

**REGULATION ON THE OPERATING PRINCIPLES OF DIGITAL BANKS AND
BANKING AS A SERVICE MODEL**

SECTION ONE

Purpose, Scope, Basis, Definitions and Abbreviations

Purpose and scope

ARTICLE 1 –(1) The purpose of this Regulation is to determine the procedures and principles regarding the activities of branchless banks that serve only through electronic banking services distribution channels and the provision of banking services as a service model to financial technology companies and other businesses.

Basis

ARTICLE 2 – (1) This Regulation is prepared on the basis of Articles 4, 6, 7, 10, 13, 35, 43 and 93 of the Banking Law No. 5411 dated 19/10/2005.

Definitions and abbreviations

ARTICLE 3 – (1) In the context of this Regulation;

- a) Open banking services: Open banking services defined in Article 3 of BSEBY,
- b) Interface provider: Businesses established as capital companies that enable their customers to perform their banking transactions by accessing the banking services offered by the service bank through the bank's open banking services via its mobile application or internet browser-based interface,
- c) ATM: ATM defined in article 3 of BSEBY,
- ç) Bank: Banks defined in Article 3 of the Law,
- d) Information systems management: Information systems management defined in article 3 of BSEBY,
- e) BSEBY: Regulation on Information Systems and Electronic Banking Services of Banks published in the Official Gazette dated 15/3/2020 and numbered 31069,
- f) IS strategy plan: The IS strategy plan specified in article 4 of BSEBY,
- g) IT operations management: IT operation management specified in article 26 of BSEBY,
- ğ) Outsourcing (support service) institution : Institution defined in Article 3 of the Law,
- h) Outsourcing Regulation: Regulation on Procurement of Support Services By Banks, published in the Official Gazette dated 5/11/2011 and numbered 28106,
- ı) External service: Outsourced service defined in article 3 of BSEBY,
- i) Digital bank: Credit institution that provides banking services through electronic banking services distribution channels instead of physical branches,
- j) Electronic banking services: Electronic banking services defined in Article 3 of BSEBY,
- k) Electronic money: Electronic money defined in Article 3 of the Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions dated 20/6/2013 and numbered 6493,
- l) Financial institution: Financial institution defined in Article 3 of the Law,
- m) Financial consumer: Financial consumer defined in Article 4 of the Communiqué on the Procedures and Principles Regarding Fees to be Collected from Financial Consumers published in the Official Gazette dated 7/3/2020 and numbered 31061 (Number: 2020/7),
- n) Fund: Fund defined in Article 3 of Law No. 6493,
- o) Dominant partner: The dominant partner defined in Article 3 of the Law,
- ö) Internet banking: Internet banking defined in Article 3 of BSEBY,
- p) İTİY: Regulation on Indirect Shareholding and Transactions Subject to Permission of Banks published in the Official Gazette dated 1/11/2006 and numbered 26333,
- r) Law: Banking Law No. 5411,
- s) Participation bank: Participation bank defined in Article 3 of the Law,
- ş) Participation fund: Participation fund defined in Article 3 of the Law,
- t) Interruption: Deduction defined in article 3 of BSEBY,
- u) Control: Control defined in Article 3 of the Law,
- ü) Board: Banking Regulation and Supervision Board,
- v) Agency: Banking Regulation and Supervision Agency,
- y) Small and medium-sized enterprises (SMEs): SMEs defined in Article 3 of the Capital Adequacy Regulation and whose boundaries are determined by the Board in accordance with the Capital Adequacy Regulation,
- z) Credit institution: Credit institution defined in Article 3 of the Law,
- aa) Deposit: The deposit defined in Article 3 of the Law,
- bb) Deposit bank: Deposit bank defined in Article 3 of the Law,
- cc) Mobile banking: Mobile banking defined in Article 3 of BSEBY,
- çç) MTBF: Average time between two failures or interruptions,
- dd) MTTR: Average repair time after malfunction or interruption,
- ee) Payment instrument: The payment instrument defined in Article 3 of the Law No. 6493,
- ff) Payment service provider: Institutions specified in Article 13 of Law No. 6493,
- gg) Prepaid payment instrument: A payment instrument that does not have physical or physical assets, which the customer pays before spending the fund that can be used in payments, to the bank issuing the payment instrument, and which allows the fund to be used in payment services as electronic money in an amount equivalent to the amount paid,
- ğğ) POS: POS defined in Article 4 of the Regulation on Bank Cards and Credit Cards published in the Official Gazette dated 10/3/2007 and numbered 26458,
- hh) Risk Center: The Risk Center regulated in the additional article 1 of the Law,
- ıı) Capital Adequacy Regulation: Regulation on Measurement and Assessment of Capital Adequacy of Banks, published in the Official Gazette dated 23/10/2015 and numbered 29511,
- ii) Service bank: The bank that provides service model banking services,
- jj) Banking as a service model: The service model in which customers can perform banking transactions by directly connecting with the systems of service banks through open banking services, via the interface offered by the interface providers,
- kk) Secret Regulation: Regulation on the Sharing of Secret Information published in the Official Gazette dated 4/6/2021 and numbered 31501,
- ll) Percent of Continuity: The percentage value to be found with the formula $MTBF/(MTBF+MTTR)$,

