EXHIBIT F

Golden loophole: How a crime ring helped Iran beat sanctions

PLOT TO EVADE EMBARGO IMPOSED ON TEHRAN RESEMBLES A MADE-FOR-TV CRIME SERIES

ISTANBUL

In this city's Grand Bazaar, sellers along labyrinthine passageways hawk carpets, jewellery and souvenir knick-knacks to tourists.

Turkish police believe that until recently, the area around the market also sat at the centre of an audacious, multi-billion dollar scheme involving bribery and suspect food shipments to Iran.

To date, no one has been charged. But a recently leaked police report — which contains allegations of payments to top Turkish government officials, including cash stuffed into shoeboxes — has added fuel to a growing corruption scandal that has shaken the highest levels of Turkey's political establishment.

A review of the report's 299 pages, as well as interviews with currency and precious metals dealers, offer colourful new details of how what police call a "crime organisation" allegedly helped Iran exploit a loophole in the West's sanctions regime that for a time allowed the Islamic Republic to purchase gold with oil and gas revenues.

While the gold trade was then legal, the police report alleges the purported crime network bribed officials to just so it could maintain control of the lucrative business.

Then, when the West last July prohibited the gold trade as a sanctions violation, the police report alleges the network concocted records of shipments of food at preposterous volumes and prices to continue giving Iran access to foreign currency.

The police report — which includes transcripts of wiretapped conversations and surveillance photographs — was prepared for prosecutors. Its authenticity was confirmed with Ekrem Aydıner, the current chief prosecutor in charge of the case.

Turkey's Prime Minister, Recep Tayyip Erdoğan, has called the police investigation a foreign-orchestrated plot without legal merit. In recent months, Turkey's judiciary removed several prosecutors from the case. That has raised questions about whether Turkish law enforcement authorities will continue to pursue it. Aydıner said the matter remains under active investigation.

In many ways the plot described in the police report resembles a made-for-TV crime series. A cop who is thought to have tipped off tax authorities finds himself transferred to a distant outpost by the Black Sea, a plane that arrives from Ghana carrying 1.5 tonnes of gold with no clear owner, and millions of dollars in payoffs to various officials to block rivals and gain valuable favours such as fast-track Turkish citizenship for members of the purported crime network and their families.

The report presents a wealthy young businessman of Iranian descent named Reza Zarrab as the ringleader. Zarrab grew up in Turkey, holds citizenship, resides in a manor on the Bosphorus and goes by the Turkish name Riza Sarraf. He is well known on Istanbul's celebrity circuit, and is married to Turkish pop star Ebru Gündeş, who is a judge on a popular television talent show.

Evidence of fraud

Following her husband's detention in December — he was released from jail two months later without being charged — she tearfully told viewers, "God willing, I hope these dark days will pass quickly." When reporters recently visited his residence, they were greeted by about a half-dozen security guards who said he was out of town. His attorney, Sedat Yildiz, later declined to comment.

In an interview published on April 19 with Sabah, a Turkish newspaper, Zarrab said, "The trade I do is completely legal." He later said in an interview on Turkish television that he had helped to reduce the country's current account deficit.

The police report states that its investigation found evidence of bribery, fraud and gold smuggling. Although not central to the police investigation, the West's economic sanctions on Iran provide the backdrop of the alleged scheme.

The police report alleges that Zarrab and a network of companies he controlled were running much of the gold trade with Iran. "It is understood that, to overcome sanctions and move money to Iran, Riza Sarraf used Turkey as a stopping stone," the report states.

To keep the business running smoothly, the report alleges Zarrab's network paid bribes to Zafer Caglayan, Turkey's economy minister; Muammar Guler, interior minister; Egemen Bagis, the European Union Affairs minister; and Suleyman Aslan, Halkbank's chief executive.

All three ministers, who have since either resigned or been dropped from the cabinet, have denied wrongdoing; none have been charged. According to the police report, many of the payoffs were allegedly picked up in a building on a row of jewellery dealers near the Grand Bazaar.

Police also tracked the shipment of a Swiss watch the network allegedly gave to Caglayan that cost about \$340,000 (Dh1.2 million). Bagis, the EU Affairs minister, at one point allegedly received \$500,000 in cash delivered in a chocolate box, along with a silver plate.

In an intercepted phone conversation about the plate, the report quotes Zarrab as telling an associate, "Don't make it too expensive."

