

**FSB- G20 - MONITORING PROGRESS – Turkey September 2010 [For Publication in March 2011]**

#		G20/FSB RECOMMENDATIONS	DEAD-LINE	<p align="center"><b>PROGRESS TO DATE</b></p> <p>Explanatory notes:</p> <p>In addition to information on progress to date, specifying steps taken, please address the following questions:</p> <p>1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction?</p> <p>2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results?</p> <p>Also, please provide links to the relevant documents that are published.</p>	<p align="center"><b>PLANNED NEXT STEPS</b></p> <p>Explanatory notes:</p> <p>Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)</p> <p>Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?</p> <p>What are the key challenges that your jurisdiction faces in implementing the recommendations?</p>	
<b>I. Building high quality capital and mitigating procyclicality</b>						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	Drafting and consultation process for the implementation of Basel II-CRD have been finalized.	A one year parallel run for Basel II-CRD regulations will start in mid-2011. Starting from mid-2012, all banks have to comply with the new rules.
2	(FSB 2009)  (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010.  We welcomed the BCBS agreement on a coordinated start date not later than 31 December 2011 for all elements of the revised trading book rules.	By end-2011	Banking Regulation and Supervision Agency (BRSA) is closely monitoring ongoing BCBS work on higher capital requirements for risks in banks' trading books.	BCBS schedule on trading book review will be followed.

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3	(Pitts)	Build-up of capital by banks to support lending	We call on banks to retain a greater proportion of current profits to build capital, where needed, to support lending.	Ongoing	There is no concrete plan as Turkish banks' capital levels are very high and mainly composed of common equity and reserves. In addition, starting from 2008, banks are obliged to take permission from BRSA for the distribution of their profits.	
4	(FSF 2009)	Basel II – Pillar 2 enhancement	1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement.	End-2009 and ongoing	Stress testing which takes into account the effects of different scenarios in interest rates, FX rates, non-performing loans, impairment in subsidiaries has been in practice by BRSA for more than 8 years on a 3-month based reporting and is being published for management and staff use. It is being improved and revised with regards to developments both in macroeconomic variables and changes in international best practices and international financial regulation. Furthermore stress test on liquidity is being run by BRSA as well. Besides the risk regulations in Turkey contains stress-testing results to be taken into account as a part of management discretion on business activities. The results of these tests are to be used by management of financial institutions in determination of risk limits and decision-making process. With regards to these regulations the supervisory guidelines include supervision of stress testing process and results at banks during the prudential supervision in banks.	
5	(Lon)	Supplementation of Basel II by simple, transparent, non-risk based measure	Supplement risk-based capital requirements with a simple, transparent, non-risk based measure which is internationally comparable, properly takes into account off-balance sheet exposures, and can help contain the build-up of leverage in the banking system.	Ongoing	There is no immediate plan as Turkish banks' capital levels are very high and leverage ratio in the banking system is considerably low. BRSA is closely monitoring ongoing international work on these issues.	In line with the GHOS's schedule, necessary improvements will be made accordingly. Further implementation steps can take place within existing regulatory and supervisory powers.



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9	(FSB 2009)	Enhancement of supervision of banks' operation in foreign currency funding markets	Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.	Ongoing	There is a prudential ratio regarding foreign currency, which ensures banks hold a foreign currency position at a level compatible with their own funds. Foreign Currency Net General Position to Own Funds Standard Ratio is calculated on a consolidated and non-consolidated basis and this ratio cannot exceed twenty percent.	BRSA is closely monitoring ongoing international work on these issues. Further implementation steps can take place within existing regulatory and supervisory powers.
10	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	Monoline insurers do not exist in the Turkish insurance sector.	

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<b>II. Strengthening accounting standards</b>						
11	(WAP)	Consistent application of high-quality accounting standards			<p>Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.</p>	<p>Ongoing</p> <p>Turkish Accounting Standards Board (TASB) is established as public legal entity with administrative and financial autonomy, in order to develop and adopt national accounting standards for presenting audited financial statements in a relevant, correct, reliable, balanced, comparable and understandable manner and to determine and publish national accounting standards, which shall be applied for public interest. TASB publishes Turkish Accounting Standards and Turkish Financial Reporting Standards (TAS/TFRS) that are in full compliance with IAS/IFRSs. In setting financial reporting standards fully compliant with International Financial Reporting Standards (IAS/IFRS), the TASB has followed the principle of the official translation procedure set out by the International Accounting Standards Committee Foundation (IASCF).</p> <p>Moreover, working commissions/groups dealing with the preparation of the initial drafts of standards were formed. All of the members of these commissions work on part-time basis and has generally been selected from various internationally accepted accounting &amp; auditing firms, especially from their partners or senior manager levels, from academicians of various institutes, or from those who work for the financial sector and implement/use those standards in their daily duties.</p> <p>Thanks to the structure of the Board and the process mentioned above, consistent application and enforcement of high-quality accounting standards is ensured. Currently banks, leasing, factoring and financing companies; insurance, reinsurance companies and pension companies; listed companies and capital market institutions, are implementing TAS/TFRSs which are fully compliant with IAS/IFRSs in Turkey.</p> <p>Capital Markets Board of Turkey (CMB) uses a software program in order to examine the valuation reserves and adjustments through a risk based method.</p>