- mm) Branch: The branch defined in Article 3 of the Law,
nn) Organization Regulation: The Regulation on the Organization of the Banking Regulation and Supervision Agency, which was put into effect with the Council of Ministers Decision dated 2/1/2014 and numbered 2014/5885,
oo) UKTY: Regulation on Remote Identity Detection Methods to be Used by Banks and Establishment of Contract Relationship in Electronic Environment, published in the Official Gazette dated 1/4/2021 and numbered 31441,
öö) Data processing: It refers to the data processing defined in Article 3 of the Secret Regulation,

SECTION TWO

Operating Principles of Digital Banks

General principles

ARTICLE 4 – (1) Unless otherwise stated in this Regulation or the relevant sub-regulations, digital banks can perform all the activities that credit institutions can perform, depending on whether they are deposit or participation banks. Digital banks are obliged to comply with the provisions of this Regulation in addition to all the legislative provisions that credit institutions are obliged to comply with within the framework of the Law and related regulations.

Activity restrictions

ARTICLE 5 – (1) Credit customers of digital banks can only consist of financial consumers and SMEs.

(2) It is not a violation of the first paragraph for digital banks to carry out transactions that are counted as loans in Article 48 of the Law by operating in interbank markets or money and capital markets, granting loans to other banks, and granting foreign currency loans to businesses exceeding the SME size. After digital banks have started to offer services to businesses that do not exceed the SME size, if those businesses exceed the SME size, they may only provide the services specified in this paragraph that can be offered to customers exceeding the SME size until such businesses are again included in the SME size limits.

(3) Digital banks shall not establish any organization under any name such as correspondent, agency, representative office other than head office and service units affiliated to head office, shall not open physical branches, shall not make service units affiliated to head office be used as physical branches other than their purposes, shall not provide safe deposit boxes, custody transactions and safekeeping services except those provided in digital environment. As long as it is not used as a branch, establishing physical offices in order to handle customer complaints in accordance with Article 6, receiving services from outsourcing (support service) institutions in accordance with the Outsourcing Regulation, including services received within the scope of marketing services, in a way to communicate face-to-face with the customer, or transactions that started in the distribution channels of electronic banking services and cannot be completed in these channels due to the practical impossibility and also cannot be carried out through the physical access points specified in Article 6, can be completed by communicating with the customer face-to-face via the digital bank's own personnel or the personnel of the institution from which it receives outsourcing service, shall not constitute a violation of the provisions of this paragraph.

(4) The total amount of unsecured cash consumer loans, excluding expenditures and cash withdrawals with credit card and overdraft accounts, that digital banks can make available to a customer, is four times the relevant customer's declared and confirmed monthly average net income. If average monthly net income of the customer cannot be determined, the total amount of unsecured cash consumer loans cannot exceed ten thousand Turkish Liras. The Board is authorized to change the rate and amount specified in this provision. These income-related amount controls are carried out only for the loans that the digital bank makes available to its own customers. The income determined by digital banks as a result of evaluations by using their own income estimation models based on objective criteria, within the framework of the documents and declaration obtained for solvency assessment of customers is considered and treated as a confirmation of income specified in this paragraph. Documents and declaration obtained for solvency assessment include loan payment performance, assets and liabilities, credit card limit allocated by other banks, economic and social status, education level, age and similar information about customers. It is essential that the documents and records that form the basis of the said income determination are ready for audit and that the income estimation models used by the digital bank produce reasonable and consistent results according to these documents and records.

