

By the Banking Regulation and Supervision Agency:

**COMMUNIQUE ON PROCEDURES AND PRINCIPLES FOR THE PROVISIONS
TO BE SET ASIDE BY FINANCIAL LEASING, FACTORING AND FINANCING
COMPANIES FOR THEIR RECEIVABLES¹**

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SECTION ONE

Objective and Scope, Basis and Definitions

Objective and Scope

ARTICLE 1 — (1) The objective of this Communiqué is to regulate the procedures and principles for the provisions to be set aside by financial leasing, factoring and financing companies for their receivables.

Basis

ARTICLE 2 — (1) This Communiqué has been prepared on the basis of the Article 93 of the Banking Law Nr. 5411 dated October 19, 2005 and the Regulation on Principles for Establishment and Operation for Financial Leasing, Factoring and Financing Companies.

Definitions

ARTICLE 3— (1) The following terms used in this Communiqué shall have the meanings expressly designated to them below:

- a) Receivables: Receivables relating to factoring, financial leasing and financing transactions made by companies and other receivables registered in the assets of balance sheet,
- b) Law: Banking Law Nr. 5411,

¹ Amended by the communiqués published in the Official Gazettes dated March 06, 2008 Nr. 26808, April 15, 2009 Nr. 27201 and April 09, 2010 Nr. 27547.

- c) Provisions: Sums allocated under the financial statements through calculation and recognized as expenses for the purpose of covering any losses already arisen or expected to arise out of receivables, although their final sums are not exactly determined,
- d) Company: Companies defined in Article 3 of the Regulation on Principles for Establishment and Operation for Financial Leasing, Factoring and Financing Companies,
- e) Guarantee(s): All kinds of assets, guarantees and securities as well as any other contractual rights which ensure total or partial guarantee of any company receivables as a hedge against the risk of non-repayment of receivables,
- f) Turkish Accounting Standard: Turkish Accounting Standards and Turkish Financial Reporting Standards as well as their annexes and explanations which are entered into force by the Board of Turkish accounting Standards.

SECTION TWO

General Provisions, Special Provisions and Guarantees

Accounting of losses relating to receivables

ARTICLE 4- (1) Companies accounts their losses arisen or expected to arise out of their receivables in compliance with the provisions of this Communiqué, the Turkish Accounting Standards and the Communiqué on the Uniform Chart of Account to be implemented by Non-Bank Financial Institutions and Explanation Thereof.

Special provisions and general provisions

ARTICLE 5- (1) (**Amended paragraph: OG-6/3/2008-26808**) Companies set aside special provisions amounting to;

a) At least twenty percent (20%) of the receivables arising from the delay of the collection of principal, interest or both more than ninety days but not more than one hundred and eighty days as of maturity or dates to be paid,

b) At least twenty percent (50%) of the receivables arising from the delay of the collection of principal, interest or both more than one hundred and eighty days but not more than one year as of maturity or dates to be paid,

c) One hundred percent (100%) of the receivables arising from the delay of the collection of principal, interest or both more than one year as of maturity or dates to be paid.

Periods stipulated in sub-paragraph (a) of this paragraph are applied as one hundred and fifty days and two hundred and forty days, periods stipulated in sub-paragraph (b) are applied as two hundred and forty days and one year by financial leasing companies.²

(2) Even if the delay in collection of capital or interest payments does not exceed the periods set forth in paragraph one or there is no delay in collection of these, companies may set aside special provisions for their receivable items at the ratio they shall assign without including the guarantee amount in the calculation by considering all current data concerning credibility of the debtor and reliability and prudence principles determined in the Communiqué on Structural Framework Concerning Preparation and Presentation Principles for Financial Statements.

(3) In case there is a delay in collection of secondary receivable items such as insurance premium, tax payment or commission, the aforementioned secondary receivable amounts are evaluated in accordance with the materiality principle determined in the Communiqué on Conceptual Framework Concerning Preparation and Presentation Principles for Financial

² Before amended by the Communiqué (OG-6/3/2008-26808): “Companies set aside special provisions amounting to;

a) At least twenty percent (20%) of the receivables arising from the delay of the collection of principal, interest or both more than ninety days but not more than one hundred and eighty days as of maturity or dates to be paid,

b) At least twenty percent (50%) of the receivables arising from the delay of the collection of principal, interest or both more than one hundred and eighty days but not more than one year as of maturity or dates to be paid,

c) One hundred percent (100%) of the receivables arising from the delay of the collection of principal, interest or both more than one year as of maturity or dates to be paid.