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12	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	<p>Banks' valuation methods are examined in audit process by BRSA.</p> <p>In the insurance sector IFRS is implemented and regarding securities market, Capital Markets Board of Turkey (CMB) uses a software program in order to examine the valuation reserves and adjustments through a risk based method.</p>	BRSA is closely monitoring ongoing international work on these issues. Further implementation steps can take place within existing regulatory and supervisory powers.
13	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	<p>IFRS is implemented in the Turkish insurance sector.</p> <p>The sufficiencies of the models, which designate current value, are examined by audit teams and if needed, recommendations are also provided. The policies of financial institutions regarding hedge accounting are also monitored. The work of IASB on this issue will be actively followed up by CMB.</p> <p>IASB undertakes a project to simplify the classification and measurement requirements for financial instruments. This project includes 3 phases. Regarding Phase 1: Classification and measurement, IFRS 9 Financial Instruments for financial assets was published in November 2009. Requirements for financial liabilities were added to IFRS 9 in October 2010 by IASB.</p> <p>Parallel to these developments Turkish Accounting Standards Board (TASB) translated and published the IFRS 9 as Turkish Financial Reporting Standard (TFRS) 9 in April 2010 and in accordance with recent improvements, requirements for financial liabilities were added to TFRS 9 in March 2011.</p> <p>TASB follows the project closely and parallel to the amendments made in IFRSs, relevant changes will be made.</p>	Further implementation steps can take place within existing regulatory and supervisory powers.
14	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	Because Turkish securitized product markets are not developed well enough, no comprehensive work has been done yet.	Further implementation steps can take place within existing regulatory and supervisory powers.

III. Reforming compensation practices to support financial stability



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16	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	According to the Banking Law Nr. 5411, The Banking Regulation and Supervision Agency have several authorities such as Corrective measures, Rehabilitating measures and Restrictive measures in certain situations. These measures include the ability to modify compensation structures, to stop any payments to employees and etc.  There is no regulation in Turkey about insurance companies' compensation systems.	A regulation about remuneration systems of insurance companies has been drafted but not finalized yet
<b>IV. Improving OTC derivatives markets</b>						
17	(Lon)	Development of action plan on the standardization of CDS markets (eg CCP)	We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.	Autumn 2009		
18	(Pitts)	Trading of all standardized OTC derivatives on exchanges etc.	All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements.	By end-2012 at the latest		

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<b>V. Addressing cross-border resolutions and systemically important financial institutions</b>						
19	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	Systemic Risk Coordination Committee is mandated for regular monitoring of the financial system. If any negative development is detected by the Committee, the Council of Ministers is authorized to determine the extraordinary measures to be taken and all the relevant institutions and agencies are authorized and responsible for promptly implementation of such extraordinary measures.	
20	(Pitts)	Development of resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future	We should develop resolution tools and frameworks for the effective resolution of financial groups to help mitigate the disruption of financial institution failures and reduce moral hazard in the future. Our prudential standards for systemically important institutions should be commensurate with the costs of their failure. The FSB should propose by the end of October 2010 possible measures including more intensive supervision and specific additional capital, liquidity, and other prudential requirements.	October 2010	FSB work on systemically important institutions is closely followed by BRSA.	FSB's schedule on implementation of guidelines on SIFI issue will be taken into account.
<b>VI. Strengthening adherence to international supervisory and regulatory standards.</b>						
21	(Lon)	Adherence to international prudential regulatory and supervisory standards	<p>We call on all jurisdictions to adhere to the international standards in prudential, tax and AML/CFT areas.</p> <p>We are committed to strengthened adherence to international prudential regulatory and supervisory standards.</p>	Ongoing	All regulatory authorities implement and follow, international standards set by international standard setters.	Further implementation steps can take place within existing regulatory and supervisory powers.

