

## Banking & Finance

### Communiqué on Legal Reserves Amended

The Communiqué on Legal Reserves (the “**Communiqué**”) (published in the Official Gazette dated November 16, 2005 and numbered 25995) has been amended:

The first amendment via the Communiqué enacted by the Central Bank of the Republic of Turkey (published in the Official Gazette dated May 12, 2012 and numbered 28290) has extended the definition of deductible items prescribed under Article 4. Local banks and headquarters and branches of banks established by international agreements are no longer subject to mandatory reserves.

The second amendment (published in the Official Gazette dated November 16, 2005 and numbered 25995) was realized by the Communiqué enacted by the Central Bank of the Republic of Turkey (published in the Official Gazette dated May 31, 2012 and numbered 28309) modifying the calculation of mandatory reserves prescribed under Article 6. Paragraphs (4), (5) and (6) have been amended as follows:

Paragraph (4): Banks are to restore mandatory reserves in cash in accounts within the Central Bank in Turkish lira currency for Turkish lira obligations and US dollar and/or euro currency for foreign currency obligations, and at rates prescribed under Article 5.

a) Regarding the mandatory reserves for Turkish lira obligations:

- Maximum 45% of it can be held in US dollars and euro currency; over the total amount found by multiplying the first 40% section multiplied with a coefficient of “1” and the 5% second section with the coefficient “1,4”;
- Maximum 20% in standard gold currency,

b) Regarding the mandatory reserves for foreign currency obligations:

- In gold standard currency for the part that needs to be held for the deposit accounts for precious metals
- Except for the part specified in b/1 above, it cannot be kept in standard gold currency.

Paragraph (5): Calculations for Turkish lira obligations are made the following way:

a) For the Turkish lira value of the reserves held in foreign currency according to subparagraph (a-1) of paragraph (4):

- based on the US dollar and euro exchange rates published on the website of the Central Bank the work day before the first day of the establishment period

b) For the Turkish lira value of the reserves held in gold standard currency according to subparagraph (a-2) of paragraph (4):

- based on the price of gold on the Istanbul Gold Exchange on the date the obligations are calculated.

The Turkish lira equivalent of the foreign currency established for Turkish lira obligations, exchanged based on the indicated quotients, that surpasses the limit indicated in subparagraphs (a-1) and (a-2) of paragraph (4), is excluded from the mandatory reserves.

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Paragraph (6): The Turkish lira equivalent of the gold held for foreign currency obligations are calculated based on the price of gold on the Istanbul Gold Exchange on the date the obligations are calculated. The amount of gold established for foreign currency obligations that surpass the limits indicated in subparagraphs (b-1) and (b-2) of paragraph (4) is excluded from the mandatory reserves.

### Fixed Rediscount & Advance Rates

According to the Communiqué enacted by the Central Bank (*published in the Official Gazette dated June 19, 2012 and numbered 28328*) the discount rate applied to rediscount transactions made for bonds that will mature in less than three months is 16% p.a. and the advance rate applied to advance transactions 16.5% p.a.

### New Banking Regulations

Two new regulations have been published, prepared in the framework of Basel II regulations on the banking sector, effective as of July 1, 2012.

**Regulation on the Calculation and Evaluation of the Capital Adequacy of Banks** (*published in the Official Gazette dated July 28, 2012 and numbered 28337*) enacted by the Banking Regulation and Supervision Agency ("BRSA"), aims to regulate the procedure and basis of banks holding sufficient consolidated and nonconsolidated equity capital against damages. According to this Regulation, capital adequacy and consolidated capital adequacy standard ratios must be kept at a minimum 8%. If these ratios go below 8% they must be maintained within the period that the BRSA will set.

Pursuant to this Regulation, the main amount subject to credit risk will comprise of on-balance sheet assets, non-cash credits, covenants and the sum of total risk weighted financial derivatives. The evaluations of credit rating agencies can be used in these calculations.

This Regulation provides that banks will use credit ratings conducted upon the borrower's demand. Ratings not subject to demand will be used in accordance with the Regulation on the Accreditation and Activities of Credit Rating Agency.

