



February 12, 2022

Christian Sewing
Chief Executive Officer
Deutsche Bank
Taunusanlage 12 60325
Frankfurt Am Main
Germany
Via email: christian.sewing@db.com

Re: Deutsche Bank and Ziraat Bank

Dear Mr. Sewing:

I am writing on behalf of the Turkish Democracy Project (“TDP”), a non-partisan, non-profit international policy organization formed in opposition to the Turkish government’s rising authoritarianism, oppression of the Turkish people, and malign and destabilizing international activities. Today I wish to convey TDP’s concerns regarding the apparent ties between Deutsche Bank and the Turkish bank, Ziraat Bank, and the attendant hazards that entanglement in Turkey’s banking sector can entail. According to its website, Ziraat Bank maintains a USD correspondent banking account with Deutsche Bank Trust Company Americas as well as a Euro correspondent account with Deutsche Bank.¹

Ziraat Bank

State-owned Ziraat Bank, one of Turkey’s two largest banks by assets, has been implicated in a host of illicit activities, including sanctions-evasion, money-laundering, and other corrupt practices.

Ziraat Bank has been heavily implicated in facilitating the notorious multi-year trade of billions of dollars worth of gold from Turkey to Iran, a conspiracy that has been described as “the biggest sanctions evasion scheme in recent history.”² At the center of the fraud, which began in 2010 and reached a crescendo in 2013-2014, were Turkey’s Halkbank and the Iranian-Turkish gold dealer, Reza Zarrab.³ Charged with attempting to evade U.S. sanctions on Iran, Zarrab ultimately pled guilty to “defrauding the United States, money laundering, and bank fraud.”⁴ As the New York Times reported in 2017, “Mr. Zarrab testified that it was Zafer Caglayan, Turkey’s economy minister at the time, who said [Turkish President] Mr. [Recep Tayyip] Erdoğan had directed the two banks, Ziraat Bank and VakifBank, to participate in the scheme.”⁵ At

¹ Ziraat Bank, “[Banks correspondents](#)” and *see* Appendix.

² The Atlantic, “[The Biggest Sanctions-Evasion Scheme in Recent History](#),” 1/4/2018.

³ Reuters, “[Turkey’s Ziraat Bank denies Zarrab allegations regarding the bank: official](#),” 11/30/2017.

⁴ CNN, “[Turkey’s Erdoğan helped Iran evade US sanctions, witness claims](#),” 12/1/2017.

⁵ New York Times, “[Erdoğan Helped Turks Evade Sanctions, Reza Zarrab Says](#),” 11/30/2017.

Erdoğan's directive, Zarrab turned to Ziraat Bank once the "amount of money illegally flowing through Turkey's Halkbank became too much to handle..."⁶

In January 2021, evidence emerged that the Turkish Sovereign Wealth Fund—state owned and headed by Erdoğan—used Ziraat Bank to bury a nonperforming loan that had been used to purchase Turkcell, Turkey's largest mobile phone operator.⁷ One month later, the Washington, D.C.-based Foundation for Defense of Democracies ("FDD") think tank published a detailed 11-page investigation into Ziraat Bank. According to the report, the bank provided a "a \$1.6 billion nonperforming loan to an offshore company, likely under the direction of Turkish President Recep Tayyip Erdoğan."⁸ It confirmed, "[t]hrough a chain of questionable deals involving multiple conflicts of interest, the country's sovereign wealth fund, headed by President Recep Tayyip Erdoğan, used Ziraat Bank, which the fund fully owns, to disappear a nonperforming loan issued to an offshore entity to purchase control of Turkey's largest mobile phone operator, Turkcell." The Turkish opposition party, the Republican People's Party ("CHP"), has continued to press on these issues surrounding Ziraat Bank's illicit offshore dealings with Turkcell and the Turkish Sovereign Wealth Fund. Several years earlier, in 2014, the U.S. Federal Reserve had already launched a probe into the Bank's New York branch on suspicion of sanctions evasion.