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22	(Lon)	Periodic peer reviews	FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports.	Ongoing	As a member of FSB, Turkey is committed to undergo periodic peer reviews (including thematic and country review)	
23	(WAP)	Undertaking of FSAP	All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.	Ongoing	In year 2006, the IMF and World Bank jointly implemented Financial Sector Assessment Program (FSAP) for Turkey and the results were published by the IMF.	Turkey had requested an FSAP Update in 2011.
24	(FSF 2008)	Additional steps to check the implementation of int'l guidance	V.11 National supervisors will, as part of their regular supervision, take additional steps to check the implementation of guidance issued by international committees.	Ongoing	BRSA and other related agencies are working on the advices made in the FSAP report in order to strengthen supervisory competence and implementation of revised international principles.	Further implementation steps can take place within existing regulatory and supervisory powers.

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VII. Other issues						
Developing macroprudential frameworks and tools, realigning and ensuring an adequate balance between macroprudential and microprudential supervision						
25	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of systemic risk.	Ongoing	<p>Turkey's regulation is already quite extensive, and takes into account the aspects noted.</p> <p>Systemic Risk Coordination Committee established by the MoU signed between Treasury Undersecretariat, Banking Regulation and Supervision Agency (BRSA), Savings Deposit Insurance Fund (SDIF) and Central Bank (CBRT). Beginning of the year 2011, Capital Markets Board (CMB) of Turkey is attending the meetings of the aforementioned Systemic Risk Coordination Committee.</p> <p>Financial Sector Commission consisting of the representatives of BRSA, Ministry of Finance, the Treasury Undersecretariat, Central Bank, CMB, SDIF, Competition Board, Undersecretariat of State Planning Organization, Istanbul Gold Exchange, securities stock exchanges, Futures and Options Markets and the associations of institutions is established under the body of the BRSA. The Commission ensures exchange of information, cooperation and coordination among institutions, proposes joint policies and expresses views regarding the matters that relate to the future of the financial sector, with a view to establishing and ensuring confidence and stability as well as development in the financial markets.</p>	Further implementation steps can take place within existing regulatory and supervisory powers. Moreover, regarding the efforts to strengthen the duties and functions of the Systemic Risk Coordination Committee, necessary regulatory change is expected to be enacted until 2012.

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26	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	<p>BRSA has always possessed the necessary powers to collect all the information to meet its objectives in relation to financial stability and supervision. No further work is planned on this issue.</p> <p>For information gathering/sharing across jurisdictions, BRSA is participating in all coordination efforts on this issue.</p> <p>General Directorate of Insurance (GDI) of the Treasury possess the powers for gathering relevant information on all insurance and reinsurance companies to assess the potential for failure and financial soundness of insurance sector.</p>	Further implementation steps can take place within existing regulatory and supervisory powers.
27	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	Considering institutions that are regulated by BRSA, CMB and General Directorate of Insurance, it can be stated that existing regulatory framework covers all systematically important actors.	Turkey will continue to review its regulatory framework to follow the developments in financial markets and international regulatory framework
28	(FSF 2009)	Use of macro-prudential tools	<p>3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macroprudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macroprudential (system-wide) level. On leverage ratios for banks, work by the BCBS to supplement the risk based capital requirement with a simple, non-risk based leverage measure is welcome. Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.</p>	End-2009 and ongoing	<p>As stated earlier, Turkish banks' capital levels are very high and leverage ratio in the banking system is considerably low. On the other hand, BRSA is closely monitoring FSB and BCBS work on these issues.</p> <p>Regarding the securities markets, the leverage ratios on margin trading and securities financing practices deemed to be adequate and being closely monitored on a weekly basis.</p>	Once the FSB and BCBS works are finalized, necessary assessments will be made. Further implementation steps can take place within existing regulatory and supervisory powers.

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29	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing		
30	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	This issue is part of our ongoing regulatory and supervisory framework.	Further implementation steps can take place within existing regulatory and supervisory powers.
31	(FSF 2008)	Supervisory communication with firms' boards and senior management	V.2 Supervisors and regulators should formally communicate to firms' boards and senior management at an early stage their concerns about risk exposures and the quality of risk management and the need for firms to take responsive action. Those supervisors who do not already do so should adopt this practice.	Ongoing	This issue is part of our ongoing regulatory and supervisory framework.	Further implementation steps can take place within existing regulatory and supervisory powers.
32	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	In August 2000, MoU has been signed among the supervisors and the central bank which enables exchange of information. In April 2009, the MoU has been reviewed and amended to increase the scope and content of information exchange and to include Capital Markets Board. New amendment came into force as of December 31 <sup>st</sup> , 2010.  For information gathering/sharing across jurisdictions, BRSA is participating in all coordination efforts on this issue.	Further implementation steps can take place within existing regulatory and supervisory powers.