(5) According to the Regulation on Systemically Important Banks published in the Official Gazette dated 23/2/2016 and numbered 29633, the systemically important bank buffer applied to the systemically important banks in the second group is also applied by analogy for digital banks according to the procedures and principles set forth in the aforementioned Regulation.

(6) In the event that the digital bank increases the minimum paid-up capital amount, consisting of cash and free of all kinds of fictitious transactions, required for the operating permission specified in Article 9 to two billion five hundred million Turkish Liras, during the operating permission process or after obtaining the operating permission, the Board may decide, upon the application of the digital bank, to remove the operating restrictions in this article completely or gradually within the framework of a transition plan for digital banks which are believed to manage their risks in the new situation. After the application is approved by the Board and the activity restrictions are completely removed, it becomes possible for the digital bank to carry out all banking activities that other credit institutions can do within the framework of the relevant legislation, without being subject to the activity restrictions set forth in this article. The Board is authorized to increase the paid-up capital amount mentioned in this paragraph.

Physical access points

ARTICLE 6 – (1) Digital banks are required to establish at least one physical office to handle customer complaints.

(2) Digital banks can provide services to their customers through their own ATM networks or other ATM networks.

(3) Digital banks can provide services to their customers for cash withdrawal or loading balances on prepaid payment instruments through businesses that have made an agreement with them to accept payment instruments to be issued pursuant to the Debit Cards and Credit Cards Law No. 5464 dated 23/2/2006 and the Law No. 6493. During the provision of the aforementioned services, it is obligatory to submit a copy of the cash payment or balance loading document which includes the amount information, and shows that the transaction has been confirmed, in comply with the nature of channels from where payment instruments are accepted; in a paper environment via POS devices or in the electronic environment by enabling the customer to query and view via internet and mobile banking distribution channels.

Commitment to continuity of service

ARTICLE 7 – (1) Digital banks announce the committed continuity percentage values for the electronic banking services they offer, on the basis of each distribution channel, in a way that will appear on the home page of their websites. The committed continuity percentage for internet banking and mobile banking distribution channels of digital banks cannot be less than 99.8%.

(2) Digital banks are obliged to report the committed and realized MTBF, MTTR and continuity percentage values on the basis of each distribution channel for the electronic banking services they offer, in accordance with the procedures and principles to be determined by the Agency.

SECTION THREE

Additional Conditions Required in the Establishment and Operating Permissions of Digital Banks

General conditions of establishment and operating permissions

ARTICLE 8 – (1) The general conditions for establishment and operating permissions of digital banks are the conditions for obtaining establishment and operating permissions of banks in İTİY. The provisions regarding the establishment and operating permissions conditions of digital banks in this Regulation are applied as additional provisions, without prejudice to the provisions in the İTİY.

(2) In case the applicant's controlling partners are legal entities providing technology, electronic commerce or telecommunication services, the Board must ensure that the said controlling partner legal entities or the real and legal persons controlling these legal entities are resident in Türkiye and may require that they have signed an information exchange agreement with the Risk Center in order to share the risk data they hold regarding the indebtedness status and the financial power of persons residing in Türkiye.

Minimum paid-up capital required for operating permission

ARTICLE 9 – (1) The minimum paid-up capital required for digital banks to obtain an operating permission is one billion Turkish Liras, consisting of cash and free of all kinds of fictitious transactions,. The Board is authorized to increase this amount.

Requirements for managers

ARTICLE 10 –(1) In accordance with the second paragraph of Article 7 of the İTİY, within the framework of the assessment to be made regarding the adequacy of the managerial staff, whether the managerial staff has sufficient knowledge and experience to understand the risks specific to the nature of the business model of digital banks and to fulfill their duties, regardless of whether they have executive duties or not, is taken. In this context, it is essential that the personnel designated as the top-level manager responsible for information systems have been appointed at least at the level of assistant general manager, and that at least one of the board members of the digital bank must have at least ten years of professional experience in the field of information systems management.