Statements and may not be subject to special provisions, provided that there is no delay specified in paragraph one in capital or interest payments concerning these.

(4) In case there is more than one independent receivable from a single debtor and a special provision been set aside for any of these receivables pursuant to the provisions of paragraphs one and two, special provision is set aside at the same ratio also for other receivable amounts.

(5) Companies, in order to meet the losses expected to emerge from the receivables having no delay in collection of capital, interest or both or having delay less than ninety days however the amount is not definitely clear, may set aside provisions in general and without directly related to any transaction.

(6) **(Amended paragraph: OG-6/3/2008-26808)** It is obligatory for companies transfer receivables within the scope of sub-paragraph (a) and (b) of paragraph one to “Receivables to be Liquidated” account, and receivables within the scope of sub-paragraph (c) to “Receivables Having the Nature of Loss” account.³

(7) **(Amended paragraph: OG-6/3/2008-26808)** A special provision is set aside at the ratio applied to capital amount of the related receivable for interest and income accruals and rediscount amounts that have been made previously for receivables monitored in “Receivables to be Liquidated” and “Receivables Having the Nature of Loss” accounts and been recorded as income although they have not been collected.⁴

(8) It is obligatory for receivables of which delay in collection of capital or interest payments exceeded the periods set forth in paragraph one and which were re-structured by furnishing the debtor with opportunities such as additional credit or financing, and capital and/or interest discount or scheduling a new payment plan without providing such opportunities to be monitored in “Receivables to be Liquidated” and “Receivables Having the Nature of Loss”

³ Before the amendment with the Communiqué (OG-6/3/2008-26808): It is obligatory that;

a) Collection of capital, interest and both of receivables delayed more than ninety days after maturity or periods to be paid yet do not exceed one year are transferred to “Receivables to be Collected” account,

b) Those exceed one year are transferred to “Receivables Having the Nature of Loss” account.

⁴ Before the amendment made with the Communiqué (OG-6/3/2008-26808): No interest and income rediscount can be made for receivables monitored in “Receivables to be Liquidated” and “Receivables Having the Nature of Loss” accounts. Rediscount amounts that have been formerly made and recorded as income although they have not been collected are closed by reverse entry on account records.

accounts, according to their relation, at least for ninety days. Special provision is kept to be set aside for the receivable amount re-structured in this period of time in line with the provisions of paragraph one. Re-structured receivable amount may be transferred to the related principal activity receivable account at the end of this period according to the evaluation to be made by considering all current data concerning credibility of the debtor and reliability and prudence principles set forth in the Communiqué on Structural Framework Concerning Preparation and Presentation Principles for Financial Statements.

Guarantees

ARTICLE 6- (1) Companies are obliged to classify and monitor the guarantees concerning their receivables according to the guarantee groups specified as follows:

a) First Group Guarantees cover;

1) Cash, deposit, participation fund and gold depot accounts in banks provided that a pledge or assignment contract have been drawn up, funds from repo transactions made for bond, bill and quasi securities issued by the Turkish Treasury, The Central Bank, the Privatization Administration and the Housing Development Administration or that have been guaranteed to be paid and Type (B) investment fund participation certificates, receivables of member businesses arising from credit cards and gold preserved in banks established in Turkey.

2) Transactions made with the Turkish Treasury, CBRT, Turkish Privatization Administration, Housing Development Administration of Turkey and transactions made in return for bills, bonds and similar securities guaranteed to be paid or issued by these institutions.

