

REGULATORY UPDATE FOR RATING AGENCIES

Regulatory burdens on minority legal entity shareholders of rating agencies have been reduced.

1. Recent Amendment

On 19 September 2018, Capital Markets Board of Turkey published the *Communiqué (Serial VIII, No: 77) Amending the Communiqué on the Principles of Rating Activities and Rating Agencies (Serial VIII, No: 51) (“Amendment Communiqué”)* amending the *Communiqué on the Principles of Rating Activities and Rating Agencies (Serial VIII, No: 51) (“Communiqué”)* which entered into force on the same day.

With the Amendment Communiqué;

- Legal entity shareholders who directly or indirectly own less than ten (10) percent of the rating agencies’ capital, are excluded from the prohibition on engaging into commercial and/or professional activities at or with other rating agencies, clients of the rating agencies, certain affiliated parties, trading activities of the capital market instruments issued by the clients and other commercial and/or professional activities in order to avoid any conflict of interest and any impair of the independence of the rating agency, and also, are excluded from the circumstances

that results with the impair of the independence of rating agencies, which are listed under Article 20 of the Communiqué.

2. Assessment

The Amendment Communiqué excluded the minority legal entity shareholders of rating agencies which own directly or indirectly less than 10% of the capital of the rating agency, from the scope of the prohibition to engage into commercial and trading activities This exemption is expected to improve the financial performance of such minority legal entity shareholders.

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