

From the Banking Regulation and Supervision Agency:

REGULATION ON SYSTEMICALLY IMPORTANT BANKS

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SECTION ONE

Objective and Scope, Basis and Definitions

Objective and Scope

ARTICLE 1 – (1) The objective of this Regulation is to set down the procedures and principles regarding the determination of systemically important banks, the additional core capital that these banks should hold as systemically important bank buffers and other obligations they will be subject to, and the transactions to be performed if the additional core capital requirement is not met.

Basis

ARTICLE 2 – (1) This Regulation was prepared based on Articles 43 and 93 of the Banking Law No. 5411 dated 19/10/2005.

Definitions

ARTICLE 3 – (1) The terms used in this Regulation shall have meanings designated to them below;

- a) Sub-indicator: Sub-items forming the indicators,
- b) Connectivity score: The score calculated by taking into account the connectivity criteria of the bank,
- c) Bank: The bank defined in Article 3 of the Law,
- ç) Size score: The score calculated based on the size criterion of the bank,
- d) Threshold score: General score sizes representing the start and end of the group score ranges used in grouping of systemically important banks,
- e) Indicator: Sub-items that constitute the criteria of size, connectedness, complexity and non-substitution,
- f) Indicator based approach: Approach based on measuring the systemic importance of banks by taking into account the indicators representing the criteria of size, connectivity, non-substitution and complexity,
- g) Non-substitution score: The score of the bank calculated based on the non-substitution criterion,
- ğ) Law: Banking Law No. 5411,
- h) Complexity score: The score calculated by taking into account the complexity criterion of the bank,
- i) Criterion: Each of the criteria of size, connectedness, non-substitution and complexity, which are composed of indicators and used to determine systemic importance,

- i) Board: Banking Regulation and Supervision Board,
- j) Agency: The Banking Regulation and Supervision Agency,
- k) Financial sector institutions: Credit institutions and financial institutions defined in Article 3 of the Law,
- l) Own Funds: Own Funds calculated in accordance with the Regulation on Own Fund of Banks published in the Official Gazette dated 5/9/2013 and numbered 28756,
- m) Amount of risk-weighted assets (RWA): The amount of risk-weighted assets defined in Article 3 of the Regulation on Capital Conservation and Counter-Cyclical Capital Buffers published in the Official Gazette dated 5/11/2013 and numbered 28812,
- n) Level 3 assets: Communiqué (Sequence No. 5) about Turkey Financial Reporting Standard (IFRS 13) Regarding Fair Value Measurement published in the Official Gazette, dated 30.12.2012, numbered 28513 and wherein assets accepted as Level 3 by,
- o) Systemically important bank: Banks that are accepted as systemically important banks within the framework of Article 5,
- ö) Systemically important bank buffer: Unlike the capital buffers calculated according to the provisions of the Regulation on Capital Conservation and Counter-Cyclical Capital Buffers, the amount of additional core capital expected to be held by systemically important banks,
- p) Systemically important bank buffer ratio: The rate taken as the basis for calculating additional core capital that should be kept as systemically important bank buffer,
- r) Systemically importance threshold score: The minimum general score size used in determining the systemic importance of banks.

SECTION TWO

Identification and Grouping of Systemically Important Banks

Calculation of systemic importance

ARTICLE 4 – (1) An indicator-based approach is used to determine the systemic importance of banks. In this approach, size, connectivity, complexity and non-substitution criteria and indicators and sub-indicators of these criteria are taken into consideration.

(2) The overall score of the bank's systemic importance is calculated in the following order.

(a) Bank indicator amount is the sum of the amount of sub-indicators belonging to that indicator and in the table in Annex.

(b) Bank indicator score is calculated by dividing the bank indicator amount by the sum of the sector indicator amount found by summing the amounts of all banks belonging to that indicator and multiplying by 10,000

Bank indicator score = Bank indicator amount / Sector indicator amount * 10,000

(c) Bank criterion score is the equally weighted average of the scores of the indicators belonging to that criterion and included in the table in Annex.

(ç) Bank general score; The size criterion score is calculated by taking the weighted average of the criterion scores into consideration as 40%, the correlation criterion score 20%, the complexity criterion score 20%, and the non-substitution criterion score 20%.

(d) The non-substitution criterion score cannot exceed 500.

(3) Amounts pertaining to sub-indicators are consolidated in accordance with the first paragraph of Article 5 of the Communiqué on the Preparation of Consolidated Financial Statements of Banks' published in the Official Gazette dated 8/11/2006 and numbered 26340.

(4) For banks that are not obliged to prepare consolidated financial statements, amounts belonging to sub-indicators are calculated on solo basis.

