TURKEY – as of January 2014

Annex I: Banks

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices or articulating clear supervisory expectations of the extent to which firms should perform their own due diligence before making lending decisions.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
a) Remove references to CRA ratings in laws and regulations relating to banks.	Banking Regulation and Supervision Agency (BRSA)	Mainly the most important reference to CRA in Turkey's banking regulations is the capital adequacy related regulations. Since these regulations are based on Basel II standards BRSA expects the results of studies of Basel Committee on standard approaches. On the other hand, in Turkey, international CRAs like S&P, Moody's and Fitch ratings are allowed to be used by banks only for sovereign risk and for the exposures to counterparties outside of the country. For the risk weighting of local counterparties, banks are only allowed to use the ratings of the local rating agencies which has applied to BRSA and validated by it. So far, none of the international CRA applied to be validated by BRSA. Thus, banks can only use a limited number of local CRAs. However, since BRSA mapped local CRA's ratings to % 100 risk weights, there is no difference between using the rating agency and not using it. So, practically CRA ratings have no effect. Currently all of the banks are using BCBS standardised approach.	BRSA follows Basel Committee to finalize its work on alternative methods of risk weighting until the middle of 2014. BRSA plans to apply the new regulations after an adaptation and quantitative impact study period within one year after the new international standards agreed. The timeline and milestones depend on the rules BCBS (TFSA) introduces. More complex rules will need more time.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Develop alternative standards of credit assessment, where needed, for the purpose of replacing references to CRA ratings in laws and regulations relating to banks.	BRSA	BRSA follows Basel Committee to finalize its work on alternative methods of risk weighting. BRSA will then develop regulations in line with new Basel standards. All banks are obliged to make their own credit assessments before extending credits and not to solely rely on any CRA rating. CRA ratings are just for risk weighting and not a replacement of internal risk assessment according to BRSA regulations.	BRSA plans to apply the new regulations after an adaptation and quantitative impact study period within one year after the new international standards agreed.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of banks' own credit assessment processes and incentivise market participants to develop internal risk management capabilities.	BRSA	Through on-site examinations about risk management, BRSA assesses the internal risk management capabilities of banks. All banks are obliged to make their own credit assessments before extending credits and not to solely rely on any CRA rating. CRA ratings are just for risk weighting and not a replacement of internal risk assessment according to BRSA regulations. Currently BRSA is also working on draft regulations on IRB and AMA. With the introduction of these regulations, BRSA expects banks to apply for using IRB approaches for risk weighting purposes also. In addition to that, with the introduction of revised risk management guidelines under pillar 2, BRSA expects banks to establish more effective systems to improve their internal risk assessment capabilities.	End of 2014 to finalize draft regulations and guidelines for advanced approaches.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Require or incentivise market participants to disclose information about their internal credit risk assessment processes.	BRSA	Apart from the requirements set out in IFRS 7, there is no additional official requirement for banks on disclosing information about internal credit risk assessment processes. On the other hand, with the introduction of revised risk management guidelines under pillar 2, BRSA is considering to advise banks to disclose more information about their internal credit risk assessment processes.	N/A
3.2 Prudential supervision of banks (Principle III.2)			
a) Enhance supervisory oversight of banks to ensure they develop adequate internal credit assessment processes that avoid mechanistic reliance on CRA ratings (differentiating where appropriate between banks subject to the internal ratings-based (IRB), Standardised Approach of other capital regime).	BRSA	Answers given in 2a are also valid for this heading. In Turkey, rating agency sector is not well developed and none of the banks uses and is allowed to use CRA ratings as a substitute to internal risk assessment while making credit decisions.	N/A

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Revise CRA ratings in other prudential supervisory policies (e.g. relating to liquidity requirements) to reduce reliance on CRA ratings.	BRSA	Except for the one on Liquidity, BRSA regulations only have a limited number of references to ratings which have negligible at other banking regulations. For liquidity regulations BRSA follows Basel standards. And it expects to remove references to CRA ratings after the introduction of revised Basel standards on liquidity in which those references are removed.	One year after new international standards agreed.

