

Banking&Finance Bulletin - First Quarter 2024

Recent Sectoral Developments

Developments Regarding Inflation Accounting

The General Communiqué on Tax Procedure Law (Serial No: 555) (“**Communiqué**”) regarding inflation adjustment was published in the Official Gazette dated 30 December 2023 and numbered 32415 (Second Recurrent).

Inflation accounting is the process of determining the purchasing power of money in a given period compared to the purchasing power in a different period. This practice calculates the increase in the general price level over a specified period and is used as an economic indicator.

The Communiqué requires that income and corporate taxpayers who determine their earnings on the basis of balance sheets make inflation adjustments in accordance with the Tax Procedure Law.

The Banking Regulation and Supervision Agency (“**BRSA**”), the Capital Markets Board (“**CMB**”), and the Insurance and Private Pension Regulation and Supervision Agency (“**IPRSA**”) have granted certain exemptions to the entities they regulate regarding the transition to inflation accounting.

Pursuant to [the BRSA Decision No. 10825 dated 11 January 2024](#), the implementation date of the Communiqué for banks, financial leasing, factoring, financing, savings financing, and asset management companies was postponed to 1 January 2025.

Within the scope of [the Announcement Pursuant to the Decision of the CMB dated 28 December 2023 and numbered 81/1820](#), the CMB made a public announcement regarding the implementation of inflation accounting by issuers and capital market institutions subject to the previous financial reporting regulations, starting with the annual financial reports of the accounting periods ending as of 31 December 2023, and granting an additional period of 10 weeks for the public disclosure of annual financial reports and 6 weeks for the public disclosure of the first two interim financial reports.

Within the scope of [the Announcement Pursuant to the Decision of the CMB dated 25 January 2024 and numbered 6/137](#), the CMB announced the actions to be taken in the event that the issuer or capital markets institution, which is a subsidiary, joint venture, or affiliate, fails to disclose its financial reports at the same time or earlier than its parent company, joint venture, or investor company (including entities located abroad), limited to the financial reporting periods for which additional time was granted by the Announcement Pursuant to the Decree of the CMB dated 28 December 2023 and numbered 81/1820.

In [the Announcement Pursuant to the Decision of the CMB dated 8 February 2024 and numbered 9/221](#), it was announced that the financial statements and independent audit reports prepared in accordance with the special regulations of banks and asset management companies subject to the Banking Law No. 5411 (“**Banking Law**”), insurance companies subject to the Insurance Law No. 5684 dated 3 February 2007 and companies subject to the Financial Leasing, Factoring, Financing, and Savings Finance Companies Law No. 6361 dated 21 November 2012 would be considered as the basis in evaluating their application to the Board for approval of the prospectus or issuance document and in the preparation of financial statements and fulfillment of independent audit obligations.

The decision also provided that:

- a) The sales period specified as 1 January-15 February in subparagraphs (a), (b) and (c) of the first paragraph of Article 11 of the Communiqué on Prospectus and Issuance Document numbered II-5.1 would be extended until 1 March 2024 for the year 2024, and in this context, the provision regarding the submission of the last independently audited financial statements, which are essential to be used in the following period, as an annex to the prospectus pursuant to subparagraph (ç) of the first paragraph of Article 11 of the Communiqué on Prospectus and Issuance Document numbered II-5.1, would not be applied to this sales period,
- b) In a prospectus to be prepared for an initial public offering of the shares of non-publicly traded corporations and for the public offering of capital market instruments that do not grant shareholding rights, including investment firm warrants and certificates, inflation-adjusted financial statements shall be included to enable comparison in accordance with the principles

and time periods specified in Article 11 of the Communiqué on Prospectus and Issuance Document numbered II-5.1, (For example; annual financial statements for the accounting periods ending on 31 December 2021, 31 December 2022 and 31 December 2023 with inflation accounting applied in the prospectus for the issuance of shares, and annual financial statements for the accounting periods ending on 31 December 2022 and 31 December 2023 with inflation accounting applied in the prospectus for the issuance of debt instruments)

c) In the prospectus to be prepared for a public offering of capital market instruments granting shareholding rights by publicly held corporations, in accordance with the principles and deadlines set forth in Article 11 of the Communiqué on Prospectus and Issuance Document numbered II-5.1, to include inflation-adjusted comparative financial statements starting from the annual financial statements of the accounting period ending on 31 December 2023,

(For example; annual financial statements for the years ended 31 December 2022 and 31 December 2023 with the application of inflation accounting and annual financial statements for the year ended 31 December 2021 without the application of inflation accounting)

ç) As of the date of the aforementioned Board Decision, in capital increase applications to be made within the scope of Article 16 of the Equity Communiqué numbered VII-128.1, internal resources in the inflation adjusted financial statements shall be taken as basis,

d) For capital market instrument issuance applications other than those specified in the articles above, inflation accounting shall be applied starting from the annual financial statements of the accounting period ending on 31 December 2023 in accordance with the principles and periods specified in the relevant Communiqués,

e) The explanations stated in the above articles shall be adapted by the companies subject to special accounting period according to their own accounting periods.

In accordance with [the CMB Decision No: 14/382 dated 7 March 2024](#), it was decided to exempt the financial statements of investment funds from the application of inflation accounting.

The decision explained the rationale behind the exemption requests in relation to the transition to inflation accounting, public disclosures, presentation of equity items, offsetting of accumulated losses arising from the initial application, and the status of items arising from inflation adjustment against profit distribution and capital increase from internal resources.

With [the Circular \(2024/10\) dated 11 March 2024](#), the Insurance and Private Pension Regulatory and Supervisory Authority set the transition date for insurance, reinsurance and pension companies to inflation accounting as 1 January 2025.