Activity program and business plan

ARTICLE 11 – (1) In accordance with subparagraphs (a) and (p) of the first paragraph of Article 4 of the İTİY, the following matters are also included in the activity program and business plan documents that must be submitted to the Agency:

a) In addition to the business plan document,

1) The needs determined by the applicant for the target audience, such as students, housewives, youth under the age of eighteen, SMEs, and the groups in this target audience, determined by the applicant to increase financial inclusion, and the products and services that it plans to offer to meet these needs, and the marketing strategy,

2) Market size and market gap analysis supported by numerical data related to the market formed by the target audience,

3) In order to compete with other players in the selected market and to ensure a sustainable business model, the pricing policy for the next five years, the estimated number of customers planned to be acquired and the financial projections and forecast financial statements that predict when the investment will reach the breakeven point, and the assumptions that form the basis for these forecasts. Numerical analyzes that show these assumptions are reasonable are included.

b) In addition to the activity program document,

1) An overview of the system and network architecture, including systems that have been identified as critical,

2) to the BS strategy plan,

3) Within the scope of the planned information systems management structure, the process documents explaining how the information systems risk management process, information security management process, information systems project management, BT operation management, accessibility management process, information systems continuity management process and external service procurement process management will be handled at BSEBY,

4) If external services related to information systems are planned, the list of external service providers and of external services that are obtained from these providers and the risk assessment made regarding these external service providers,

5) Detailed information on the operation and workflow of the system, which will enable to receive customer requests, complaints and objections and to respond to the relevant parties about the result of these requests, complaints and objections after evaluating,

6) Detailed information on distribution channel basis on how to ensure transaction security in electronic banking services distribution channels and how to verify customer identity,

7) Information on the technology and workflows used in order to increase the percentage of transaction accuracy in the remote identification process to be carried out in accordance with the UKTY,

8) In the contractual relations to be established with the customer in the electronic environment pursuant to the UKTY, only the information regarding the technical controls that will provide assurance about the confirmation of the information by the customer as the content of the contract, shall be included.

Competency assessment of information systems

ARTICLE 12 –(1) In order for an operating permission to be granted as a result of the evaluation to be made in accordance with the second paragraph of Article 7 of İTİY, the competency assessment of the information systems of the applicant by the on-site inspection unit of the Agency according to the Organization Plan should take place within the scope of the activity program in accordance with Article 11. As a result of the evaluation to be made by taking into account the additional documents, the condition of obtaining the appropriate opinion is sought. If the said unit of the Agency deems it necessary, it may require the applicant to have audit report on its information systems and adequacy and efficiency of controls established on these systems conducted by an audit firm among firm who are authorized by the Agency on the information system and the business processes audit and whose titles are announced on the Agency's website,

SECTION FOUR Banking As A Service Model

Banking as a service model fundamentals

ARTICLE 13 – (1) The service bank can only provide banking as a service model to domestically resident interface providers and only within the framework of their own operating permission.

(2) Banks cannot be interface providers.

(3) The interface providers to which the service bank provides services, without obtaining the necessary permissions, may not use the names of payment service providers such as banks or payment institutions and electronic money institutions in their trade names, all kinds of documents, announcements and advertisements or public statements, or the names of payment service providers such as banks or non-bank payment service providers, they cannot use words and phrases that might give the impression that they are collecting deposit and participation funds like a bank, or that they are collecting funds like a payment service provider. The service bank decides whether or not to provide banking services to the customer through banking as a service model through the interface provider's interface, including the loan allocation decision, and the banking services to be offered to the customer are carried out on the balance sheet of the service bank.

(4) In order for the service bank to provide banking services to the customer of the interface provider, a contractual relationship must be established between the said customer and the service bank in accordance with Article 76 of the Law. If the contractual relationship in question is established electronically, the process must be carried out in accordance with the UKTY and the identity of the customer must be determined by the service bank in accordance with the UKTY. In case the process of establishing a contractual relationship between the service bank and the customer is initiated via the mobile application or internet browser-based interface of the interface provider and completed through these service channels, the interface provider's said service channels must comply with the security criteria included in BSEBY and the customer will be given the content of the contract. It is the responsibility of the service bank to ensure information that is shown to the customer as the content of the contract, only that information is approved by the customer.

