

By the Banking Regulation and Supervision Agency:

COMMUNIQUÉ ON STRUCTURAL POSITION

(Published in the Official Gazette Nr. 26335 dated November 3, 2006)

SECTION ONE

Purpose and Scope, Basis and Definitions

Purpose and Scope

ARTICLE 1- (1) The objective of this Communiqué is to regulate the principles and procedures of FX and FX-indexed assets within the scope of structural positions of banks as well as the qualifications required to be qualified as structural position and the conditions to benefit from the capital requirement exemption given to structural positions.

Basis

ARTICLE 2- (1) This Communiqué has been prepared on the basis of Articles 43, 45 and 93 of the Banking Law Nr. 5411 dated October 19, 2005 and the Article 11(8) of the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, published in the Official Gazette Nr. 26333 dated November 1st, 2006.

Definitions

ARTICLE 3- (1) Following terms used in this Communiqué shall have the meaning expressly designated to them below:

- a) Bank: Banks as defined in the Article 3 of the Banking Law Nr. 5411;
- b) Agency: Banking Regulation and Supervision Agency;
- c) Regulation: Regulation on the Measurement and Evaluation of Capital Adequacy Banks.

SECTION TWO

Application of Structural Position

Permission and Scope of Structural Position

ARTICLE 4- (1) It is obligatory to take permission from the Agency for having structural position in stock. The application shall include an exemplary of the board of management decision concerning to keep the assets within the scope of this article subject to application as structural position as well as information related to the assets to be kept as structural position. The qualification and the managing type of structural position shall be defined in details in the decision to be made.

(2) Among the FX and FX-indexed assets;

a) FX securities representing the long-term investment purposed borrowing,

b) FX securities representing the partnership right outside the long-term investment purposed financial sector,

c) FX-indexed securities representing long-term investment purposed borrowing are included to the scope of the banks' structural positions. In the application of this Communiqué, gold is considered as FX asset.

(3) Having structural positions is voluntary to the banks.

Qualifications searched for in assets within the scope of structural position

ARTICLE 5- (1) Following qualifications are searched for in assets within the scope of structural position pursuant to the Article 4:

- a) Assets within the sub-clauses (a) and (c) of the Article 4(2) shall carry the qualifications of qualified securities specified within the Article 9 of the Regulation and as of the date their inclusion to structural position, at least one year shall be left to their maturity and there shall be a board of management decision decreeing that these assets shall be held until the end of their maturity as long-term investments,

- b) Gold shall be the gold bullion carrying the standards determined in the Communiqué on Standards of Gold to be Traded in Precious Metal Exchange, published in the Official Gazette Nr. 22912 dated February 21, 1997 and there shall be a board of management decision decreeing that it would be held for at least three years by the date of its inclusion to structural position,
 - c) The institution or enterprise issuing the asset determined in the sub-clause (b) of the Article 4(2) shall have taken a long-termed credit rating from equivalent domestic and international rating agencies specified in the table within the second paragraph and there shall be a board of management decision decreeing that they will be held in structural position for at least three years.
- (2) For all long-term investment purposed securities issued by other institutions and enterprises residents in Turkey or in G-10 countries and which will be included to structural position, domestic and international long-termed credit rating specified in the table below shall be taken from at least one of international credit rating agencies called “Moody’s”, “Standard&Poor’s” and “Fitch IBCA” and this is a condition to keep structural position. On condition that other conditions specified in this Communiqué are complied with, the securities representing the indebtedness issued by central governments of G-10 countries, World Bank and IFC and FX and FX-indexed government and external debt instruments issued by the Turkish Republic Treasury in domestic and external markets can be used as structural position without the ratings of international agencies.

Rating Agency	Investable Ratings
Moody’s	BAA2 and more
S&P’s	BBB and more
Fitch IBCA	BBB and more

(3) Assets not carrying the qualifications specified in this article are not included to the scope of structural position.

Principles concerning the assets within the scope of structural position

ARTICLE 6- (1) Assets included within the scope of structural position shall not be subject to purchase-sale and repo transactions as well as guarantees and pledges.

(2) Exemption and accounting principles provided by the inclusion to structural position shall be applied consistently during the whole time these assets are kept as structural position.

(3) Assets composing structural position shall not be subject to contracts including structured financial products and netting contracts.

(4) Assets within structural position in contradiction with the first, second and third paragraphs shall be excluded from structural position by the date of their contradiction.

(5) Structural position is managed with rules and limits specified by the bank's board of management, as long as they are in accordance with the principles and procedures determined in this Communiqué.

(6) Banks which will keep structural position shall procure a complete or partial security for these positions in case an unexpected negative development in exchange rates and shall have the possibilities to reduce the possible negative effects of these positions.