Developments on Crypto Asset Draft Law from the Economy Coordination Board

At the Economic Coordination Board (“ECB”) meeting held in January, one of the issues on the agenda was the draft crypto asset regulation. At the meeting, the progress made in the legislative work to regulate the crypto asset ecosystem and the issues to be included in the draft law proposal was evaluated. According to the statement made by the ECB after the meeting, the crypto asset regulation will be adopted in the near future.

Determination of Entities Subject to Sustainability Reporting within the Scope of Board Decision on the Scope of Implementation of Turkish Sustainability Reporting Standards

The Board Decision on the Scope of Implementation of the Turkish Sustainability Reporting Standards (“TSRS”), reported in the Official Gazette dated 29 December 2023 stated that certain companies will be required to report on sustainability as of 1 January 2024. These companies are (i) companies subject to the regulation and supervision of the Capital Markets Board, (ii) banks and other financial institutions subject to the regulation and supervision of the Banking Regulation and Supervision Agency pursuant to the Banking Law No. 5411 (“Banking Law”), (iii) insurance, reinsurance and pension companies operating within the scope of the Insurance Law and the Private Pension Savings and Investment System Law, and (iv) foreign exchange institutions authorized to operate in Borsa Istanbul Markets, companies engaged in the exploration, drying, processing or trading of precious metals.

Article 3 of the decision lists the criteria for determining the companies that will be subject to sustainability practices for the types of companies listed above. The criteria are enterprises with total assets of TRY 500 million, annual net sales revenue of TRY 1 billion or 250 employees. Accordingly, if the companies and organizations listed in the Board Decision exceed at least two of these criteria in two consecutive reporting periods, they will be included in the scope of mandatory reporting. Banks subject to the Banking Law are within the scope of mandatory reporting without being subject to any threshold. However, banks owned by the Savings Deposit Insurance Fund are exempt from this practice. Other companies will be able to report in accordance with TSRS on a voluntary basis.

Digital Turkish Lira Phase One Evaluation Report

In 2022, the Central Bank of the Republic of Türkiye (“CBRT”) began preparing the necessary conditions within the scope of the first phase of the Digital Turkish Lira Project, and the first payment transactions on the Digital Turkish Lira System were successfully carried out in pilot tests conducted at the end of the same year. In the first half of 2023, pilot tests continued and the first phase was completed. In 2024, the second phase was launched.

As part of the first phase of the CBRT’s Digital Turkish Lira Project, the CBRT published a comprehensive evaluation report on the findings of the tests. The Evaluation Report shared the findings of the R&D activities and the first phase of the Digital Turkish Lira Collaboration Platform, as well as the approaches adopted in the project.

The following information in the Evaluation Report is noteworthy:

Intermediary Institutions and Digital Wallets: In the digital currency distribution model, the central bank is located on the first floor and financial intermediary institutions are located on the second floor. In this context, financial intermediary institutions could be banks or licensed institutions complying with the specified regulations. End users will join the system through financial intermediaries and access the Digital Turkish Lira. In this two-level banking model, the central bank will be responsible for the issuance of the currency, while financial intermediary institutions will be responsible for its distribution. In this sense, the total amount of cash that can be circulated in digital wallets and spending limits will be managed in a gradual and controlled manner, taking into account the principles of two-level banking, which is one of the foundations of a free market economy, and the principle of not harming the basic principles of the financial system.

Interoperability: The CBRT will take all technical and administrative measures to build capacities in line with demand and requirements and to ensure the interoperability of the Digital Turkish Lira with existing payment systems and cross-border transactions, *i.e.* to ensure that both conventional banknotes and digital Turkish Lira remain in circulation in a fully complementary manner.

Upgrading Türkiye's Credit Rating

Recently, international credit rating agencies Moody's and S&P Global Ratings upgraded Türkiye's credit outlook. Moody's affirmed Türkiye's credit rating as "B3" and revised its rating outlook from “stable” to “positive”. International credit rating agency S&P Global Ratings revised Türkiye's credit rating outlook from “stable” to “positive” and affirmed its foreign and local exchange credit ratings as "B". Fitch upgraded Türkiye's credit rating outlook from negative to stable on 8 September 2023.

As a result of the policy adopted by the Central Bank of the Republic of Türkiye, Türkiye's borrowing costs had risen sharply since 2023, however, on 9 March 2024, Fitch upgraded Türkiye's credit rating from ‘B’ to ‘B+’ and revised the rating outlook from 'stable' to 'positive'. Fitch stated that this positive rating upgrade after 12 years was due to the forecast that inflation would average 58% in 2024 and 40% at the end of the year.

Ban on Payments in Foreign Exchange Eased

The Communiqué Amending the Communiqué on Decree No. 32 on the Protection of the Value of the Turkish Currency (Communiqué No: 2008-32/34) (“**Communiqué**”) entered into force on 28 February 2024. The amendment to the Communiqué introduces the following exceptions to the regulations regarding the fulfillment and acceptance of payment obligations in Turkish Lira for moveable sales contracts other than vehicle sales contracts:

- i. Payment obligations within the scope of negotiable instruments denominated in foreign exchange that entered into circulation before the effective date of the Communiqué (Communiqué No: 2022-32/66) Amending the Communiqué on Decree No: 32 on the Protection of the Value of the Turkish Currency (Communiqué No: 2008-32/34) published in the Official Gazette dated 19 April 2022 and numbered 31814 within the scope of the performance of moveable sales contracts concluded before 19 April 2022.
- ii. Payment obligations under invoices issued before 19 April 2022.
- iii. Payment obligations within the scope of precious metals and precious stones trading transactions realized in foreign exchange in Borsa Istanbul A.Ş. Precious Metals and Precious Stones Market and the set-off of these transactions.
- iv. Exports made by Foreign Trade Capital Companies (FTSC) or Sectoral Foreign Trade Companies (SFTC) based on an intermediated export contract within the scope of the Communiqué on the Status of Foreign Trade Capital Companies (Export: 2004/12) published in the Official Gazette dated 8 December 2004 and numbered 25664 and the Communiqué on the Status of Sectoral Foreign Trade Companies (Export: 2004/4) published in the Official Gazette dated 2 July 2004 and numbered 25510, and payment obligations under moveable sales contracts for exports to be realized on the basis of an intermediated export contract through companies with the status of Export Consortium under the Decree on Export Supports No. 5973 dated 17 August 2022 and E-Export Consortium under the Decree on E-Export Supports put into effect by the Presidential Decree No. 5986 dated 24 August 2022.
- v. Payment obligations within the scope of moveable sales contracts concluded for the delivery of goods to which transit and customs warehouse regimes and temporary storage and free zone provisions in the Customs Law dated 27 October 1999 and numbered 4458, including the sale and delivery of exported exports subject to customs declaration.
- vi. Payment obligations related to the delivery of goods subject to the moveable sales contract concluded with companies operating in the free zone within the scope of foreign trade transactions.

Among the exemptions added to the Communiqué, the exemptions under subheadings (i), (ii) and (iii) above entered into force as of 21 April 2022 and the other exemptions as of 28 February 2024.

External Financing Operations of Public banks and Türkiye Sovereign Wealth Fund continue to increase

Following the upgrade of Türkiye's credit rating to 'B+' by the international credit rating agency Fitch on 9 March 2024, public banks continue to diversify their external financing sources and increase their long-term borrowing facilities to maintain their successful integration into the international financial system and the flow of international qualified funds under improving conditions.

In this respect, [Ziraat Bank](#) announced on 21 March 2024 that it has concluded a secured external financing transaction of USD 300 million with a 4-year maturity with an international investment bank in the England.

On 26 March 2024, [Vakıfbank](#) completed a Diversified Payment Rights (DPR) securitization transaction amounting to EUR 350 million and USD 330 million, totaling over USD 700 million. According to the statement released by the Bank, the securitization consisted of two tranches, EUR and USD, in 6 different transactions with a total maturity of 5 years, including a grace period of at least 2 years. The statement noted also that this transaction consisting of the securitization of future cash flows from various types of international payments, is the largest securitization transaction among Turkish banks in the form of direct funding.

In addition to public banks, the [Türkiye Sovereign Wealth Fund](#) (Türkiye Varlık Fonu), announced on 20 March 2024 that it had completed its first international Islamic financing transaction, a murabaha financing agreement worth USD 100 million with a maturity of 3 years signed with the Sharjah Islamic Bank (SIB). Following the eurobond issuance, which we report on below, completed in February that was subject to a record demand, this transaction is the first mutual murabaha financing in the world provided to a sovereign wealth fund.

Non-Performing Loan Portfolio Sales by Garanti Bank

On 18 March 2024, Garanti Bank announced that it sold its non-performing loan portfolio worth TRY 1 billion 64 million to Gelecek Varlık Yönetim and Emir Varlık Yönetim for TRY 440 million. In its statement to the Public Disclosure Platform (PDP), the Bank stated that the non-performing loans portfolio sold to Gelecek Varlık Yönetim Şirketi for TRY 220,300,000 including interest represented a total principal and contractual interest balance of TRY 531 million 835 thousand 897 as of 30 January 2024. The non-performing loans sold to Emir Varlık Yönetim A.Ş. for TRY 219,800,000 including interest totalled TRY 532 million 496 thousand 820 with principal and contractual interest balance as of 31 January 2024 e.

Similarly, on 26 March 2024, Garanti Bank announced that the total principal and contractual interest balance of credit card, standby credit, cheque account, instalment loan, overdraft account receivables and related expense account and other receivables in the non-performing loan portfolio amounting to TRY 1,147,910,095.73 as of 29 January 2024 and 12 February 2024 were sold to Dünya Varlık Yönetim A.Ş. for a total of TRY 525,800,000 in two portfolios including interest.

Individual Pension System (IPS) savings will be allowed to be pledged as collateral

The Insurance and Private Pensions Regulatory and Supervision Agency has amended the Regulation on the Private Pension System (the "**Regulation**") and the amendments were published in the Official Gazette on 28 March 2023 and numbered 32146. With the introduction of the amendment, it was made possible for participants to access loans with favourable interest rates from banks by pledging IPS savings as collateral. A 6-month grace period was set for the enforcement of the practice, and the Pension Monitoring Center (PMC) will be responsible for the establishment of the infrastructure that would enable IPS companies, Turkish Clearinghouse (Takasbank) and banks to co-operate with each other. The implementation of the Regulation, which was expected at the end of September 2023, was delayed due to ongoing infrastructure efforts.

Sector stakeholders expected that this practice, which would facilitate access to credit, could be implemented as of April 2024.

Whereas in conventional high-street banking, loan applications are assessed on the basis of factors such as creditworthiness and income status to decide whether to extend a loan, this new scheme will enable participants holding IPS savings to pledge their receivables arising from such IPS contracts as collateral for loans at favourable interest rates. In brief the new practice means;

- The applicant for a loan allows the bank to access IPS savings and submits loan proposal,
- A contract for the transfer of receivables is concluded between the participant and the bank, and his/her savings will continue to accrue interest in the IPS until the loan is repaid.
- IPS contracts transferred under the scheme cannot be transferred to other banks or companies before the loan is repaid and any existing transfer of receivables agreement is terminated,
- The applicant will be able to continue to pay contributions to the IPS, to monitor their savings and to exchange funds for their savings that have not been transferred,
- The applicant may transfer (that is, pledge) all or part of his receivables as a collateral, with the exception of state contributions (arising from such IPS contracts) and agreements, subject to injunction, attachment, bankruptcy, pledge and all types of similar administrative and judicial claims relating to fund shares,
- When the loan is repaid, the contract on transfer of receivables will cease to exist automatically; otherwise, the bank will terminate the IPS contract and collect the remaining debt by deducting it from the cash amount to be paid to the participant.