Still more recently, in July 2021, Reuters reported that Germany's Federal Financial Supervisory Authority ("BaFin") was "in talks with Ziraat Bank's German unit over concerns about some loan transactions and the bank's balance sheet..." noting "ratios which don't match in the bank's balance sheet."⁹

Taking into account the wide scope of Ziraat Bank's historical and apparently ongoing malpractice, FDD offers the following sobering conclusion:

Ziraat Bank has become a key instrument not only of Erdoğan's power consolidation at home, but also of his international ambitions. However, pushback from the U.S. Treasury Department and U.S. regulators and courts has forced Erdoğan to curb Ziraat Bank's footprint abroad. He currently uses the lender predominantly to serve his domestic agenda.¹⁰

We would therefore appreciate your comments on Deutsche Bank's advertised ties to this highly troubling financial institution, especially given already established concerns as expressed by U.S. authorities. As well as these specific concerns with respect to Ziraat Bank, we would also like to highlight for your attention the plethora of significant risks relating to Turkey's banking and business sectors more broadly:

Banking Risk

⁶ CNN, "[Turkey's Erdoğan helped Iran evade US sanctions, witness claims](#)," 12/1/2017.

⁷ Foundation for Defense of Democracies, "[Turkey's State-Owned Bank Probed by the New York Fed](#)," 09/15/2014.

⁸ Foundation for Defense of Democracies, "[Turkey's Ziraat Bank Under Scrutiny](#)," 2/26/2021.

⁹ Reuters, "[Bank regulator asks German unit of Turkey's Ziraat about balance sheet -sources](#)," 7/29/2021.

¹⁰ Foundation for Defense of Democracies, "[Turkey's Ziraat Bank Under Scrutiny](#)," 2/26/2021.

Companies doing business with Turkey risk entanglement with multiple corrupt Turkish banks and financial institutions that engage in illicit international finance, such as sanctions busting schemes with Iran and Venezuela. At best, Turkey has a weak legal framework in place to properly investigate, convict, and/or freeze the assets of money launderers and financial criminals. Investigations into money laundering and sanctions evasion schemes are routinely blocked.¹¹

In 2021, the Financial Action Task Force (“FATF”) added Turkey to its “gray” list of jurisdictions deemed incapable of tackling money laundering¹² and concluded it that “serious shortcomings” persist in Turkey’s attempts to monitor and enforce its own Anti-Money Laundering and Combating the Financing of Terrorism (“AML/CTF”) laws.¹³ FATF warned Turkey that it faces significant money laundering risks from drug trafficking, migrant smuggling, human trafficking, and fuel smuggling.

Disregarding the FATF’s warning that Turkey needed to “swiftly improve” the implementation of its anti-corruption laws, President Erdoğan’s government has done little to address these issues in the past three years. Instead, it rewards sanctions evaders.¹⁴ Despite international warnings and U.S. prosecution, Turkey has persistently failed to regulate its banks over the past decade, further highlighting the extensive business risks associated with the Turkish banking industry.

As discussed above, among the most egregious violator of banking standards is Halkbank, one of Turkey’s largest banks whose biggest shareholder is the Turkish government. The investigation launched in 2013 into Halkbank implicated the bank, as well as several other lenders, in a fraud of global proportions. From 2010 to 2015 alone, Halkbank helped Iran evade strict U.S. sanctions by smuggling at least \$20 billion in oil revenues. In 2018, deputy head of Halkbank Mehmet Hakan Atilla was convicted of evasion of U.S. sanctions. The United States Department of Justice is now criminally prosecuting Halkbank for money-laundering and sanctions busting.¹⁵ On May 5, 2021, Atilla was denied export privileges by the U.S. Department of Commerce, signaling that the United States will not grant impunity for sanctions busting or money laundering.¹⁶

News reports implicate several other Turkish Banks that could be subject to similar scrutiny in the wake of the revelations that continue to emerge surrounding the Turkish-Iranian gold conspiracy, notably Arap Turk Bank and Vakif Bank.¹⁷

The illicit actions of major Turkish banks are not isolated incidents but the inevitable systemic corollary of a financial system that fails to prosecute criminals or confront corruption,

¹¹ Reuters, “[Turkey dismisses corruption case that has dogged PM Erdoğan](#),” 5/2/2014.

¹² Bloomberg, “[Turkey Added to Global Money Laundering Watchdog’s ‘Gray List’](#),” 10/21/2021.

¹³ Financial Action Task Force, “[Turkey’s measures to combat money laundering and terrorist financing](#),” 12/16/2019.

¹⁴ Foundation for Defense of Democracies, “[Erdoğan Continues to Reward Iran Sanctions Evaders](#),” 10/31/2019.

¹⁵ U.S. Department of Justice Press Release, “[Turkish Bank Charged in Manhattan Federal Court for Its Participation in a Multibillion-Dollar Iranian Sanctions Evasion Scheme](#),” 10/15/2019.

¹⁶ Bureau of Industry and Security, “[Order Denying Export Privileges](#),” 05/05/2021.