Annex II: Central bank operations

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
3. Application of the basic principles to particular financial market activities (Principle III)			
Based on the findings from the stock-taking exercise, please describe the areas identified as needing changes, including which areas are considered priorities, and the steps authorities intend to take to reduce reliance on CRA ratings in central bank policies and operations.			
3.1 Central bank operations (Principle III.1)			
a) Reduce reliance on CRA ratings in central bank policies (such as investments, asset management frameworks, and conventional and unconventional operations), including the decision to accept or reject an instrument as collateral or for outright purchase and in determining haircuts.	Central Bank of the Republic of Turkey (CBRT)	An internal model is being developed to reduce the reliance on credit rating agencies when setting the active investment universe in foreign exchange reserve management.	July 2014

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Adjust policies for imposing risk control measures (including haircuts) on financial instruments to align with the FSB Principles on CRA ratings.	CBRT	CBRT has already been making its own credit assessments on the financial instruments that it accepts in market operations, both as collateral and as outright purchases and not using CRA ratings. It operates with stringent rules and related terms of market operations are announced to the markets to enhance the transparency. Therefore, it is not necessary to take any further action.	
c) Develop the central bank's internal credit risk assessment capabilities and use of alternative measures of creditworthiness.	CBRT	There is already an internal scoring model in place for assessing credit worthiness of counterparties to reserve management operations. However, this model still uses CRA ratings as one of the inputs to come up with an internal score. The model is planned to be improved to reduce the reliance on CRA ratings even further. The model will be used to determine both eligibility and limits.	End-2014

Annex III: Insurance/Reinsurance Companies[1]

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices or articulating clear supervisory expectations of the extent to which firms should perform their own due diligence before making lending or investment decisions.			
CRA ratings do not play a major role in the Turkish insurance sector, since they are only effective in determining the reinsurance companies that the insurance companies will cede their risks and foreign financial assets that they will invest which will be used as a cover of technical provisions. For the assets except those used as a cover for technical provisions there is not a reference to CRA ratings, companies are free to choose which assets to invest.			
a) Remove references to CRA ratings in laws and regulations relating to insurance/reinsurance companies.			

[1] Answers in this section should relate to the prudential regulation of insurance companies and reinsurance companies. Laws and regulations relating to insurance companies in their capacity as institutional investors should be included in the section entitled "Investment Funds Management."

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b) Develop alternative standards of credit assessment, where needed, for the purpose of replacing references to CRA ratings in laws and regulations relating to insurance/reinsurance companies.	Undersecretariat of Treasury	Changes in national regulation	End-2014
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of insurers’/reinsurers’ own credit assessment processes and incentivise market participants to develop internal risk management capabilities.			
b) Require or incentivise market participants to disclose information about their internal credit risk assessment processes.			

Annex IV: Investment Funds Management
(including collective investment schemes, alternative investment schemes, occupational retirement schemes)

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
a) Remove references to CRA ratings in laws and regulations for investment funds management.	Capital Market Board (CMB)	Existing regulations require mutual funds, guaranteed and protected funds, pension funds, securities investment trusts and ETFs to have a counterparty with investment grade rating in order to buy securities that are traded over-the-counter. Eligibility of domestic counterparties is assessed according to their grades based on local currency. As far as institutional investors are concerned, that is the only issue addressed through reliance on credit rating agencies. Although, after careful deliberation, we decided to keep this reference over OTC counterparty eligibility at this point in time, we will continue to act in accordance with international standards regarding reducing effects of credit rating agency ratings over investment managers in the long term.	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Develop alternative standards of credit assessment, where needed, for the purpose of replacing references to CRA ratings in laws and regulations for investment funds management.	CMB		
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of market participants' own credit assessment processes.	CMB	Portfolio management companies and fund sponsors are already obliged to establish internal compliance and risk management systems, one of responsibilities of which is to make due diligence over counterparty risk for every transaction.	
3. Application of the basic principles to particular financial market activities (Principle III.3)			
a) Establish, as appropriate, supervisory review of internal limits and investment policies of investment managers and institutional investors.			
a. Insurance companies (in their capacity as institutional investors)	CMB	Portfolio management companies and fund sponsors are already obliged to establish internal compliance and risk management systems, one of responsibilities of which is to make due diligence over counterparty risk for every transaction.	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b. Investment managers (i.e. mangers of collective investment schemes).	CMB	Portfolio management companies and fund sponsors are already obliged to establish internal compliance and risk management systems, one of responsibilities of which is to make due diligence over counterparty risk for every transaction.	
c. Alternative investment managers (e.g. hedge funds, endowments).	CMB	Portfolio management companies and fund sponsors are already obliged to establish internal compliance and risk management systems, one of responsibilities of which is to make due diligence over counterparty risk for every transaction.	
d. Managers of occupational retirement schemes.			
b) Require changes to internal limits and investment policies.			
a. Insurance companies (in their capacity as institutional investors)	CMB		
b. Investment managers (i.e. mangers of collective investment schemes).	CMB		