Association of Financial Institutions ("AFI") announced the results of the Non-Bank Financial Sector for the year 2023.

AFI published consolidated data for financial leasing, factoring, financing, asset management, and savings finance companies for the year 2023.

According to the AFI report, the consolidated data for the five industries represented by AFI for the year 2023 are as follows:

- The transaction volume of 1 trillion 220 billion Turkish Lira,

- Total assets of 671 billion Turkish Lira,
- Equity size of 111 billion Turkish Lira.

The 2023 financial performance figures for the five industries in 2023 are as follows:

- The factoring sector totaled 196.9 billion Turkish Lira with a 54.7% increase in receivables.
- In the financial leasing sector, receivables increased by 60% to 189 billion Turkish Lira.
- The receivables of financing companies increased by 89.6% to 116.5 billion Turkish Lira.
- Asset management companies saw a 64.1% increase in equity to 8.9 billion Turkish Lira, and a 87.8% increase in asset size to 16.7 billion Turkish Lira.
- The total asset size of savings financing companies increased by 129.9% to 29 billion Turkish Lira, while the equity size surged by 283.9% to 10 billion Turkish Lira.

Operating Permit and License Developments for the First Quarter of 2024

Central Bank of the Republic of Türkiye:

Developments		
Company Name	Development	Date
Ziraat Finansal Teknolojiler Elektronik Para ve Ödeme Hizmetleri Anonim Şirketi	Permission Granted to Operate as an Electronic Money Institution	30.01.2024
Yemekpay Elektronik Para ve Ödeme Hizmetleri Anonim Şirketi	Permission Granted to Operate as an Electronic Money Institution	31.01.2024
Platform Ödeme Hizmetleri ve Elektronik Para Anonim Şirketi	Permission Granted to Operate as an Electronic Money Institution	13.02.2024
Garanti Ödeme ve Elektronik Para Hizmetleri Anonim Şirketi	Permission Granted to Operate as an Electronic Money Institution	15.02.2024
Ria Türkiye Ödeme Kuruluşu Anonim Şirketi	The Permission to Operate as a Payment Institution Was Revoked At the Company's Request	15.02.2024

Banking Regulation and Supervision Agency:

Developments		
Company Name	Development	Date
Sipay Elektronik Para ve Ödeme Hizmetleri Anonim Şirketi	Permission Granted to Operate as an Organization Engaging in Agreements with Member Merchants	07.03.2024

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Developments		
Company Name	Development	Date
ICBC Türkiye Portföy Yönetimi Anonim Şirketi	Permission to Operate as an Investment Advisory Firm Was Revoked At the Company's Request	25.01.2024
Dizayn Gayrimenkul Değerleme ve Danışmanlık Anonim Şirketi	Removed from the List of Institutions Authorized to Perform Real Estate Valuation in Capital Markets	16.02.2024
Ziraat Katılım Bankası Anonim Şirketi	Permission Granted to Operate Order Transmission Intermediation	18.01.2024
Bank of America Yatırım Bank Anonim Şirketi	Permission Granted to Operate in General Custody Service	25.01.2024
Colendi Menkul Değerler Anonim Şirketi	Permission Granted to Operate in Transaction Intermediation, Investment Advisory, and Best Efforts Intermediation Activities within Equity-Based Derivatives, Pay Index-Based Derivatives, and Other Derivatives Instruments	31.01.2024
Piramit Portföy Yönetimi Anonim Şirketi	Approved Request for Portfolio Management Authorization Certificate	07.03.2024

Highlights of Debt Instruments Issued Abroad in the First Quarter of 2024

With Türkiye's return to orthodox economic policies, the issuance of debt instruments by Turkish companies in foreign markets gained momentum in the second half of 2023. This trend continued in the first quarter of 2024. Companies have been able to borrow at lower costs compared to previous years, thanks to the decline in interest rates and increased demand for issuances. In this positive atmosphere, especially in foreign bond issuances led by the financial sector, Moody's upgraded Türkiye's credit rating on 13 January 2024, and upgraded 17 Turkish banks on 17 January 2024, and Fitch upgraded Türkiye's credit rating on 9 March 2024. Similarly, Fitch upgraded Türkiye's Sovereign Wealth Fund's long-term FX credit rating from 'B' to 'B+' on 20 March 2024. Moreover, within the scope of the 2024 external financing program, the Treasury has completed the first two foreign issuances of the year. As of the end of the first quarter of 2024, the debt issuances and coupon rates of various public institutions and organizations and financial institutions are as follows:

Public:

Issuer	Issuance Type	Nominal Issuance Ceiling	Date	Coupon Rate (%)
Türkiye Sovereign Wealth Fund	Bond/ Financial Bill	USD 500,000,000	07.02.2024	8.250

Republic of Türkiye Ministry of Treasury and Finance	Bond/ Financial Bill	USD 3,000,000,000	15.02.2024	7.625
Republic of Türkiye Ministry of Treasury and Finance	Bond/ Financial Bill	EUR 2,000,000,000	21.03.2024	5.875

Financial Institutions:

Issuer	Issuance Type	Total Amount Issued	Date	Coupon Rate (%)
T.C. Ziraat Bankası A.Ş.	Sustainable Bond	USD 500,000,000	11.01.2024	8.12
Türkiye Ekonomi Bankası A.Ş.	Corporate Bond	USD 400,000,000	17.01.2024	9.37
Yapı ve Kredi Bankası A.Ş.	Subordinated Debt Instrument	USD 650,000,000	17.01.2024	9.25
Türkiye İhracat Kredi Bankası A.Ş.	Private Sector Bond	USD 500,000,000	30.01.2024	7.50
Türkiye Garanti Bankası A.Ş.	Subordinated Debt Instrument	USD 500,000,000	28.02.2024	8.37
Akbank T.A.Ş.	Subordinated Debt Instrument	USD 600,000,000	14.03.2024	9.36
Türkiye Sınai Kalkınma Bankası A.Ş.	Subordinated Debt Instrument	USD 300,000,000	21.03.2024	9.75