¹⁷ IranWatch, “[Major Turkish Bank Prosecuted in Unprecedented Iran Sanctions Evasion Case](#),” 03/31/2020.

leaving many of Turkey’s financial institutions vulnerable to criminal activity. Indeed, the system often rewards such criminal behavior. Clearly, doing business with any Turkish bank puts companies at high risk.

Corruption Risks

Under the ruling Justice and Development Party (“AKP”), Turkey has undergone a steady erosion of its already fragile democracy into an authoritarian system, where almost no branch of government or sector of the economy is fully independent of the executive branch.¹⁸ Erdoğan’s closest associates control large portions of the construction, energy, communications, financial services, and media sectors. This AKP-built system of kleptocracy ensures that the best business opportunities go to the most loyal members of Erdoğan’s party, or those with familial connections, and that any illegal activity or tax evasion goes unreported and unpunished.

Beyond the corruption and reputational risks that come with doing business with a party that has systematically denied rights to its citizens and eroded democratic structures, the AKP’s system of kleptocracy and cronyism means that there is scant penalty in Turkey for AKP-supported businesses who engage in illegal activity, misrepresent their finances, or renege on contracts. Erdoğan is known to consolidate power by keeping his closest associates’ businesses—known as Turkey’s “zombie companies”—afloat by awarding billions of dollars in government tenders.¹⁹ Unsurprisingly, according to the European Court of Auditors, Turkey regularly misuses EU funds that are meant for humanitarian aims or to support sustainable development in the country.²⁰

During the AKP’s 20-year reign, it has altered the Public Procurement Law 192 times.²¹ This has allowed Erdoğan’s closest allies to receive an overwhelming percentage of government tenders: a CHP report states that the government has issued 330.5 billion liras (approx. 38.4 billion USD) worth of tenders, and 50% of those were won by the same 20 companies—24% of those went to the “gang of five.”²² Collectively, the group have won public tenders worth more than Turkey’s entire 2020 budget.²³

This rampant nepotism and lack of oversight has also infiltrated the Turkish financial sector, which has been involved in several corruption scandals. President Erdoğan and his government were not only directly implicated and involved in the Halkbank scheme, they also rewarded its architect, Mehmet Hakan Atilla, upon his return from prison: Berat Albayrak, Erdoğan’s son-in-law as well as Finance and Treasury Minister at the time, appointed Atilla as CEO of the Istanbul stock exchange.²⁴ This is just one high profile example of a practice that is rampant throughout Turkey’s government: namely the reward, even encouragement, of illegal

¹⁸ Koru, Selim. Foreign Policy Research Institute. “[The Institutional Structure of ‘New Turkey,’](#)” 02/23/2021.

¹⁹ Al-Monitor, “[How Turkey’s ‘zombie’ companies keep afloat,](#)” 09/25/2020

²⁰ The European Court of Auditors, “[Special report 07/2018: EU pre-accession assistance to Turkey,](#)” 03/14/2018

²¹ BirGun, “[Kamu Hale Kanunu 192. Kez Değiştiriliyor,](#)” 04/30/2021

²² *Ibid.*

²³ Bianet, “[‘Public tenders won by pro-government companies exceed Turkey’s 2020 budget,’](#)” 09/08/2020

²⁴ Financial Times, “[Turkey picks former jailed banker to head Istanbul stock exchange,](#)” 10/21/2019.

activity so long as it furthers the AKP's political aims. Shortly after this highly controversial appointment, the EBRD in fact sold its 10 percent stake in Borsa Istanbul.²⁵

Furthermore, the U.S. Department of Justice has directly implicated President Erdoğan in the Halkbank scheme, and the case for the prosecution highlighted the government's complicity in its indictment. In 2019, it noted:

In addition to benefiting the Government of Iran by evading restrictions on the use of oil proceeds, the gold scheme would also benefit the Government of Turkey: By converting the otherwise-restricted Iranian oil proceeds at HALKBANK, the defendant, into gold and exporting that gold, the scheme would artificially inflate Turkey's export statistics, making its economy appear stronger than it in fact was.²⁶

Not only has the government of Turkey implicated itself at the highest levels in what The Atlantic has called "the biggest sanctions-evasion scheme in recent history,"²⁷ but it has also used this sanction evasion and others like it to mislead investors.²⁸

Impairment of Corporate Reputation

There are long-term reputational risks to doing business with a country that is becoming increasingly notorious for grave human rights abuses at home and abroad, for its support for violent extremism, as well as its foreign aggression. This risk is higher when the business in question is directly connected to one of Turkey's most corrupt sectors.