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
c. Alternative investment managers (e.g. hedge funds, endowments).	CMB		
d. Managers of occupational retirement schemes.			
c) Incentivise compliance with the CRA Principles.			
a. Insurance companies (in their capacity as institutional investors)	CMB		
b. Investment managers (i.e. mangers of collective investment schemes).	CMB		
c. Alternative investment managers (e.g. hedge funds, endowments).	CMB		
d. Managers of occupational retirement schemes.			
d) Strengthen supervisory oversight to assess whether investments managers and institutional investors have made changes to the role that CRA ratings play in investment mandates, thresholds and triggers.			
a. Insurance companies (in their capacity as institutional investors)	CMB		

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
b. Investment managers (i.e. mangers of collective investment schemes).	CMB		
c. Alternative investment managers (e.g. hedge funds, endowments).	CMB		
d. Managers of occupational retirement schemes.			

Annex V: Collateral Policies for Central Counterparties (CCPs)

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices or articulating clear supervisory expectations of the extent to which CCPs should perform their own due diligence.			
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations relating to collateral policies for CCPs.		There is no reference in the related law and regulations on the CCPs.	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to collateral policies for CCPs.		Istanbul Settlement and Custody Bank (Takasbank) is authorised as CCP in August 2013. In addition to banking regulation requirements, it is obliged to manage its own credit risk and concentration management by establishing limits. It is also obliged to set up internal rating systems to assess CCP members' credit riskiness.	
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of CCPs' own credit assessment processes.			
3. Application of the basic principles to particular financial market activities (Principle III)			
3.1 Central counterparties and private sector margin agreements (Principle III.4a)			
a) Conduct stress tests or estimate the procyclical effect, on the overall margin requirements for the CCP participants, of a sudden downgrade of the credit ratings of some widely used securities.		In the markets where this service is given, it is also essential to take into account systemic risk considerations that may arise from related market infrastructure. In this regard, Istanbul Settlement and Custody Bank (Takasbank) the only authorised	

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
		CCP in Turkey is legally obliged to follow the international principles which is also assessed by CPSS IOSCO. Takasbank is also obliged to conduct stress tests to assess its requirements and risks on collaterals, guarantee fund and capital adequacy and report to its Board of Executives and CMB for quarterly.	
b) Assess the reliance on credit ratings in the investment policy of the CCP.			
c) Review private sector margin agreements to ensure compliance with the Principle.			
d) Require changes to private sector margin agreements.			
e) Incentivise compliance with the CRA Principles.			