Debt Instruments Approved by the Capital Markets Board for Issuance Abroad in the First Quarter of 2024:

Issuer	Issuance Type	Nominal Issuance Ceiling
Türkiye İş Bankası A.Ş.	Bond/ Financial Bill / Subordinated Debt Instrument	USD 5,000,000,000
Şekerbank T.A.Ş.	Bond/ Financial Bill	USD 300,000,000
	Sustainable/ Green	USD 300,000,000
	Bond/ Financial Bill	

Vakıf Varlık Kiralama A.Ş. <i>(Founder and Resource Institution/Fund User Vakıf Katılım Bankası A.Ş.)</i>	Lease Certificate Based on Management Agreement	USD 500,000,000
Destek Finans Faktoring A.Ş.	Bond/ Financial Bill	USD 24,800,000
T.C. Ziraat Bankası A.Ş.	Bond/ Financial Bill	USD 1,500,000,000
	Green/Sustainable Bond / Financial Bill	USD 3,000,000,000
Türkiye Vakıflar Bankası T.A.O.	Sustainable Bond / Financial Bill	USD 3,000,000,000
	Bond/ Financial Bill / Subordinated Debt Instrument	USD 5,000,000,000
ICA İçtaş Altyapı Yavuz Sultan Selim Köprüsü ve Kuzey Çevre Otoyolu Yatırım ve İşletme A.Ş.	Bond/ Financial Bill	USD 500,000,000
Qua Granite Hayal Yapı ve Ürünleri Sanayi Ticaret A.Ş.	Bond/ Financial Bill	EUR 200,000,000
Denizbank A.Ş.	Green/Sustainable Bond / Financial Bill	USD 2,000,000,000
Destek Yatırım Bankası A.Ş.	Bond/ Financial Bill	USD 15,000,000
Türkiye Sınai Kalkınma Bankası A.Ş.	Bond/ Financial Bill / Subordinated Debt Instrument	USD 500,000,000
Bien Yapı Ürünleri Sanayi Turizm ve Ticaret A.Ş.	Bond/ Financial Bill	EUR 200,000,000

Fintech Sector

Important Visits to Japan by the Presidential Finance Office

As part of the government's international efforts in the field of Financial Technologies, a delegation led by Necip Fazıl Kaymak Vice President of the Finance Office of the Presidency, participated in a series of events and meetings in Japan as official guests of the Japan Financial Services Agency. The delegation visited the Tokyo Financial Center (FinCity Tokyo), one of the world's leading financial centers, and had discussions on possible activities to improve the interaction between the fintechs of the two countries.

Türkiye Fintech Outlook

The "Türkiye Fintech Outlook Study", whose preparation was coordinated by the Presidential Finance Office, was published for the first time in November 2021. The study analyzes the current state of Türkiye's fintech sector and its development over time, and provides domestic and international entrepreneurs and investors with up-to-date and accurate information about the sector.

According to the study

- Of the 823 companies (697 of which are active) in the fintech ecosystem, 268 operate in payments, 108 in banking technologies, 100 in blockchain, crypto-assets, 86 in corporate finance, 56 in insurance, 55 in financing, 47 in trading, investment, 34 in scoring, 23 in crowdfunding, 21 in money transfer, 17 in personal finance management and 8 in asset management. In February 2024, 1 fintech company was established and 5 investments were made totaling USD 53 million. In 2024, 2 fintech companies valued at USD 600,000 exited the market.

Capital Markets

Major Amendments to the Communiqué on Principles of Investment Funds and the Relevant Guidelines by the Capital Markets Board

On Investment Funds

Recently, there have been significant developments in the regulations regarding investment funds.

The Communiqué Amending the Communiqué on Principles of Investment Funds (III-52.1) (“**Communiqué**”) prepared by the CMB became effective upon its publication in the Official Gazette on 1 March 2024 and numbered 32476.

Among the amendments introduced by the Communiqué are the reduction of the minimum contents required to be included in the prospectus of hedge funds and the announcement of the fund’s management fee rate on the Public Disclosure Platform (“**PDP**”). In other words, the aim is to reduce the contents disclosed in the prospectus and to disclose on the PDP those that are not disclosed in the prospectus. In addition, the Communiqué’ also amended the responsibilities of fund founders regarding the information disclosed on the PDP. Hedge funds are required to comply with the amendments to the Communiqué as of the effective date of these amendments, and those funds are obliged to make the amendments without seeking the CMB's approval and to announce their compliance with the amendments included in the Communiqué on the PDP and the founder's official website, and to inform the CMB.

Pension Funds

The CMB’s Decision numbered 13/337 dated 29 February 2024 amended the Guidelines on Pension Funds. The purpose of the amendment is to ensure that private pension funds play a more prominent role in financing venture capital investments. As such, the savings of participants who participated in the private pension system without choosing a fund were directed to venture capital funds, and the decision required that at least 1% of their portfolios should be invested in these funds.

Investment Funds Founded by Portfolio Management Companies

The CMB's decision dated 16 February 2024 and numbered 11/255 was published in the CMB Bulletin dated 16 February 2024 and numbered 2024/11. Pursuant to this decision, the Principles of Responsible Management for investment funds founded by portfolio management companies have been set forth and such rules are included in the Guidelines on Investment Funds as an article on the Principles of Responsible Management.