(5) The interface provider and the service bank are jointly responsible for ensuring that the mobile application or internet browser-based interface of the interface provider used by the customer to access the services offered by the service bank complies with the authentication and transaction security obligations set forth in the third part of BSEBY regarding electronic banking services. The service bank cannot provide banking as a service model services and cannot receive outsourcing services from interface providers that do not fulfill these obligations or whose systems are insufficient to fulfill these obligations.

(6) In addition to receiving service from the service bank, the interface provider qualifies as an outsourcing institution that provides services to the service bank within the scope of the Outsourcing Regulation in terms of mediating the establishment of a contractual relationship between the service bank and the customer or enabling the provision of banking services to the customer by the service bank through the interface it provides under this

agreement. Provided that the interface provider does not accept deposits or participation funds on behalf of the service bank, and the deposit or participation fund is in no way deposited to the service bank through the interface provider, except in cases where the interface provider is a payment service provider, this outsourcing service is in accordance with the first paragraph of Article 4 of the Outsourcing Regulation. Acceptance of deposits or participation funds specified in subparagraph (ç) and acceptance of deposits or participation funds are not considered as marketing activities. It is possible for the service bank to receive outsourcing services from the interface provider by collecting credit card requests through the service channels of the interface provider. The provision of outsourcing services to a service bank as an interface provider is subject to the permission of the Board, to be completed by the unit responsible for on-site inspection of the information systems of the institutions subject to the supervision and control of the Agency, according to the Organization Regulation. The Board is authorized to determine additional conditions to be sought in interface providers from which service banks can receive service, and additional procedures and principles regarding these service purchases.

(7) Systems used by the interface provider to carry out its activities related to the outsourcing services within the scope of the sixth paragraph offered to the service bank and their backups, primary systems defined in Article 3 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks published in the Official Gazette dated 11/7/2014 and numbered 29057 and the sharing of secret information that the service bank will make with the interface provider in this context is within the scope of subparagraph (ç) of the second paragraph of Article 5 of the Secret Regulation. Transactions and orders initiated by the customer in accordance with the fifth paragraph, via the mobile application or internet browser-based interface of the interface provider, are considered as transactions or orders entered through the electronic banking services distribution channels of the service bank within the scope of the implementation of the sixth paragraph of Article 6 of the Secret Regulation and stands for the customer's request or instruction.

(8) In order for the service bank to serve an interface provider, it is obligatory to include the issues in the service contract between them;

a) In the contract to be established between the interface provider and the customer, it is clearly emphasized that the interface provider is not a bank with an operating permission or, a payment service provider in cases where it has not obtained the necessary operating permissions or other financial institution subject to an operating permission,

b) In the contract to be established between the interface provider and the customer, the service bank website address regarding that the banking services are provided by the service bank, the services offered by the service bank and the responsibilities of the service bank, the terms of the contract between the service bank and the customer and other terms of use of the service bank services, clearly including the website address of the customer services offered by the service bank and the call center telephone number so that the customer can convey their requests and complaints to the service bank,

c) Including a copy of the type agreement between the interface provider and the customer, and a copy of the type agreement between the service bank and the customer, to appear on the home page of the interface provider's website,

ç) Including the logo and name of the service bank(s) from which the service is provided, to be visible on the home page of the interface provider's website,

d) If the service bank issues a card payment instrument for the interface provider, the bank's name and logo are visible on the said payment instrument,

e) The confidential data transferred to the interface provider in line with the customer's request;

1) The processing is necessary, provided that it is directly related to the establishment or exercise of the contract between the interface provider and the customer,

2) Processing is mandatory for the interface provider to fulfill its legal obligation,

3) Unless the processing is necessary for the establishment, exercising a privilege or protection of a right for the interface provider, it is not processed by the interface provider or on behalf of the interface provider by parties other than the service bank from which the interface provider receives service, and the said data is processed only to the extent and period required by these situations,

f) Keeping system and data backups in Türkiye (domestically) where confidential data are processed by the interface provider or the parties from which the interface provider receives service pursuant to subparagraph (e),

g) In the event that the interface provider receives cloud computing services within the scope of the system and data backups specified in subparagraph (f), the said services are physically shared with the private cloud banking as a service model as specified in the eleventh paragraph of Article 29 of the BSEBY, but only through the hardware and software resources allocated to the interface provider itself, or only to the organizations subject to the monitoring and supervision of the Agency, but logically where a separate specific resource is assigned to each organization and purchasing external services from the community cloud banking as a service model, allowed by the Board,