Annex VI: Securities Issuance (debt and equity, whether public issuance or private placement), including asset-backed securities and corporate debt

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes. Examples of incentives might include disclosure requirements relating to credit risk assessment practices.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
Regulations concerning the implementation of new Capital Market Law, which has been published on 30 December 2012, shall be put into force within one year starting from the date of its publication. In this respect most of the regulations regarding the capital market instruments and the issuance of them have been updated recently and the update of the remaining will be finished before 2014. Although the updated new regulations still keep references to CRA ratings for issuers mentioned below due to the lack of suitable alternative standards of creditworthiness, as CMB we will continue to act in accordance with international standards to reduce reliance on CRA ratings. New debt securities regulation: According to the regulation, when CMB determines the issuance limit of debt securities (the total amount of debt securities to be issued in a one-year period) for an issuer, banks and financial institutions may double their limit if they have been granted one of the top-three ratings in the investment grade. New sukuk regulation: One of the eligible founders of ALC (Asset Leasing Company) determined in the regulation, is the companies with an investment grade rating. New warrants and certificates regulation: Covered warrants can be issued by banks and intermediary institutions that have one of the top-three ratings in the investment grade or by other institutions under the guarantee of those banks and intermediary institutions. New foreign capital market instruments and depository receipts regulation: Foreign issuers are required to have long-term investment grade rating for all security issuances except shares. New asset and mortgage backed securities regulation: If these securities are planned to be offered to the public, the issuer has to take a credit rating regardless of the rating note. Covered bonds regulation: According to the regulation, banks and financial institutions may double their limit which is determined for the maximum amount in circulation, if they have been granted one of the top-three ratings in the investment grade. Additionally, for derivatives to be included in the asset portfolio they have to be either traded in the exchanges or the counterparty of the derivative has to be granted one of the top-three ratings in the investment grade.			

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations related to securities issuance.	CMB	References to CRA ratings in CMB regulations related to securities are on a communique basis, which means it is easy to remove or replace them with alternatives when necessary. Especially changes in EU regulations or international standards regarding the use of references to CRA ratings will speed up this process. **New debt securities regulation**: Although reference to CRA ratings in this regulation seems to reward the rating mechanism, in fact as the issuance limits halved with the new regulation it only aims to keep the issuance limit for banks and financial institutions whose debt securities issuances' are already subject to circulating limits given by BRSA. Besides these institutions already have rating notes at hand for other reasons, otherwise CRA ratings will probably not be the main tool for issuer differentiation in this regulation. As the reference to CRA ratings in that	End-2014/Mid-2015

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
		regulation does not aim to measure credibility of the issuer, it can be replaced by other rules or removed completely. **New sukuk regulation**: As ALC is defined as a capital market institution in the new Law and due to the complex structure of some sukuk types, it is important to inspire confidence to investors. In that respect in addition to companies with investment grade rating, eligible founders of ALC are determined as banks, investment firms of certain capacity, mortgage finance institutions, listed real-estate investment companies, first and second group corporations as defined in CMB’s corporate governance communique and Undersecretariat of Treasury’s subsidiaries all of which operate under the supervision of authorities. So the reference here is used to measure the credibility of the founder company and in this respect it can only be removed when replaced with alternative tools of	We will keep this reference due to the lack of suitable alternative standards of creditworthiness, but we will act in accordance with international standards.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
		credibility assessment. Evaluating the financial position of the companies or using some financial ratios can be useful alternatives. **New warrants and certificates regulation:** Covered warrants can be issued by banks and intermediary institutions that have one of the top-three ratings in the investment grade or by other institutions under the guarantee of those banks and intermediary institutions. Due to the complexity of the instrument, reference here merely aims to measure credibility of the issuer. In this respect the reference in that regulation cannot be removed but can be replaced with alternative tools of credibility assessment. Evaluating the financial position of the companies or using some financial ratios can be useful alternatives. **New foreign capital market instruments**	We will keep this reference due to the lack of suitable alternative standards of creditworthiness, but we will act in accordance with international standards.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
		and depository receipts regulation: Foreign issuers are required to have long-term investment grade rating for all security issuances except shares. As foreign companies are not subject to supervision in Turkey, this reference can only be removed when replaced with alternative tools. **New asset and mortgage backed securities** regulation: If these securities are planned to be offered to the public, the issuer has to take a credit rating regardless of the rating note. Due to the complexity of the instrument, this reference can only be removed when replaced with alternative tools. **Covered bonds regulation:** According to the regulation, banks and financial institutions may double their limit which is determined for the maximum amount in	We will keep this reference due to the lack of suitable alternative standards of creditworthiness, but we will act in accordance with international standards. We will keep this reference ddue to the lack of suitable alternative standards of creditworthiness, but we will act in accordance with international standards.