Accounting principles of structural positions

ARTICLE 7- (1) Assets to be classified in structural positions shall be monitored under the related auxiliary accounts by also considering their keeping durations within the principles and procedures determined by the Board for uniform accounting systems of banks and the FX and FX-indexed assets shall be held in these accounts until the end of maturity while other structural positions shall be held during the time predicted by the board of management as long as this duration is not less than the minimum keeping durations. These assets shall not be monitored under the purchase-sale accounts.

(2) In case the assets subject to structural position are classified under the unrelated accounts in total or partial contradiction with the first paragraph –except for extraordinary reasons-, or in case of their disposal, the bank cannot keep structural position during two years following this transaction. Situations approved by the Agency and following situations are considered as extraordinary reasons:

a) Important reduce in credit worthiness of the one which had issued the mentioned asset subject to structural position,

b) An amendment in tax regulations causing the annulment of tax deductions or exemptions concerning interest incomes of these financial assets,

c) Banks disposing of this kind of financial assets by necessity to keep their present interest risk position or credit risk policy, by reasons such as merger or turn-over,

d) Banks disposing of this kind of financial assets necessarily due to the amendments made in the regulations concerning their investment fields or limitations,

e) Being obliged to dispose of financial assets to be held until maturity due to considerable augmentation of their risk weights,

f) Upon the bank's application, The Agency approving whether or not the variation in the bank's own funds is permanent, considering the bank's financial situation.

(3) The differences of assets classified as structural position concerning the exchange rate, interest and other valuation operations during the time they are held inside the assets and during their maturity shall be monitored under a valuation fund account inside the own funds and these differences shall not be taken into consideration in profit distribution.

(4) Value decreases of assets classified as structural positions emanated by exchange rate changes shall be reflected on the accounts by reducing the positive valuation elements especially among the own funds but if the value decrease is higher than the existing valuation difference, the profit/loss accounts shall be used.

Limitations and annexes concerning structural position

ARTICLE 8- (1) The proportion of total FX and FX-indexed assets to be classified within the scope of structural position, exceeding the net long-term position amount creating capital requirement for the FX monitored or exceeding the own funds amount in any manner shall not be taken into consideration in the calculation of capital requirement.

(2) The amount of gold included to the scope of structural position as well as the securities amount representing the partnership rights shall not exceed separately twenty-five percent of total structural position amount.

(3) Asset amount subject to structural position based on each foreign country in which the ones issuing the assets held as structural position are residents cannot exceed twenty-five percent of total structural position amount. For gold, this limitation is applied considering the country in which the institution having the gold is resident.

(4) All of the assets included to the scope of structural position may be formed by FX and FX-indexed government and external debt instruments issued by the Turkish Republic Treasury in internal and external markets.

(5) No transactions shall be made in the portfolio relating the structural positions appeared as surplus due to the diminution of own funds, preserving the matters defined in the second paragraph of Article 7. In case of increase in own funds, and in condition that complying with the limitation stated in first paragraph, the possibility to keep the additional structural position appeared may be used by the bank within the framework of principles and procedures of this Communiqué concerning structural position.

(6) In case the FX-based/FX-indexed securities representing the debt are excluded from portfolio when they arrive at maturity or other assets are excluded from the portfolio by the end of their duration to be kept, it is voluntary for the banks to take new structural positions.

Monitoring and declaring the structural position

ARTICLE 9- (1) A report representing the components of the FX and FX-indexed assets composing structural position shall be sent to the Agency as annexed to the reports concerning the capital adequacy standard ratio.

(2) The exemption concerning the capital burden provided by structural position in the calculation of capital adequacy will be included to the calculation by the table prepared to measure the exchange rate risk taking place within the market risk reporting set prepared by the Agency.

Exemption from capital requirement and conditions

ARTICLE 10- (1) Save for the provision within the first paragraph of the Article 8 provided for, capital requirement shall not be calculated for exchange rate risk for the assets the banks keep by their structural positions.

(2) To have a capital requirement exemption for exchange rate risk due to structural positions, the bank shall have net long-term FX position and structural position in the same type of currency.

(3) Consolidated structural position to be calculated in the calculation of consolidated capital adequacy standard ratio shall be exempted from the calculation of consolidated capital adequacy for exchange rate risk. All conditions and proportional limits determined in this Communiqué shall be applied according to consolidated basis.

SECTION THREE

Final Provisions

Entry into Force

ARTICLE 11- (1) This Communiqué enters into force on the date of its publication.

Enforcement

ARTICLE 12- (1) The provisions of this Communiqué are enforced by the Chairman of the Banking Regulation and Supervision Agency.