been re-rated.

¹ www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-Turkey-2019.pdf

3. Overview of progress to improve technical compliance

This section summarises Turkey’s progress to improve its technical compliance by addressing some of the technical compliance deficiencies identified in the MER.

Progress to address technical compliance deficiencies identified in the MER

Turkey has made progress to address the technical compliance deficiencies identified in the MER in relation to R.23, R.24 and R.25. Because of this progress, Turkey has been re-rated on these Recommendations.

Recommendation 23 (originally rated PC)

In its 4th round MER, Turkey was rated PC on R.23 because unlike other DNFBPs, lawyers were not required to comply with measures such as reporting of suspicious activity as well as on tipping off and confidentiality requirements. There were also no specific requirements for DNFBPs to comply with internal control and the high risk countries requirements.

Since its MER, through the amendments in Law No. 5549, Turkey’s AML/CFT framework includes lawyers as “obliged parties” and they are obliged to comply with suspicious transaction reporting requirements, as well as requirements regarding tipping off and confidentiality.

The Regulation on Program of Compliance with Obligations of Anti-Money Laundering and Combating the Financing of Terrorism has been updated to require DNFBPs to carry out monitoring and controlling activities to comply with internal control requirements set out in Recommendation 18. Further, the Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of has been updated to expand the obligations on measures involving high risk jurisdictions, to include DNFBPs.

Turkey has addressed all the deficiencies identified it its MER. **On this basis, R.23 is re-rated as compliant.**

Recommendation 24 (originally rated PC)

In its 4th round MER, Turkey was rated PC with R.24 because Turkey lacked a comprehensive assessment of ML/TF risks associated with all types of legal persons created in Turkey, a general obligation to obtain and keep up-to-date beneficial ownership information and lacked proportionate and dissuasive sanctions. In addition, Turkey did not have a dedicated process or mechanism to monitor the quality of assistance received regarding basic and beneficial ownership information.

Turkey also lacked a mechanism to ensure that bearer shares/warrants are not abused for ML/TF but this deficiency was addressed as noted in Turkey’s 1st enhanced follow-up report, through the maintenance of a proper record of issue and transfer of the bearer shares and for exercising the rights by the bearer shareholders. The 1st enhanced follow-up report also noted that Turkey had established a mechanism to measure the quality of assistance received from other countries in response to requests for beneficial ownership information although

it did not cover assistance received in locating the beneficial ownership residing abroad. This deficiency remains.

In July 2021, Turkey adopted an ‘ML/TF Risk Analysis of Legal Persons in Turkey’, which is a thorough and comprehensive ML/TF risk assessment of all types of legal person in Turkey. Turkey has established a beneficial ownership registry under a Beneficial Ownership Communiqué since. The Communiqué requires all corporate taxpayers to file the beneficial ownership information every three months and within one month if there is any change in the information, which is accessible by the necessary authorities including MASAK and law enforcement authorities. The Communiqué also ensures that any natural person authorised under the Turkish law to represent a legal person are accountable to competent authorities for providing all basic and available beneficial ownership information.

There has been a modest upward trend on sanctions imposed on legal or natural persons since Turkey’s 1st enhanced follow-up report, for failure to perform AML/CFT obligations. However, the base amount of the sanctions, particularly for legal persons, remains very low and hence is not dissuasive.

Turkey has largely addressed most of the deficiencies identified in its MER, and only minor deficiencies remain. **On this basis, R.24 is re-rated largely compliant.**

Recommendation 25 (originally rated PC)

In its 4th round MER, Turkey was rated PC on R.25. The main technical deficiency was the lack of specific obligations for professional trustees, to maintain accurate and up-to-date information. Further, trustees were not legally liable for the failure to perform their duties, except for the failure to disclose their status as operating on behalf of another beneficiary, and there were limited sanctions.

The inclusion of lawyers as ‘obliged parties’ in Turkey’s Law No. 5549 and the establishment of the new beneficial ownership registry framework means that obliged parties (which include lawyers) who carry out business relationships with trustees are obliged to maintain accurate and up-to-date information and are subject to sanctions for non-compliance with reporting obligations as well as CDD requirements.

Sanctions for failure to perform AML/CFT obligations are still not dissuasive and there is still no direct obligation on professional trustees to provide timely information to competent authorities, although trustees may be liable to provide beneficial ownership information to an obliged party (such as lawyers).

Turkey has largely addressed most of the deficiencies identified in its MER, and only minor deficiencies remain. **On this basis, R.25 is re-rated largely compliant.**

4. Conclusion

Overall, Turkey has made progress in addressing most of the technical compliance deficiencies identified in its MER and has been upgraded on Recommendations 23, 24 and 25.

Considering progress made by Turkey since the adoption of its MER, its technical compliance with the FATF Recommendations has been re-evaluated in the following manner:

Table 2. Technical compliance ratings, June 2022

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	LC	LC	C	LC	LC	LC	PC	C	LC
R 11	R 12	R 13	R 14	R 15	R 16	R 17	R 18	R 19	R 20
C	NC	LC	LC	NC	LC	C	LC	LC	C
R 21	R 22	R 23	R 24	R 25	R 26	R 27	R 28	R 29	R 30
C	PC	C	LC	LC	PC	LC	PC	C	C
R 31	R 32	R 33	R 34	R 35	R 36	R 37	R 38	R 39	R 40
LC	LC	LC	LC	LC	LC	C	C	C	LC

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC).

Turkey will remain in enhanced follow up and will report back to the FATF on progress achieved on improving the implementation of its AML/CFT measures in June 2023.

FATF



www.fatf-gafi.org

May 2022

Anti-money laundering and counter-terrorist financing measures in Turkey

Follow-up Report & Technical Compliance Re-Rating

As a result of Turkey's progress in strengthening their measures to fight money laundering and terrorist financing since the assessment of the country's framework, the FATF has re-rated the country on Recommendations 23, 24 and 25.

The report also looks at whether Turkey's measures meet the requirements of FATF Recommendations that have changed since their mutual evaluation in 2019 and their 2021 follow-up report.

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