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
		circulation, if they have been granted one of the top-three ratings in the investment grade. As the reference to CRA ratings in that regulation does not aim to measure credibility of the issuer, it can be replaced by other rules or removed completely. Additionally, for derivatives to be included in the asset portfolio they have to be either traded in the exchanges or the counterparty of the derivative has to be granted one of the top-three ratings in the investment grade. Due to the complexity of the derivatives, this reference can only be removed when replaced with alternative tools.	We will keep the reference for the derivative part ddue to the lack of suitable alternative standards of creditworthiness. But for the limit increase part the reference is planned to be removed by the end of 2014.
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to securities issuance.	CMB	As the "issuer" definition in the Law includes any legal entity, as CMB we try to differentiate issuers for each capital market instrument in its own regulation taking into account the structure of the instrument or the type of the issuance (with or without public offering).	End-2014/Mid-2015

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
		For complex instruments, companies operating under the supervision of authorities can be determined as issuers so as to remove credit rating references for other companies. Another way of replacing or removing references to CRA ratings can be to differentiate issuers according to the issuance type. If the issuance is without public offering, rating reference can be removed taking into the fact that each institutional investor can make its own credibility assessment regarding the issuer.	
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of market participants own credit assessment processes.	CMB		

Action to be taken	Responsible national authority	High-level description of approach to be taken, and necessary or contributory factors to assist implementation (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
3. Application of the basic principles to particular financial market activities (Principle III)			
3.1 Central counterparties and private sector margin agreements (Principle III.5a)			
a) Review the role of credit rating in disclosures by issuers of securities.		According to CMB regulations regarding securities and their issuances, if issuers have credit ratings it has to be disclosed to public. On the other hand CMB disclosure requirements and issuance documents are compatible with EU standards and issuers should disclose comprehensive and timely information that will enable investors to make their own independent investment judgments and credit risk. In this respect there is no regulation providing unintended incentives for investors to rely excessively on CRA ratings.	
b) Reduce the role of credit ratings in disclosures by issuers of securities (list the steps to take).			

Annex VII: Securities Firms (broker-dealers)

Action to be taken	Responsible national authority	Milestones to be met (e.g. changes in international standards)	Milestones and expected completion date (e.g. "end-2014" or "one year after new international standards agreed")
Based on the findings from the stock-taking exercise, please describe the areas identified as needing change and those areas considered priorities, as well as the steps authorities intend to take to reduce reliance on CRA ratings in laws and regulations. In addition, authorities should describe the incentives put in place for market participants to develop their own independent credit assessment processes.			
1. Reducing reliance on CRA ratings in laws and regulations (Principle I)			
a) Remove references to CRA ratings in laws and regulations relating to securities firms.		Regulations on brokers and dealers' licensing, supervision and oversight processes do not include any reliance on CRAs' ratings. However, further clarification on "reliance" during the Rome Workshop has provided insight to assess upcoming regulatory drafts which is planned to be replaced with the current ones on capital adequacy and repo-reverse repo transactions of investment firms to eliminate two unintended incentives which are detected in current situation. Collateral haircut incentives to investment rated	

Action to be taken	Responsible national authority	Milestones to be met (e.g. changes in international standards)	Milestones and expected completion date (e.g. “end-2014” or “one year after new international standards agreed”)
		underlying securities in repo-reverse repo transactions and counterparty risk assessment of international financial institutions based on investment grade ratings will be under consideration in case of any suitable alternative tool is available during the drafting period that is planned to be completed in 2014.	
b) Develop alternative standards of credit assessment, where necessary, for the purpose of replacing references to CRA ratings in laws and regulations relating to securities firms.			
2. Reducing market reliance on CRA ratings (Principle II)			
a) Enhance supervisory processes and procedures to assess the adequacy of securities firms’ own credit assessment processes.			