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Hedge funds						
33	(Lon)	Registration of hedge funds	<p>Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size. They will be subject to oversight to ensure that they have adequate risk management.</p>	End-2009	<p>Hedge funds are initially regulated to be registered by the Capital Markets Board of Turkey (the Board). Actually hedge funds units are registered by the Board and shall only be sold to eligible/qualified investors.</p> <p>As regulated by the related Communiqué on mutual funds, hedge funds promoters (founder- manager) shall establish an internal control system including the risk management system. The general principles on risk management system are proceeded by the Board’s implementing regulations. The Board asks for minimum required standards for the risk management systems eg. risk assessments for credit, counterparty, position exposures in terms of each instrument and the overall portfolio and regularly performed stress tests &amp; back-testing. The risk limitations shall be stated in the fund prospectus and other legal documents.</p> <p>The registration is not subject to any size limitation. Hedge funds shall inform the investors on risk limit violations, monthly risk/open position reports by letters. In practice hedge funds shall establish internal methods to inform investors on monthly risk reports (eg. Secure Web sites).</p>	Further implementation steps can take place within existing regulatory and supervisory powers.
34	(Lon)	Effective oversight of cross-border funds	<p>We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.</p>	End-2009	<p>According to current jurisdiction only the funds are registered by the Board - not the fund managers-. The funds planning to sell units abroad inform the Board. The Board co-operates with the foreign authorities asking for information about the funds located in Turkey.</p>	Further implementation steps can take place within existing regulatory and supervisory powers.

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35	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	According to current implementation the founders provide necessary prime brokerage services to the hedge funds. The banks and intermediary institutions (founders) shall establish internal control systems including risk management systems according to their own relevant regulations. Part of ongoing supervision process. We will take into account of BCBS and FSB works on this issue.	Further implementation steps can take place within existing regulatory and supervisory powers.
36	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing	OTC traded structured products like exotic options, which satisfy certain qualifications eg. rating of the counterparty must be minimum investment grade, liquidity clauses. In addition for the hedge funds case, OTC derivative exposures are subject to limits set in the founder's rule and prospectus. All funds should have risk management units independent from the portfolio management unit. The risk management unit is responsible for make relevant risk assessments and reporting to both the fund board and qualified investors.	
<b>Credit rating agencies</b>						
37	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	Starting from 2006, a prudential regulation on credit rating agencies that was prepared in line with IOSCO's standards is in force. BRSA authorize and supervise CRAs. For the securities markets, the credit rating agencies are regulated and supervised, including registration, according to the communiqué issued by CMB, which is compatible with IOSCO code of conduct.	In securities market the legislation is in line with the IOSCO Standards and international practice and guidelines are closely monitored..

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38	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009	BRSA regulation on CRAs is already quite extensive, and takes into account the aspects noted. In addition, there is a draft amendment on CRA regulation and this takes structured products into account. According to draft amendment, CRAs have to use differentiated rating methodologies for each type of exposure which has different structure. In securities markets the legislation which is compatible with IOSCO principles related to CRAs imposes certain professional ethics; like independency, and impartiality as well as operation guidance requirements for CRAs. IOSCO and international principles are monitored closely and appropriate changes will be made.	Further implementation steps can take place within existing regulatory and supervisory powers.
39	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	Ongoing international work on this issue is closely monitored.	Further implementation steps can take place within existing regulatory and supervisory powers.
40	(FSF 2008)	Review of roles of ratings in regulations and supervisory rules	IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.	Ongoing	BRSA's supervisory role is clearly specified by the Law and credit rating by no means is a substitute for BRSA's supervision. Ongoing international work on this issue is closely monitored.	