The principles are intended to promote the long-term value creation of investment fund assets for the sustainable improvement of the economy, the environment and society. They focus on aspects such as monitoring of investee companies, engagement activities, cooperation with stakeholders, exercise of voting rights, and the integration of environmental, social and governance factors in the responsible management policy. In accordance with the “Comply or Explain” principle, if a policy is not adopted, securities investment funds should publicly disclose the justifications for not adopting it. Portfolio management companies must publicly disclose their responsible management policies or their decisions not to establish a policy, together with their justifications, by 31 December 2024 at the latest.

The procedures and rules regarding the implementation of the principles by the relevant companies will be publicly disclosed in annual reports in compliance with the standard specified by the CMB after each accounting period. The first reporting is to be made on 2 March 2026 at the latest, covering the practices in 2025.

Amendment to the Regulation on the Procedures and Principles of the Permission Process of Domestic Market Bond Issuances to be Made by Local Authorities and Their Affiliates and Enterprises Within the Scope of the General Government

On 15 March 2012, the Undersecretariat of Treasury (currently the Ministry of Treasury and Finance) published the Regulation on the Procedures and Principles of the Permission Process of Domestic Market Bond Issuances to be Made by Local Authorities and Their Affiliates and Enterprises Within the Scope of the General Government (“**Regulation**”). On 10 February 2024, certain amendments were made to the Regulation with the Amending the Regulation on the Procedures and Principles of the Permission Process of Domestic Market Bond Issuances to be Made by Local Authorities and Their Affiliates and Enterprises Within the Scope of the General Government published in the Official Gazette dated 10 February 2024.

Bonds covered by the Regulation are debt securities with a maturity of at least one year issued by local authorities and their affiliates and enterprises under the Regulation with equal nominal value and terms.

Additional processes and obligations regarding the issuance of bonds were introduced with these amendments.

Previously, a bond issuance under the Regulation, only required permission from the Undersecretariat. Under the new regulation, applications for the financing of projects in the annual public investment program can only be made after a link has been established between the projects and the annual public investment program, and must be approved by the Ministry of Treasury and Finance (“**Ministry**”). The Ministry will evaluate the status of the projects and their method of financing in the investment program, and permit the issuance. . However, the amount of the issuance cannot exceed the project amount in the annual public investment program. Secondly, bond issuances must comply with the debt stock limits. The Ministry requests an opinion from the Ministry of Environment, Urbanization and Climate Change regarding whether the issuer has exceeded these limits.

With the amendments made to the Regulation, the procedures and principles set out for bond issuances under the Regulation are now applicable by analogy to lease certificates in which local authorities and their affiliates and enterprises are the fund users.

General Letter Regarding the Amendment to the Implementation Principles of the Türkiye Electronic Fund Trading Platform (“TEFAS”)

The Implementation Principles have been amended to detail the provisions regarding half business days in TEFAS and to make the provisions regarding interest accrual process uniform with other markets. This [Link](#) contains the relevant information.

The CMB’s Decision on Intermediary Institutions

With the CMB’s Principle Decision i-SPK 39.4 (dated 21 March 2024 and numbered 17/452 s.k.) (“**Principle Decision**”), the CMB has cleared the way for those seeking to establish new intermediary institutions after a gap of 30 years. The number of intermediary institutions, which was over 140 at the beginning of the 1990s and has been declining over the years to around 70, is expected to increase due to the Principle Decision.

Depending on their authorizations, the minimum amount of shareholders’ equity for currently operating intermediary institutions is applied as TRY 200 million for broad authorization, TRY 100 million for partial authorization and 25 million TL for narrow authorization.

Pursuant to the Principle Decision, those who fulfil the requirements for the establishment and operation of investment institutions may establish a new intermediary institution with an initial shareholders’ equity of TRY 300 million. The requirement of TRY 300 million in shareholders’ equity also applies to intermediary institutions to be established pursuant to acquiring an authorization certificate; the Principle Decision will not apply to crypto exchanges.

Introduction of an E-Application System for Capital Market Institutions

The CMB announced on 5 February 2024 that capital market institutions and firms can make their applications through the e-Application System and published the e-Application [User Guide](#) describing the necessary steps.

Furthermore, in the Announcement made pursuant to the CMB Decision numbered 18/470 and dated 28 March 2024, the CMB announced that starting from 15 April 2024, applications by issuers, institutions and firms under MERSIS and falling within the jurisdiction of the Partnership Finance Department will be made electronically through the e-Application System. According to the announcement, in cases of force majeure events, applications can also be made physically with an original signature, as noted in the Issues to be Considered in e-Application Processes. Please find the details of the announcement [here](#).

The CMB's Decision on Initial Public Offerings

With CMB's Decision numbered. i-SPK 128.22 (dated 28 March 2024 and numbered 18/505 s.k.), the CMB decided that a deduction should be made in certain amounts in the financial statements of companies applying for initial public offering, based on sectoral differences. The deduction applies to companies operating in the energy, chemical, agriculture and defense industry sectors, which are identified as sectors of priority in the 12th Development Plan, to the total assets and net sales revenue amounts specified in subparagraphs (a) and (b) of the first paragraph of Article 8 of the Communiqué on Principles Pertaining to Removal of Corporations from the Scope of Law and Obligation of Trading of Shares on Exchange ("**Communiqué No. II-16.**") within the scope of the second paragraph of Article 5 of Communiqué on Shares No. VII-128.1, provided that they meet the following conditions. The decision aims to contribute to the reduction of the current deficit and promote sustainable and green growth in the national economy.