ğ) Ensuring the confidentiality and security of data qualified as customer secret, limited to the outsourcing services the service bank receives from the interface provider and the services it provides to the interface provider, and ensuring that the transactions to be carried out through the service channels of the interface provider within the scope of the fourth and fifth paragraphs are in compliance with the identity verification and transaction security criteria of BSEBY enabling the service bank to conduct audits with the interface provider and to examine the relevant information, documents and records,

h) If it is determined that the information systems and service channels used by the interface provider to process confidential data do not fulfill the requirements under BSEBY, or if the permission given by the Board for the interface provider to provide service to the service bank as a outsourcing institution is revoked, opportunity to terminate the contract immediately by the service bank before it expires should be provided,

ı) The services provided by the interface provider to the service bank and the services received from the service bank cannot be transferred,

(9) The services that banks will provide to interface providers through banking as a service model are considered within the scope of subparagraph (v) of the first paragraph of Article 4 of the Law, and in this context, banks are not required to request an expansion of their activities to the Agency in order to offer the services they can provide within the framework of their current operating permission to interface providers.

(10) The service bank provides information on the scope of the services it provides on the website, showing the list of all interface providers it serves and which banking services it provides, and a copy of each service contract it has signed with the interface providers and of each contract change that envisages a change in the scope of the services it will provide to the interface provider, following the date of signature and is obliged to send it in written form to the Agency within one week. The Agency is authorized to determine the procedures and principles for reporting these notifications in electronic environment instead of in written form. In order for the service bank to sign a service contract with the interface provider, the relevant interface provider must be authorized by the Board as an outsourcing institution in accordance with the sixth paragraph. The ability of an interface provider to work with more than one service bank is subject to the permission of the Board upon its application pursuant to the sixth paragraph. The permission to be granted by the Board in this context does not remove the requirements of the interface providers arising from other relevant legislation, including the requirements of obtaining an operating permission for the activities included in subparagraphs (f) and (g) of the first paragraph of Article 12 of the Law No. 6493.

(11) In accordance with this article, the Board is authorized to determine the technical criteria, procedures and principles regarding the open banking services that the service banks will make available to the interface providers.

(12) The provisions of the Law on the Protection of Consumers dated 7/11/2013 and numbered 6502 and Article 144 of the Law and related sub-regulations are reserved for all kinds of fees, costs, commissions and benefits that the service bank may receive and obtain from its customers, who are also customers of the interface provider. If it is determined that the interface provider allows the service bank to provide banking services in addition to its customers through the interface it has developed, and in this context, all kinds of fees, expenses, commissions and benefits that it will demand from its customers in return for the service fee paid to the service bank, if any, are used for the purpose of circumventing these provisions or the outsourcing services provided by the interface provider to the service bank are not in accordance with the provisions of the relevant legislation, the Board is authorized to revoke the permission given to the interface provider in accordance with the sixth paragraph.

SECTION FIVE
Miscellaneous and Final Provisions

Current status of banks

ARTICLE 14 – (1) Other banks that have obtained an operating permission other than digital banks and are able to provide services through their physical branches within the framework of their current operating permission wish to provide services partially or completely through electronic banking services distribution channels or in different legal entities under the same legal entity, provided that the scope of their current operating permission is limited. In the event that the company wishes to provide services partially or completely through electronic banking services distribution channels with a brand name, a separate application is not required within the framework of this Regulation and the provisions of this Regulation regarding digital banks do not apply to the said banks. In this context, the said banks can only close their branches within the framework of a plan deemed appropriate by the Agency, and if these banks want to carry out their activities only through electronic banking services distribution channels, the service unit responsible for on-site supervision of the information systems of the institutions subject to the supervision and control of the Agency, in accordance with the Organization Regulation, an appropriate opinion on the adequacy of information systems of the said banks.

Entry into force

ARTICLE 15 – (1) This Regulation enters into force on 1/1/2022.

Enforcement

ARTICLE 16 – (1) The provisions of this Regulation are executed by the Chairman of the Banking Regulation and Supervision Agency.