Helmed by the authoritarian and repressive President, Turkey has threatened its regional neighbors, supported extremist groups, deployed men and material in support of conflicts in the Middle East as well as Europe, persecuted ethnic minorities, devastated the free press, jailed and killed political opponents, eroded democratic institutions, and spread corruption throughout Turkey's institutions.

In addition, Turkey under Erdoğan has occupied large swathes of northern Syria, while committing wide-scale ethnic cleansing of Kurds, Yazidis, and other minorities over the past few years. In the wake of the 2016 coup attempt, Erdoğan's government became the world's number one jailer of journalists, closing down several media outlets, newspapers, radio stations, TV channels, publishing houses, and news agencies. Most recently, the governing AKP has attempted to shut down the second largest opposition political party in the country, the Kurdish-led People's Democratic Party ("HDP"). In 2021, Freedom House officially declared Turkey "not free."²⁹

²⁵ EBRD Website, "[EBRD sells stake in Borsa Istanbul](#)," 12/31/2019

²⁶ U.S. Department of Justice Press Release, "[Turkish Bank Charged in Manhattan Federal Court for Its Participation in a Multibillion-Dollar Iranian Sanctions Evasion Scheme](#)," 10/15/2019.

²⁷ The Atlantic, "[The Biggest Sanctions-Evasion Scheme in Recent History](#)," 1/4/2018.

²⁸ U.S. Department of Justice Press Release, "[Turkish Bank Charged in Manhattan Federal Court for Its Participation in a Multibillion-Dollar Iranian Sanctions Evasion Scheme](#)," 10/15/2019.

²⁹ Freedom House, "[Freedom in the World 2021: Turkey is not Free](#)."

These incidents are not merely anti-democratic missteps, but constitute an increasingly dangerous pattern of democratic backsliding, as the events of the last decade demonstrate. It is thus not surprising that a growing portion of the corporate world is taking steps to divest and distance itself from Ankara due to such concerns.

In 2020, Volkswagen put a permanent stop to its multi-billion-dollar plans to build an auto factory near Izmir. The company had delayed plans one year earlier in response to Turkey's invasion of Northern Syria.³⁰ Notably, Volkswagen's spokesmen were careful to point out that the decision to delay was made despite the fact that "the investment continues to make sense from a business point of view."³¹ Indeed, Volkswagen's decision was motivated by domestic outrage surrounding Turkey's widely-denounced invasion of Northern Syria. Bernd Osterloh of the works-council at VW made clear that "as long as Turkey tries to achieve its political goals with war and violence," Volkswagen's supervisory board will not agree to the deal: "Volkswagen can and must be moral."



Demonstrators in front of the Volkswagen Showroom protesting construction of the factory

The international outrage surrounding Turkey's use of its drone technology to commit atrocities and destabilize the region has already prompted several companies—including Garmin, Viasat, Beringer Aero, and Trimble Incorporated—to release statements indicating that they will no longer provide parts to Turkish drone manufacturers, given the public outrage around these human rights violations.

³⁰ Handelsblatt, "[Turkish car lobby puts pressure on VW to build the new Passat plant](#),"

³¹ *Ibid.*



Protestors Outside of Garmin International in Olathe, Kansas, Nov 6, 2020

Garmin, which saw protests outside of its Kansas factory in November 2020, stated that it would ensure that its independent contractors were no longer selling Garmin products to Baykar...[or]...any other persons or companies they have reason to suspect are engaged in nefarious activities.”³²

Carlsbad, CA-based company Viasat has issued a statement and vowed to ensure it is not supplying drone parts to the Turkish military industrial complex, condemning the use of force against civilians and labeling the events in Artsakh as “terrorism” and “genocide.”³³

Political entities have likewise condemned Turkey’s behavior. This year the California State Senate passed a bipartisan bill that would allow state employee retirement funds to opt out of any and all investment vehicles owned by the Republic of Turkey.³⁴ This move was in part a response to Turkey’s denial of the Armenian genocide. Lawmakers affirmed their desire to “send a strong message to the Republic of Turkey that California does not support its ongoing and

³² The Armenian Mirror-Spectator, “[Garmin Takes Action Against Use of Its Products in Bayraktar Drones](#),” 11/10/2020.

³³ Fox 5, “[North County Company stops sending drone tech to Turkey after protests](#),” 10/23/2020.

³⁴ Press Release from the Office of Senator Portantino, “[Senators Portantino and Wilk Introduce Bill Allowing Local Agencies to Divest From the Republic of Turkey](#),” 02/16/2021.

aggressive denial of the Armenian Genocide and its unprovoked attacks on Artsakh.”³⁵ Canada likewise has issued an export ban to Baykar Makina, Turkey’s drone maker.