3) Securities issued by Central Government of OECD countries and by Central Banks or with their sureties and guarantees and sureties to be given by them

4) Guarantees and sureties of banks operating in OECD countries

5) Securities to be issued by the surety of European Central Bank or with the surety of that Bank and guarantee and sureties to be given by this Bank

6) Sureties, letter of guarantees, bill guarantee, acceptance and endorsement of the banks operating in Turkey to be given within the scope of their loan limits.

b) Second Group Guarantees are included the followings

- 1) Precious metals except golden
- 2) Stock exchange listed stocks and A type mutual fund participation certificate
- 3) Private sector bonds and asset backed securities except the ones issued by the debtor
- 4) Credit derivative agreements providing protection against the risk of not collecting the receivables
- 5) The assignment or pledge of allowance receivables emerged in public institutions of natural and legal persons
- 6) Securities easy to convert to currency, valuable paper representing goods, all kinds of pledged goods, movables and vehicles in amount which do not exceed market value
- 7) Mortgages of real estate at the Land Registry and mortgages of real estate built on allocated land provided that their values according to expertise reports are adequate,
- 8) Export documents based on bill of lading or marine bill of lading
- 9) Bills of exchange emanating from actual trading relations, which are received from natural persons and legal entities

c) The third group of guarantees covers the following

- 1) Pledges on commercial operations
- 2) Other export documents
- 3) Pledge on lines of commercial vehicles and license plates for commercial vehicles
- 4) Pledges on airplanes or ships

- 5) Sureties of natural persons and legal entities which their creditability higher than that of debtors
 - 6) Other bills received from natural persons and legal entities
- d) The fourth group of guarantees covers the types of guarantees not covered by the first three groups.

(2) Securities held in possession of firms as lessors in leasing transactions are taken into account as groups of guarantees pursuant to the qualifications determined in this article.

Guarantees taken into consideration in calculating the special reserves

ARTICLE 7- (1) Guarantees are made subject to valuation according to the Turkish Accounting Standards.

(2) Valuated amounts of guarantees are deducted from receivable amounts as per consideration amounts determined below and thus the amount of receivable subject to special reserves is calculated. The operation of determining the amount to be subject to special reserves is made based on the separate receivable of the company from each debtor and on the valuated amounts of this debtor's guarantees.

Consideration ratio of first group of guarantees : A hundred percent (100%)

Consideration ratio of second group of guarantees : Seventy-five percent (75%)

Consideration ratio of third group of guarantees : Fifty percent (50%)

Consideration ratio of fourth group of guarantees : Twenty-five percent (25%)

(3) The amount of valuated guarantees to be taken into consideration in calculating special reserves cannot exceed the amount of receivables. In case the amount of valuated guarantees exceeds the amount of receivables, an amount is found by applying the consideration ratios only to the part equivalent to the amount of receivables and this amount is considered as the amount to be deducted.

(4) In case an amount of receivables is guaranteed with a type of guarantee which may be followed in more than one group;

- a) The calculation of guarantees to be taken into consideration in determining the amount of receivables to be subject to special reserves is initiated with the first group which is considered as the most liquid one in sorting groups.
- b) Separately valuated amounts of each type of guarantees are controlled to see if they have exceeded the amount of receivables.
- c) Maximum the part equivalent to the amount of receivables of the valuated amount of guarantee type handled firstly in calculation is multiplied with the consideration ratio belonging to this guarantee to find the part to which the special reserve will not be applied. Same operation is repeated separately and respectively for guarantee types in the same group first and then for those in other groups, if any.
- d) As a result of these operations if there is an amount related to the receivable, left to which the special reserve will be applied, special reserve is allocated upon this remaining amount.

SECTION THREE

Miscellaneous and Final Provisions

Adaptation

TEMPORARY ARTICLE 1- (1) Companies are obliged to adapt their situations to the provisions of this Communiqué until the date of January 1st, 2008.

Application concerning the customers having more than one debt to be applied until March 01, 2011

TEMPORARY ARTICLE 2- (Additional Article: RG-15/4/2009-27201; Amended Article: RG-9/4/2010- 27547) (1) Among the receivables determined within the article 5(4) of this Communiqué, for those payments of which are not delayed in times determined within the first paragraph of the same article, allocation of special reserves is voluntary to companies until the date of March 01, 2011.⁵

Entry into Force

ARTICLE 8- (1) This Communiqué enters into force on the date of its publication.

⁵ Version before amended with the Communiqué RG-9/4/2010-27547: (1) “Among the receivables determined within the article 5(4) of this Communiqué, for those payments of which are not delayed in times determined within the first paragraph of the same article, allocation of special reserves is voluntary to companies until the date of March 01, 2011.

Enforcement

ARTICLE 9- (1) The provisions of this Communiqué are enforced by the Chairman of Banking Regulation and Supervision Agency.