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NEWSLETTER
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Changes in the Banking Regulations

In order to align Turkish banking legislation with Basel principles, the Banking Regulation and Supervision Agency of Turkey ("**BRSA**") amended certain regulations and communiqués entering into force on March 31, 2016. Two of such regulations which have been published in the Official Gazette recently are summarized below:

1. Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks

Regulation on Measurement and Evaluation of the Capital Adequacy of Banks ("**Capital Adequacy Regulation**") has been published in the Official Gazette on January 20, 2016 by the BRSA. The Capital Adequacy Regulation will enter into force March 31, 2016 and will replace the former regulation regarding capital adequacy of the banks.

The Capital Adequacy Regulation sustains the capital adequacy ratios introduced by the former regulation, but changes the risk weights of certain items that are stated below:

(i) the risk weights of residential mortgage loans have been decreased from 50% to 35%; and

(ii) the risk weights for the instalment payments of credit cards and consumer loans (excluding residential mortgage loans) qualifying as retail loans (*perakende alacaklar*), fluctuating between 100% and 250% depending on their outstanding tenor, have been decreased to 75% (irrespective of their tenor) provided that such receivables are not re-classified as non-performing loans (*donuk alacaklar*).

2. Communiqué on Mandatory Reserve Requirements

The Central Bank of Turkey has published an amendment to the Communiqué on Mandatory Reserve Requirements ("**Reserve Requirements Communiqué**") in the Official Gazette dated January 9, 2016. The amendments under the Reserve Requirements Communiqué has entered into force on February 12, 2016. The amendments to the Reserve Requirements Communiqué have introduced reserve requirements in relation to the borrower funds held in investment and development banks (*müstakriz fon*). The reserve requirements for such borrower funds are regulated as 11.5% for Turkish Lira liabilities and 13% for foreign currency liabilities.

3. Regulation on Equities of the Banks

A further amendment to the Regulation on Equities of the Banks ("**Equity Regulation**") has been published in the Official Gazette dated January 20, 2016. According to such amendment, entering into force on 31 March 2016, Tier 2 (*katkı sermaye*) instruments that were issued:

Legislative Highlights

- ✓ The Competition Authority published amendments to the Communiqué Concerning the Mergers and Acquisitions Calling For Authorization of the Competition Board (No. 2010/4) and Communiqué on Application Principles regarding Competition Breaches (No: 2012/2) on the Official Gazette dated February 15, 2016. The amendments to both communiqués mentioned above are related to MERSİS numbers of the applicants and electronic notices, whereby the Competition Authority (in addition to the existing required information) require MERSİS numbers and electronic notice addresses of the applicants under Article 2 of the Notification Form Concerning Mergers and Acquisitions and Article 5/II of the Communiqué on Application Principles regarding Competition Breaches.

- ✓ Principle Decision of the Capital Markets Board dated February 4, 2016 and numbered 4/117, which has been published in the Capital Markets Board Bulletin numbered 2016/4; states that all companies listed in the stock exchange are obliged to implement and apply the system (which is provided by the Central Registry Agency) regarding participation and voting to general assembly meetings through electronic environment.

(i) between 12 September 2010 and 1 January 2013 (so long as they satisfy all Tier 2 conditions stated under the Equity Regulation, other than the condition regarding the loss absorption due to the cancellation of a bank's license or transfer of the bank's management to the Savings Deposit Insurance Fund pursuant to Article 71 of the Banking Law) will be included in Tier 2 calculations after being reduced by 20% for the period between 1 January 2014 and 31 December 2014 and by 10% for each subsequent year (the calculations being made based upon the total amount of the debt instruments as of 1 January 2013); and

(ii) after 1 January 2013 will be included in Tier 2 calculations only if they satisfy all Tier 2 Conditions stated under the Equity Regulation.

Amendment to Petroleum Market License Regulation

The Regulation Regarding the Amendment of Petroleum Market License Regulation has been published in the Official Gazette dated January 23, 2016 and the relevant amendments have entered into force on February 1, 2016 ("**Regulation**").

The amendment brings up certain changes and regulations regarding production of base oil from waste mineral oils. First of all, the Regulation makes the production of base oil from waste mineral oils a license requiring activity and states that holders of mineral oil license or mineral oil distribution license may, by way of registering this activity as a sub-activity, conduct this activity. The Regulation further states that the license amendment applications to be made in this respect (i.e. for the addition / removal of base oil as a sub-activity) will be concluded by Petroleum Market Head of Department, within 15 days after it is determined that the application is duly completed.

Pursuant to the temporary provision of the Regulation, mineral oil license holders or distribution license holders which already have mineral oil as a sub-activity, are entitled to conduct base oil production from mineral oil until 1 January 2018 without registering base oil as a sub-activity to their licenses. Thus, up until 1 January 2018 such license holders will be entitled to produce base oil from mineral oil even if this is not registered under their licenses but after 1 January 2018, this activity will be requiring a license.

Amendment to Customs Regulation

The Customs Regulation numbered 27369 and published in the Official Gazette dated 7 October 2009 (the "**Customs Regulation**") has been amended by the Ministry of Customs and Trade and published in the Official Gazette on 22 January 2016 (the "**Amendment Regulation**"). The Amendment Regulation has brought significant changes to the composition of partnership structure and managing body of customs companies.

Pursuant to the Amendment Regulation, persons who are not customs broker or deputy broker cannot be shareholders or member of the managing body of the customs companies. Persons who do not meet such qualifications shall not be granted with authorization to represent and legally bind the company.

On 13 February 2016, the Customs Regulation has been amended again. This amendment states that, customs companies are required to ensure the compliance of the company's shareholding and management structure with the above mentioned requirements brought by the Amendment Regulation, within six months as of 13 February 2016.

Amendment to Environmental Impact Assessment Regulation

The Regulation Regarding the Amendment of Environmental Impact Assessment Regulation has been published in the Official Gazette on February 9, 2016. The amendment, among others, introduces two matters that may be emphasized: In case, after obtaining the "*Affirmative Environmental Impact Assessment Report*" or "*Environmental Impact Assessment Is Not Required Decision*" it is determined that the project owner does not comply with matters undertaken under the "*Conclusive Environmental Impact Assessment Report*" or "*Project Identification File*", the Ministry or the Governorship may grant an additional period for only once and not exceeding one year, in order for the project owner to ensure compliance with the undertakings.

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Yours faithfully,
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