Based on the financial statements of the applicant companies for the last two years prior to the application date, prepared in accordance with CMB regulations and audited by independent auditors; provided that

- at least 75% of the revenues of those operating in the renewable energy sector are derived from renewable energy generation sales,
- at least 75% of the revenues of those operating in the petrochemical sector are derived from petrochemical production sales,
- at least 75% of the revenues of those operating in the defence industry sector are from production/service sales for the defence industry,
- at least 75% of the revenues of those operating in the agricultural sector are from the sales of unprocessed raw products obtained from agricultural production,
- at least 75% of the revenues of those operating based on a business model that supports green and digital transformation and relies on advanced technology (subject to several additional conditions)

the amounts in subparagraphs (a) and (b) of Article 8 of the Communiqué numbered II-16.1 are to be applied as follows:

TRY	Prior Amount for 2022	Reduced Amount for 2022	Prior Amount for 2023	Reduced Amount for 2023
Net Sales Revenue	270,000,000	180,000,000	750,000,000	270,000,000
Total Assets	450,000,000	300,000,000	1,500,000,000	450,000,000

Additionally, the financial statements of applicant companies must include a breakdown of revenue by activity.

Banks and Other Financial Institutions

CBRT amends rules on reserve requirement ratios

The CBRT, in an effort to curb lending, continues to introduce reserve requirements based on loan growth in addition to the mandated securities maintenance practice, and has also taken further steps to strengthen the monetary transmission mechanism. In this regard;

Monetary Policy Committee Decision dated 25 January 2024

This decision, in parallel with the ongoing simplification process, expresses that the monetary transmission mechanism would be supported by macroprudential decisions despite the potential volatility in credit supply and deposit rates. In addition to interest rate decisions, it was also stated that quantitative tightening would continue in order to underpin the monetary tightening policy.

The CBRT's Communiqué, No. 2024/2, Amending the Communiqué on Required Reserves, No: 2013/15, ("Communiqué") was published in the Official Gazette dated 30 January 2024 and numbered 32445.

The Communiqué amended the required reserve ratios for the transition to Turkish Lira deposits. These amendments entered into force on 30 January 2024, with retrospective effect from 19 January 2024. With the amendments introduced by the Communiqué;

- The reserve requirement ratios for FX-protected accounts with maturities up to six months will be reduced from 30 percent to 25 percent
- The additional reserve requirement ratio for FX-denominated deposits/participation funds maintained in Turkish Liras will be increased from 4 percent to 8 percent.

Press Release of the CBRT on Reserve Requirements Dated 5 February 2024

A CBRT press release announced that:

- reserve requirements of eligible deposit banks maintained for their Turkish lira deposit and FX-protected deposit accounts with a maturity longer than one month will be subject to remuneration every three months,
- participation banks will be provided with a discount on the amount of their Turkish lira reserve requirements to ensure a similar effect.

The CBRT's Communiqué, No. 2024/5 Amending the Communiqué on Required Reserves No. 2013/15

Provisional Article 16 was introduced in the Communiqué on Required Reserves, No. 2013/15, published in the Official Gazette dated 25 December 2013 and numbered 28862. Pursuant to this article;

- If the growth rate of cash loans extended by banks and financing companies, the procedures and principles of which are determined by the CBRT, exceeds 2% as compared to the previous calculation date between the calculation date of 29 March 2024 and the calculation date of 3 January 2025 (inclusive), the required reserves denominated in Turkish lira will be blocked to the extent of the loans exceeding this rate,
- The growth rate referred to in the first paragraph may be higher for the types of loans determined by the CBRT, and the growth rates of loans may be differentiated by the CBRT depending on the size of the balance sheet of entities with required reserve and the type or group of entities subject to reserve requirements.

Banks and financing companies that commenced operations following approval of the Banking Regulation and Supervision Agency ("BRSA") as of 31 December 2022 are not affected by this Article.

The Press Release of the CBRT on Additional Tightening Measures Dated 6 March 2024

The CBRT has taken additional measures to reinforce its commitment to a tight monetary policy stance. In line with this objective, the following adjustments have been made within the scope of the loan growth-based securities maintenance practice;

- The monthly growth limit for TRY commercial loans, previously set at 2.5 percent, has been reduced to 2 percent (Loans targeting exports, investments, agriculture and tradesmen as well as loans extended to public institutions and in the earthquake zone will remain exempt from this restriction),
- The monthly growth limit for general purpose loans, previously set at 3 percent, has been revised down to 2 percent. The 2 percent limit for vehicle loans remains unchanged

Minimum capital requirements for payment and electronic money institutions to be increased

The Communiqué on Redetermination of Minimum Equity Amounts of Payment and Electronic Money Institutions ("Communiqué") was published in the Official Gazette dated 27 January 2024 and numbered 32442. The Communiqué revised the minimum equity

requirements determined in accordance with the Regulation on Payment Services and Electronic Money Issuance, Payment Service Providers ("**Regulation**"). Payment and electronic money institutions have until 30 June 2024 to comply with the new minimum equity requirements introduced by the Communiqué. The relevant minimum equity requirements under the Communiqué are as follows:

- The minimum equity requirement of TRY 7 million for payment services providers exclusively dealing with invoice collection has been increased to TRY 10 million;
- The minimum equity requirement of TRY 15 million is increased to TRY 20 million for other payment institutions, except for payment institutions that provide consolidated data through online platforms regarding the payment account of payment service users under payment service providers;
- The minimum equity requirement for electronic money issuers, which was previously set at TRY 41 million, has been re-determined as TRY 55 million.

In case of non-compliance, the CBRT will be entitled to grant a reasonable period of time not exceeding six months to remedy the situation, to temporarily suspend the operation license of the relevant institution until the situation is remedied, and to revoke the operation licence if the relevant situation is not remedied within the specified period.

Changes to Credit Card Interest Rates

Article 4 of the Communiqué on the Maximum Interest Rates for Credit Card Transactions, No. 2020/16 ("**Communiqué**"), has been amended by a regulation published in the Official Gazette dated 31 October 2020 and numbered 32491. The Communiqué introduces changes to the fees that banks can charge their commercial clients for products and services they offer.

