

INTERNAL DIRECTIVE ON THE WORKING PROCEDURES AND PRINCIPLES OF THE ADVISORY BOARD

(It was accepted by the decision of the TKBB Board of Directors dated 27.06.2018 and numbered 260/2.)

From Participation Banks Association of Turkey:

Purpose and scope

ARTICLE 1 - (1) The purpose of this Directive is to determine the processes regarding the Working Procedures and Principles of the Advisory Board.

Basis

ARTICLE 2 - (1) This Directive has been prepared on the basis of Article 10 of the Communique on the Formation, Duties, Working Procedures, and Principles of the Advisory Board.

Definitions

ARTICLE 3 - (1) In this Directive, the following refers to;

- a) Chairperson: Chairperson of the Advisory Board
- b) Association: Participation Banks Association of Turkey
- c) Law: Banking Law No. 5411
- d) Board: Banking Regulation and Supervision Board
- e) Agency: Banking Regulation and Supervision Agency
- f) Communique: Communique on the Formation, Duties, Working Procedures, and Principles of the Advisory Board
- g) Secretary: Association's General Secretary
- h) Secretariat: Advisory Board Secretariat,
- i) Reporter: Advisory Board Reporter
- j) Expert: Advisory Board Expert
- k) Board of Directors: Participation Banks Association of Turkey Board of Directors

Place, Time, Duration of the Meeting

ARTICLE 4 - (1) The Advisory Board convenes in a section assigned to it at the Association headquarters.

The Chairperson may decide to meet electronically or outside the Association headquarters when necessary.

(2) The Advisory Board convenes at least once a month regularly, and upon the call of the Chairperson when necessary, and within five working days at the latest after the call. Meetings are determined to resolve the issues on the agenda as soon as possible. Issues that do not require additional examination or research, or whose examination and research have been completed, are

put on the agenda of the first meeting and decided by the Advisory Board. If no decision is reached at this meeting, the time of the next meeting is determined not to exceed one week at the latest.

(3) It is essential that members be present in all meetings. The member who cannot attend the meeting must notify their excuse in writing to the Chairperson or the Deputy Chairperson. The Chairperson or the Deputy Chairperson may call the excused member for a meeting if they deem it necessary for the meeting and decision quorum. The member who does not attend the meeting despite this call is deemed to have not attended the meeting without an excuse in accordance with the eighth paragraph of Article 4 of the Communiqué.

Meeting Agenda

ARTICLE 5 - (1) The Chairperson of the Advisory Board determines the agenda themselves or based on the applications of the relevant parties regarding the Association as part of their duties set out in Article 6 of the Communiqué and announces it to the members with sufficient scope and content together with the report prepared by the reporter.

(2) Urgent issues determined by the Board of Directors or the Agency are deemed to be relevant to the agenda and are discussed primarily in ordinary or extraordinary meetings.

(3) The Secretary examines the applications made to the Association to discuss at the Advisory Board and may decide to return the applications that do not fall within the scope of the duties assigned to the Advisory Board in Article 6 of the Communiqué or that may lead to a decision contrary to the legislation.

(4) The Advisory Board cannot discuss issues that do not fall within the scope of the duties assigned to it in Article 6 of the Communiqué and cannot make opinions or decisions on these issues.

(5) The decisions of the Advisory Board within the scope of the fourth paragraph are not binding for participation banks and are not taken into account by relevant parties.

Research, Investigation, and Reporting Activities

ARTICLE 6 -(1) The Advisory Board performs the research and examination activities it needs for the agenda items it will discuss, the preparation of the working reports, the recording of the decisions made, the follow-up, and other such duties by the Reporter and Expert staff.

(2) The Association ensures that the Members of the Advisory Board, Reporters, and Experts participate in professional programs for educational purposes in Turkey and/or abroad, which will be determined by the Advisory Board every year to continue their professional development and fulfil their duties effectively within the scope of sub-paragraph (e) of the first paragraph of Article 6 of the Communiqué.

(3) The reporter and expert staff are responsible for conducting research and examination activities on issues related to the agenda. Research and investigation activities include, as a minimum, determining relevant provisions in primary sources in the area of interest-free finance, collecting different opinions from academic sources, and reviewing relevant international standards and practices.

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(4) Before presented to the members, the reports are examined by the Secretary under the decision-making authority of the Advisory Board and legislation in force and made available.

Execution of the Meetings

ARTICLE 7 - (1) The meeting call is made by the Chairperson or the Secretariat on behalf of and with the authorization of the Chairperson, via e-mail, SMS, registered telephone, or any other means of communication.

(2) The meetings, which can be held physically or electronically with the participation of at least four members, are made in two separate sessions: discussion and decision.

(3) Except for the members, only the reporter and, as to the agenda item, the representatives of the applicant institution, and the representatives of the Agency and the Association may attend the discussion session if notified to the Advisory Board and/or the Chairperson's approval is obtained. If deemed necessary, experts in the field of the meeting's agenda may be invited to the discussion session by the Chairperson or the Deputy Chairperson.

(4) The decision session is confidential. No one can attend the decision session, except for the Chairperson, members, and the reporter who is responsible for preparing meeting and decision minutes.

(5) The issues discussed at the meetings are recorded by the Reporter and signed by the members.

Advisory Board Decisions

ARTICLE 8 - (1) Decisions are taken with the unanimous vote of at least three members.

(2) The decisions include the summary of the issue of the meeting, the Sharia basis of the decision, and the reasons of the opposing members.

(3) Decisions must be justified in a way that allows them to be understood and implemented by the relevant parties. A short decision is announced during the decision session, and the Sharia basis for the decision is written and added to the minutes within fifteen days at the latest.

(4) Members who oppose the decision or who have adopted the decision with a different Sharia basis, write their opposition statements separately within fifteen days at the latest and add them to the minutes.

(5) The Secretariat submits the decision taken by the Advisory Board to the Secretary and the Agency to be examined within the scope of the legislation in force and the provisions of the Communiqué. Decisions for which there is no negative opinion by the Association's Legal Consultancy, or the Agency are notified to the relevant parties by the Secretary. The Secretary publishes the decision made as per the provisions of the sixth paragraph of Article 5 of the Communiqué, following the approval of the Board of Directors.

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Keeping and Retaining the Decisions

ARTICLE 9 - (1) Decision minutes are signed by the members of the Advisory Board.

(2) The minutes of the decisions are filed physically or electronically in the order of date and number in a way that does not require any doubt about the soundness of the text. Decision files are archived and stored safely by the Secretary.

(3) Other documents related to the agenda and applications regarding the agenda, research and examination reports, the report forming the Sharia basis of the decision, justification, opposition statements, and their justifications are included in the decision files together with the decision minutes to which they are related, physically or electronically.

Information, Document Request, and Guarantees

ARTICLE 10 - (1) The information and documents requested by the Advisory Board from the participation banks are presented to them without delay.

(2) Members of the Advisory Board are absolutely independent while performing their duties. No post, authority, or person can make suggestions or requests in order to influence their decisions in any way or reason.

(3) If the person who acts contrary to the provisions of the first and second paragraphs is a member, the Board of Directors will take an administrative sanction decision in accordance with the provisions of Article 81 of the Law and/or Article 13 (i) and Article 14 of the Association Status. A disciplinary investigation is carried out in accordance with the Employment Contract and Personnel Regulations against the Association member or personnel acting in violation of the provisions of the first and second paragraphs, and sanctions are applied according to their actions.

Validity

ARTICLE 11 - (1) This Directive takes effect following the approval of the Board of Directors.

Execution

ARTICLE 12 - (1) The provisions of this Directive are executed by the Board of Directors.