Such actions will proliferate as the international community becomes increasingly aware of Turkey’s reprehensible behavior. European governments as well as the Biden administration have similarly taken a hard line in this respect, with an increasing emphasis on human rights concerns. Companies must follow suit, or risk alienating customers and shareholders. Inevitably, when civic-minded shareholders, pension funds, university foundations, and public interest groups learn that a company continues to do business with Turkey, share value will suffer and the ability to access public debt and equity markets will disappear.

Currency Volatility and Unstable Investment Climate

The combination of politically-motivated moves at the Central Bank, as well as Turkey’s growing deficit and its lack of foreign currency reserves, has contributed to its September 2020 downgrading by Moody’s to a B2 score with a negative outlook.³⁶ Potential investors can expect little to no stability or predictability with regard to Turkey’s monetary policy while President Erdoğan remains in power.

In January 2021, the International Monetary Fund (“IMF”) published a report on Turkey indicating that the apparent growth in GDP was in reality the result of policies that exacerbated the Turkish economy’s pre-existing vulnerabilities—namely inflation and lira depreciation.³⁷

Ultimately, the volatility of Turkey’s currency is a direct reflection of both Erdoğan’s political control of the Central Bank as well as his overall mismanagement of economic policy. The Turkish Lira has been subject to a dramatic decline in value over the past decade, leading to an unstable and unpredictable business environment. Companies that decide to engage in business with Turkey cannot guarantee the long-term value of their investments. Doing business in dollars or euros, especially in an authoritarian country, provides little guarantee of return on that investment. Finally, businesses that depend on government favors and government-sanctioned corruption for their financial viability will inevitably be unreliable partners in a politically volatile climate.

Conclusion

Serious legal, financial, and reputational risks associated with Turkey’s corrupt banking sector will continue until and unless Erdoğan’s government fundamentally alters its behavior, both at home and abroad.

Ultimately, President Erdoğan and the ruling AKP have embroiled Turkey’s banks in corruption, abuses of power, and human rights violations. Degradation of the rule of law, rampant tender rigging, and a lack of oversight mean that any contracts carried out in Turkey will require

³⁵ *Ibid.*

³⁶ S&P Global, “[Moody’s downgrades Turkey to B2, warns of ‘severe’ balance of payments crisis.](#)” 09/11/2020.

³⁷ International Monetary Fund, “[Turkey: Staff Concluding Statement of the 2021 Article IV Mission.](#)” 01/25/2021.

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a disproportionate amount of due diligence to ensure both that return on investment assumptions are reasonable, and that any Turkish companies involved in business ventures have not already participated in illegal activity such as sanctions evasion, money laundering, or financing of extremism. Furthermore, companies whose financial viability depends on AKP-sanctioned kleptocracy are not safe long-term business partners: the opposition CHP has promised to nationalize the tenders received by corrupt AKP-linked companies should they win the election in 2023.³⁸

In view of the foregoing, we call on Deutsche Bank to undertake an urgent review of its advertised banking relations with Ziraat Bank with a view to terminating those ties. We would appreciate hearing from you within 14 (fourteen) days of receipt of this letter.

Thank you for your attention to this matter.

Yours truly,

A handwritten signature in black ink that reads "Mark Wallace". The signature is written in a cursive, flowing style.

Ambassador Mark D. Wallace
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www.turkishdemocracy.com

³⁸ Duvar English, "[Turkish main opposition leader vows to fight pro-Erdoğan companies' 'theft.'](#)" 12/08/2020

APPENDIX

BANK / TOWN / COUNTRY	SITE	SWIFT CODE	CURRENCY
DEUTSCHE BANK AG, FRANKFURT, GERMANY	https://www.db.com/	DEUTDEFF	EUR
T.C. ZIRAAT BANKASI A.S., HEAD OFFICE, ANKARA, TURKEY	https://www.ziraatbank.com.tr/	TCZBTR2A	USD, EUR, GBP
ASIA INVEST BANK, MOSCOW	http://www.ai-bank.ru	ASIJ RU MM	USD, EUR, RUB
DEUTSCHE BANK TRUST COMPANY AMERICAS, NEW YORK, USA	https://www.db.com/	BKTRUS33	USD
TURKIYE İŞ BANKASI A.S., ISTANBUL, TURKEY	https://www.isbank.com.tr/	ISBKTRIS	USD

Ziraat Bank, “Bank correspondents,” accessed February 11, 2022