

AMENDMENT ON COMMUNIQUÉ ON PRINCIPLES REGARDING REPO AND REVERSE REPO TRANSACTIONS OF INTERMEDIARY INSTITUTIONS (III-45.2)

Certain amendments on repo and reverse repo transactions were adopted with the Communiqué No. III-45.2.a amending the Communiqué No. III-45.2 on Principles Regarding Repo and Reverse Repo Transactions of Intermediary Institutions.

Communiqué No. III-45.2.a (“**Amending Communiqué**”) amending the Communiqué No. III-45.2 on Principles Regarding Repo and Reverse Repo Transactions of Intermediary Institutions (“**Communiqué**”) has been published in the Official Gazette dated 31 December 2020 and numbered 31351. Certain amendments have entered into force on 1st January 2021 whereas other amendments will enter into force as of 25th January 2020.

1. The following amendments have entered into force on 1st January 2021:

- (i) As per the Amending Communiqué, new financial instruments for repo and reverse repo transactions of intermediary institutions have been recognized whereas those which have already been regulated under the Article 6 of the Communiqué have been amended.

Financial instruments which have been amended are as follows:

- In addition to debt instruments issued by the Directorate of privatization administration, Housing Development Administration of Turkey, public economic enterprises, local administrations and their associated and affiliated administrations, enterprises and corporations according to the Capital Market Law (“**Law**”) numbered 6362 and dated 6/12/2012, debt instruments issued by

ERYÜREKLİ

Türkiye Varlık Fonu Yönetimi A.S., Turkey wealth fund in accordance with the Law have been added into the provision.

- In addition to asset-backed securities, asset covered bonds, mortgage-backed securities and mortgage covered bonds, it has been regulated that real estate certificates and project-based securities issued in Turkey or abroad by issuers resident in Turkey have also been accepted as financial instruments.

Further to above instruments, those stated below have been recognized as new financial instruments eligible for repo and reverse repo transaction for intermediary institutions as per the Amending Communiqué:

- Mutual funds' participation shares, excluding hedge funds; and
- The valuation of assets (*such as debt instruments, lease certificates, real estate certificates, project-backed securities, asset-backed securities and asset guaranteed securities*) issued by foreign institutions serving as international organizations of which Ministry of Treasury and Finance and the Central Bank of Turkey are member.

(ii) Special provisions relating to valuation and margin ratios of traded financial instruments stipulated under the Article 7 of the Communiqué have been amended. Material amendments are as below:

- The provisions of the Capital Markets Board (“CMB”)’s regulation on the financial reporting principles of mutual funds shall be recognized as base in valuation of mutual funds.
- Turkish Financial Reporting Standards regulated by Public Oversight, Accounting and Auditing Standards Authority shall prevail in valuation of assets (*such as debt instruments, lease certificates, real estate certificates, project-backed securities, asset-backed securities and asset guaranteed securities*) issued by foreign institutions serving as international organizations of which Ministry of Treasury and Finance and the Central Bank of Turkey are member.
- In terms of the valuation price to be used in collateralization of investment funds valued by the provisions of the CMB’s regulation on the financial reporting principles of mutual funds, shall be the last price reported to Istanbul Settlement and Custody Bank Inc. on the day the relevant asset is subject to repo.

ERYÜREKLİ

Furthermore, in collateralization, it has been regulated that:

- (a) 95% of the valuation price for funds linked to the money market umbrella fund;
- (b) 90% of the valuation price for the funds linked to the debt instruments umbrella fund and the exchange traded funds that follow the debt instrument index;
- (c) 80% of the valuation price for the funds affiliated to the stock umbrella fund and the exchange traded funds following the index of the partnership share;
- (d) 85% of the valuation price for funds linked to other umbrella funds and other exchange traded funds (excluding funds linked to hedge funds); and
- (e) 75% of the valuation price for real estate and venture capital investment funds,

shall be applied.

- In terms of collateralization of assets (*such as debt instruments, lease certificates, real estate certificates, project-backed securities, asset-backed securities and asset guaranteed securities*) issued by foreign institutions serving as international organizations of which Ministry of Treasury and Finance and the Central Bank of Turkey are member; 100% of the valuation price of aforementioned assets, which have been valued by Turkish Financial Reporting Standards, shall be prevailed.

2. The following amendments are going to enter into force on 25th January 2021:

- (i)** The Amending Communiqué has also amended the principles of repo and reverse repo transactions stipulated under the Article 9 of the Communiqué. Both parties have been required to make a framework agreement that regulates the general principles of the transactions as per the regulation of the document and recording system regarding the investment services, activities and ancillary services of CMB.
- (ii)** In terms of trading limits which is regulated under the Article 11 of the Communiqué, a new provision has been added. As per the new provision; it has been prevented to exceed 10% of the intermediary institution's equity with regard to the amount of (i) the financial instruments that are subject to repo and reverse repo transactions, issued by the intermediary institutions themselves or by their subsidiaries, affiliates and establishments where they control their

ERYÜREKLİ

capital, management and supervision, and (ii) financial instruments issued by qualified shareholders, excluding the deposit and participation banks of intermediary institutions.

CONTACT

Eryürekli Law Office
T: +90 212 365 9600
info@eryurekli.com

ABOUT THIS PUBLICATION

This publication is provided by ERYÜREKLİ as a news reporting service to clients and colleagues. The information given in this publication does not necessarily cover every aspect of the topics with which it deals and should not be construed as legal advice.

Should you have any questions on issues reported in this publication, please contact your own counsel or [ERYÜREKLİ](#) for further information.