'Charitable donation'

The report alleges that Aslan, former head of Halkbank, and Caglayan received a percentage of the Iranian money transfers, resulting in bribes that totalled tens of millions of dollars.

In December, police raided Aslan's house and seized \$4.5 million stuffed in shoeboxes, according to local media reports. Aslan told police the cash was a charitable donation from various businessmen to build an Islamic school, the media reports said.

The police report alleges the bribes bought the network perks such as reduced commissions from Halkbank for money transfers, authorisation to drive along highway emergency lanes and assistance in preventing rivals from participating in the lucrative trade.

One Istanbul gold and currency trader said, "I went to the bank about 18 months ago and tried to open an account, saying I wanted to sell goods to Iran and that I was going to pay via Halkbank.

"But they did not let me. There has been unfair competition in terms of using this bank." The bribes also secured the network police protection, the report alleges.

Suspecting at one point that a local police officer had initiated a tax audit of some of Zarrab's companies, the interior minister arranged to have the officer transferred to Zonguldak, a Black Sea coastal town about 320km east of Istanbul, the report alleges.

According to the report, a wiretap allegedly picked up Guler telling Zarrab that "we have sent him into exile."

The report cites wiretapped phone calls between Zarrab and Caglayan's office allegedly showing that Caglayan intervened at Zarrab's request to prevent customs officers from seizing the shipment.

The circumstances surrounding the Ghanaian gold shipment remain murky. An Iranian billionaire businessman named Babak Zanjani, who is accused by the US and European Union of violating sanctions on Iranian oil, recently posted a statement on the website of his company, Sorinet Group, stating he was the original purchaser of the gold from Ghana. "This type of trade was completely legal," he wrote.

Yet Zanjani boasted last year in an interview with Aseman, an Iranian magazine, of violating sanctions. "This is my work — sanctions busting operations," he was quoted as saying. He is in jail in Tehran on charges of owing the government more than \$2.7 billion from oil sales. He denies any wrongdoing.

In the website posting, Zanjani said he had met Zarrab "a few times" but that they had not done any business together.

Zarrab said in the television interview last month he had met Zanjani twice, but "I am neither friends nor partners with him." Washington closed the gold loophole last July.

Iran's nuclear deal with Western powers, which took effect in January and is to last until July, includes allowing Iran to resume some gold trading.

But there's no evidence that Turkey is benefiting. Some Istanbul traders say they are too jittery to sell gold to Iran. Gold exports have plummeted.

REUTERS

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In numbers

The Turkish corruption scandal led to the arrests of dozens of high level officials and powerful citizens

Dh1.2m — *cost of a watch gifted to Caglayan by the network*

1.5 — *tonnes of gold allegedly arrived from Ghana*

\$4.5m — *found in shoeboxes in raid at bank official's house*

All that glitters

Gold bars are to be smelted in the plant of a refiner in Ankara as the country's government goes through a gold trade scandal involving ministers and high-profile businessmen

Shamed

Turkey's European Affairs Minister Egemen Bagis (left) and Interior Minister Muammar Guler and Economy Minister Zafer Caglayan (right).

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Dark days

Turkish singer Ebru Gundes and husband businessman Reza Zarrab, who is accused of being part of the gold trade

RESTRICTIONS
Helping out

As financial sanctions tightened in 2012, both Turkey and Iran had pressing needs: Turkey required oil and gas for its fast-growing economy, while Iran desperately needed hard currency to pay for new automobiles and other imports.

Under the sanctions — imposed by Washington and Brussels to contain Iran's nuclear ambitions — Turkey was permitted to purchase oil and gas from its neighbour.

But it was required to pay in Turkish lira, a currency that is of limited value for buying goods on international markets. All payments were to be deposited in an Iranian bank account at Turkey's state-controlled Halkbank.

In 2012, Turkey purchased from Iran more than \$10 billion (Dh36.7 billion) worth of oil and gas, according to calculations based on data from Turkey's energy market regulation board and Turkish officials.

One commodity that Iran was permitted to purchase with its money was gold. A veritable Turkish gold rush ensued with bullion shipped to Iran in everything from couriers' rucksacks to aeroplane cargo holds.

Turkish gold exports to Iran exploded from one tonne in 2010 to 125.9 tonnes in 2012, worth \$6.5 billion, according to the Turkish statistical institute. Another 65 tonnes, worth \$4.3 billion, were exported that year via a Gulf country.

— Reuters