Identification and grouping of systemically important banks

ARTICLE 5 - (1) Banks whose overall score calculated under Article 4 are above the systemic materiality threshold, are considered to be systemically important banks, and these banks are divided into three groups representing their systemic significance according to their general scores. Threshold scores and group score ranges that will be the basis for the determination and grouping of systemically important banks are determined by the Board. It is essential that the score ranges of the groups are equal.

(2) While the overall score calculated for the bank is essential in determining systemic importance; The Board is authorized to change the grouping of systemically important banks and to include or exclude a bank in systemically important bank groups by evaluating other issues that may affect systemic importance.

(3) Systemically important banks are determined and grouped each year using the consolidated data of December of the previous year.

(4) The systemically important bank status is valid for the year after the year when determination is made. Systemically important banks are determined by the Board every year within the framework of this Regulation.

(5) In order to prevent systemically important banks from increasing their systemic importance further, an empty group is created to be placed above the group that expresses the highest level of importance. In the evaluation to be made, the banks whose systemic importance increases and whose overall score is found to exceed the threshold score for the empty group are taken into the empty group for the next year and a new empty group is created to be valid for this period.

Reviewing the grouping of systemically important banks

ARTICLE 6 (1) In case of a transaction, such as mergers, divisions and transfers, which are likely to affect systematic importance status of banks, the relevant banks are regrouped and their obligations are determined again by the Board.

Updating the method used in determining systemic importance

ARTICLE 7 (1) The method used in determining the systemic importance of banks and threshold scores and group score ranges can be updated in cases deemed appropriate by the Board in order to consider new approaches and sectoral developments. It is essential that the method, threshold scores and group score ranges are not changed for three years from the date when the systemically important banks were determined for the first time.

SECTION THREE

Obligations of Systemically Important Banks, Incompatibility, Calculation and Notification Period

Systemically Important Bank Buffer

ARTICLE 8 - (1) Systemically important banks are obliged to have systemic bank buffers for the year after the year of determination.

(2) Additional core capital amount for systemically important banks is the part exceeding the core capital amount of these banks used to meet the core and capital adequacy ratios required to be provided on a consolidated basis in accordance with Article 29 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks published in the Official Gazette dated 28/6/2012.

(3) In addition to the additional core capital requirement specified in Article 4 of the Regulation on Capital Conservation and Counter-Cyclical Capital Buffers for systemically important banks, which will be calculated on a consolidated basis, the additional core capital requirement refers to the amount to be found by multiplying the systemically important bank buffer ratio corresponding to the group in which the bank is located and listed in the table below with the consolidated RWA.

Group 4 (Empty)	3%
Group 3	2%
Group 2	1.5%
Group 1	1%

(4) If a new vacant group is created within the framework of Article 5, the systemically important bank buffer rate to be applied to this group is determined by the Board.

(5) Other obligations to which systemically important banks are subject are determined by the Board.

Inconsistency

ARTICLE 9 – (1) If the additional core capital amount for systemically important banks is lower than the additional core capital requirement, articles 5, 6 and 7 of the Regulation on Capital Conservation and Counter-Cyclical Capital Buffers are applied to the relevant bank for the year they are subject to this obligation.

Calculation and notification period

ARTICLE 10 – (1) Banks make their reports on the calculation to be made within the scope of Article 4, on an annual basis. Systemically important banks are obliged to notify their calculations to be made within the scope of Article 8 in the same periods and dates of the consolidated capital adequacy standard ratio calculations and notifications of the calendar year following the year of determination within the tables related to this standard rate.

SECTION FOUR

Miscellaneous and Final Provisions

Identification of systemically important banks for the first time and issues related to the transition process

ARTICLE 11 – (1) Systemically important banks are determined for the first time considering the consolidated data for December 2014. The banks in question are obliged to fulfill the obligations determined under this Regulation as of 31/3/2016.

Transition time in systemically important bank buffer rates

ARTICLE 12 – (1) Systemically important bank buffer rate shall be applied as the rates given in the table below for each year until 1/1/2019.

Groups	Systemically Important Bank Buffer Ratios (%)		
	2016	2017	2018
Group 4 (Empty)	0,75	1,5	2,25
Group 3	0,5	1	1,5
Group 2	0,375	0,75	1,125
Group 1	0,25	0,5	0,75

Effective Date

ARTICLE 13 – (1) The provisions of this Regulation shall become effective as of the date of publishing.

Enforcement

ARTICLE 14 – (1) The provisions of this Regulation shall be enforced by the Chairman of Banking Regulation and Supervision Agency.