With this amendment, while determining the maximum monthly contractual interest rate to be charged on credit card transactions denominated in Turkish Lira, the phrase previously set as "131" has been changed as "189". In this context, the maximum contractual interest rate for credit card transactions denominated in TRY, excluding cash withdrawal or cash redemption transactions, is calculated by adding 55 basis points to the monthly reference rate calculated in accordance with the Communiqué on Procedures and Principles Regarding the Fees Banks Can Charge Their Commercial Clients, No 2020/4, and 189 basis points to this rate for cash withdrawal or cash redemption transactions.

Thus, the interest rate on cash advances withdrawals from credit cards was raised from 4.42% to 5% and the default interest rate on cash advances was raised from 4.72% to 5.30% as a result of the change in the base point. The rates calculated in accordance with the amendment will be announced and effective between 16 March 2024 and 31 March 2024 by the CBRT.

The BRSA's Ruling On Bank Accounts And Loans

The BRSA introduced amendments to the Regulation on the Principles And Procedures for Accepting, Withdrawal of Deposits and Participation Funds as well as the Prescribed Deposits, Participation Funds Custody and Receivables with a decision published in the Official Gazette dated 23 January 2024. These amendments include the option to create separate pools for participation accounts based on instrument type, and the removal of the daily unit value calculation table from the annex of the regulation. In addition, in order to protect the rights and interests of individuals, new arrangements were introduced, such as opening overdraft accounts, increasing their limits and attaching certain conditions to their collection (e.g request or approval of the account holder). In particular, it requires that the account holder be informed if their overdraft limit has been reduced. Lastly, the Banking Regulation and Supervision Board, in consultation with the Fund, was authorized to determine the minimum limit required for the transfer to the Savings Deposit Insurance Fund of accounts that have not been used within ten years and that have become time-barred.

The BRSA Regulation on Credit For Electric Vehicles

The BRSA amended the Regulation on Loan Operations of Banks and the Regulation on Principles for Establishment and Operations of Financial Leasing, Factoring and Financing Companies. The amendment intends to facilitate the financing of such projects to promote the widespread use of electric vehicles to reduce carbon emissions, and introduces an increase in the valuation of such vehicle to be taken as basis for loan-to-value value (LTV) ratios and maturities.

The BRSA announced loan maturity limits for the increased vehicle values for the categories of electric motor vehicles produced by companies that received incentives under Article 80 of Law No. 6745 that manufacture electric motor vehicles in Türkiye as a result

of R&D activities carried out exclusively in Türkiye for the development of technologies that will eliminate exhaust gas emissions that generate greenhouse effect. The amendment details are as follows:

<i>Before amendment- Vehicle Value (Final Invoice Total in TRY)</i>	<i>Afterward- Vehicle Value (Final Invoice Total in TRY)</i>	<i>Loan-to-Value Ratio (LTV)</i>	<i>Maximum Limit (Month)</i>
0-900.000	0-1.600.00	70%	48
900.001-1.800.000	1.600.001-3.000.000	50%	36
1.800.001-2.220.000	3.000.001-4.000.000	30%	24
2.200.001-2.800.000	4.000.001-5.000.000	20%	12
X > 2.800.001	X > 5.000.001	0%	0

The BRSA Introduces Amendments To The Prevention Plans To Be Prepared By Systemically Important Banks

The Regulation on Prevention Plans to be Prepared by Systemically Important Banks ("**Regulation**"), which was drafted in accordance with the "*Key Attributes of Effective Resolution Regimes for Financial Institutions*" document published by the Financial Stability Board on 15 October 2014 and the European Union's "*Bank Recovery and Resolution Directive –BRRD, Directive 2014/59/EU of the European Parliament and of the Council*" dated 15 May 2014, was published in the Official Gazette numbered 31425 dated 16 March 2021 and entered into force.

Upon the Regulation's effective date, systemically important (*too big to fail*) banks are required to prepare a plan (*and submit it to the BRSA*) to identify and address potential scenarios that could jeopardize their financial welfare. In this context, the BRSA introduced some amendments to the Regulation on 29 March 2024 to address some of the issues encountered in current Turkish banking practice including the following:

- The deadline for submitting prevention plans to the BRSA has been extended from the end of March to the end of June to facilitate their effective preparation,
- Provisions were introduced regarding the capacity of the prevention plan, indicating the combined impact of the measures included in the prevention plan scenario for capital and liquidity adequacy.
- Some revisions were made to the prevention plan indicators annexed to the Regulation to comply with European Union standards.

Insurance Industry

Regulation for Insurance and Reinsurance Brokers from the IPRSA

The IPRSA Announced amendments to the Insurance and Reinsurance Brokers Regulation, which came into effect following its publication in the Official Gazette on 18 January 2024.

The main changes made are as follows:

- The minimum paid-in capital amount was increased for legal entities and brokers; depending on the company type, from TRY 250,000 to TRY 2,500,000, from an additional TRY 50,000 to TRY 500,000 for each license request in life and non-life areas, and an additional TRY 1 million for reinsurance license requests. Additionally, amendments noted that the specified amounts would be updated in accordance with the annual domestic producer price index increase rate,
- However, the amendment stipulated that the minimum paid-in capital requirements would not apply to existing brokers and to individuals and legal entities who have applied for a license and organization outside the headquarters,
- While an additional TRY 1 million was set for reinsurance license requests, the amendment emphasized that all shares must be registered,
- Additionally, the minimum paid-in capital amount for brokers' organizations outside the headquarters was increased from TRY 25,000 to TRY 250,000,
- It was highlighted that the IPRSA has the authority to supervise brokers' activities and, if necessary, to suspend them,
- The IPRSA was granted the authority to increase fixed and proportional amounts specified in the Insurance and Reinsurance Regulation by up to 100% and decrease by up to 50%.