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Supervisory colleges						
41	(Lon)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009.	June 2009	Due to relatively small size of Turkish banks' foreign subsidiaries and affiliated partnerships, BRSA as a home country supervisor, did not arrange any meetings in Turkey with counterpart authorities. On the other hand, BRSA has attended the meetings arranged by home country supervisory authorities of cross-border financial groups operating in Turkey. In addition, when it is necessary, BRSA exchanges information with foreign counterpart authorities during the supervisory process.  In Turkish insurance sector, supervisory colleges for large cross-border insurance firms have not been established yet.	GDI as a home country supervisor, has not arranged any meetings in Turkey with counterpart authorities yet. On the other hand, in 2010 GDI has attended two meetings arranged by home country supervisory authorities of cross-border financial groups operating in Turkey.
42	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing	With reference to row 32; the MoU between the Undersecretariat of Treasury, Banking Regulation and Supervision Agency (BRSA) and the Savings Deposit Insurance Fund (SDIF), the Central Bank (CBRT) and Capital Markets Board (CMB) on exchange of information is an initiative taken at national level regarding supervisory exchange of information and coordination.  For information gathering/sharing across jurisdictions, BRSA is participating in all coordination efforts on this issue.	
Crisis management						
43	(Lon)	Implementation of FSF principles for cross-border crisis management	To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.	Immediate	Due to relatively small size of Turkish banks' foreign subsidiaries and affiliated partnerships, BRSA as a home country supervisor, did not arrange any meetings in Turkey with counterpart authorities.  On the other hand, BRSA has attended the meetings arranged by home country supervisory authorities of cross-border financial groups operating in Turkey. In addition, when it is necessary, BRSA exchanges information with foreign counterpart authorities during the supervisory process.	Further implementation steps can take place within existing regulatory and supervisory powers.



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46	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	SDIF has been closely monitoring international works on deposit insurance frameworks.	Further steps would be assessed with respect to the final version of “Core Principles for Effective Deposit Insurance Systems Methodology” document.
<b>Risk management</b>						
47	(WAP)	Development of enhanced guidance for banks’ risk management practices	Regulators should develop enhanced guidance to strengthen banks’ risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management.	Ongoing	The principles and procedures applicable to the establishment, functioning and adequacy of internal control, risk management and internal audit systems are in line with international best practices. In addition, implementation of Basel II-CRD will strengthen the risk management systems in banks.	Further implementation steps can take place within existing regulatory and supervisory powers.
48	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	The regular stress testing practice that aims to assess the fragilities at Banking Sector level, takes into account the effects of different stress scenarios in interest rates, FX rates, non-performing loans, etc. The results are published in the Financial Markets Report on a 3 month-basis. GDI commits to conduct robust, transparent stress tests as needed and this issue is regulated in the “Communiqué amending the Communiqué on Assets Covering the Technical Reserves of Insurance and Reinsurance Companies in July 2010.	Further implementation steps can take place within existing regulatory and supervisory powers.
49	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	Currently, when we take the financial position of Turkish banking sector into consideration there is no need for such kind of efforts at this stage.	

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50	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	<p>During 2010, supervisors and regulators will:</p> <ul style="list-style-type: none"> <li>implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure;</li> <li>implement IOSCO's proposals to strengthen practices in securitisation markets.</li> </ul>	During 2010	The new provisions that are decided by the Basel Committee regarding securitisation are taken into consideration within the framework of Basel II-CRD regulations.	A one year parallel run for Basel II-CRD regulations will start in mid-2011. Starting from mid-2012, all banks have to comply with the new rules.
51	(Lon)	Improvement in the risk management of securitisation	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010.	By 2010	Risk management of securitization is taken into consideration within the framework of Basel II-CRD regulations.	A one year parallel run for Basel II-CRD regulations will start in mid-2011. Starting from mid-2012, all banks have to comply with the new rules.
52	(Pitts)	Retention of a part of the risk of the underlying assets by securitisation sponsors or originators	Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	Ongoing		
53	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	BRSA has published regulations on Disclosures. They are comprehensive and in line with IFRS and Basel II Pillar 3. In addition to these sub-regulations, banks have been encouraged to provide additional risk disclosures.	Further implementation steps can take place within existing regulatory and supervisory powers.

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54	(FSF 2008)	Strengthening of supervisory requirements or best practices for investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	Besides the derivatives traded in organized markets, guaranteed funds, capital protected funds and hedge funds may invest in OTC traded structured products like exotic options which satisfies certain qualifications eg. rating of the counterparty must be minimum investment grade, liquidity clauses. For the OTC transactions of the guaranteed funds and the capital protected funds counterparty exposure shall not exceed the 20% of the NAV of the fund. ( the NAV as of initial investment date)	Further implementation steps can take place within existing regulatory and supervisory powers.
<b>Others</b>						
55	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing		

### Origin of recommendations:

Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)  
 Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)  
 Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)  
 WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)  
 FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)  
 FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)  
 FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)