This Regulation also sets the risk exposure amount. For recognized assets the risk exposure will signify 70% of the values in the balance of the funds used from participation accounts and for other assets, the values in the balance.

Banks will be obliged to calculate capital requirements for currency/exchange risks on the basis of all their foreign exchange assets and obligations and financial derivatives bearing currency/exchange risk. In the calculation of equity, capital requirements will not be taken into account for the currency/exchange risk regarding foreign currency assets deducted from the capital.

Regulation on the Internal Systems of Banks (*published in the Official Gazette dated July 28, 2012 and numbered 28337*) aims to regulate the internal control, internal audit and risk management systems of banks and their operation. The Regulation abrogates the Regulation on the Internal Systems of Banks (*published in the Official Gazette dated November 11, 2006 and numbered 26333*). Main innovations concern the internal evaluation of capital requirement, risk management operations and the reporting of risks.

The Regulation comprises detailed provisions on the internal evaluation process, which must incorporate all types of important risks and should be regularly performed (at least once a year). Strategic plans and their relation to macroeconomic factors must be taken into account in this process, making the evaluation forward-looking.

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Different aspects of risk management and their guidelines have been regulated as well. These include credit, market, liquidity, interest rate, concentration, securitization and country and transfer risks, as well as operational, adversary and residual risks.

In the frame of risk management, banks must have a reporting system that allows risk exposure to be efficiently analysed and evaluated. The information reports on market, credit and operational risks should cover are specified in the Regulation.

Article 71 extends the lists of operations that must be made in Turkish: all reports (including those within internal systems, top management and the reports of the audit committee to the board of directors), internal regulations and correspondence. Capital Markets

## Capital Markets

### New Regulation on Stock Exchanges

On April 26, 2012, a new regulation on stock exchanges was published in the Official Gazette. According to the announcement made by the Capital Market Board ("CMB"), the new regulation seeks to establish the better organisation and management structure of stock exchanges, also enabling Turkish exchanges to compete on an international level.

### Amendment to Repo Communiqué

The Communiqué on Repo transactions (Serial: V, No: 131) was amended by the CMB on May 12, 2012. Further to the CMB's announcement, shares being traded on the stock exchange, Eurobonds issued by the Undersecretariat of the Treasury and lease certificates are to be subject to repo transactions.

### Dematerialization of Government Debt Securities

As per the CMB resolution dated August 25, 2011 and numbered 832, as of June 30, 2012 domestic government debt securities are now in dematerialized form.

## Competition

### Whistleblowing - Guidelines on Leniency Regulation

In June 2012, the Competition Authority published draft guidelines on the Leniency Regulation (see below) that further elaborates the procedure and conditions for such immunity from penalties (expected to be finalized and published by the end of 2012), and which is expected to increase the number of whistle blowers on cartels. Penalties can go as high as 10% of the preceding year's turnover for the relevant undertaking and up to 5% of this penalty for its managers/employees.

Currently the Law on the Protection of Competition (Law No.4054) provides that undertakings or their managers and employees that actively cooperate with the Competition Authority in revealing a violation of the law may not be subject to any penalty or may benefit from reductions in the penalty amount taking into consideration the quality, efficiency and timing of cooperation.

In February 2009 the Competition Authority published the Regulation on Active Cooperation in Revealing Cartels that regulates the procedures and principles concerning the non-imposition and reduction of penalties with regard to undertakings and their managers/employees who actively cooperate with the Competition Authority for purposes of detecting cartels (the "Leniency Regulation").

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## Corporate

### Communiqué on Privileges for Joint Stock Companies

The Communiqué regarding the Adaptation of Provisions that Create Privileges for Joint Stock Company's Main Contracts (*numbered 28261 and published April 11, 2012*) extends the time to making the main contract of a joint stock company consistent with Article 401/2 of the Turkish Commercial Code (*published in the Official Gazette dated June 6, 1956 and numbered 6762*) until July 2, 2012. According to Article 401/2 if the State, municipalities and other public corporations are shareholders in joint stock companies shareholders shall not obtain any privileges.

### Changes to Official Announcement Fees

The Council of Minister Decision regarding the determination of Official Announcements (numbered 2967 published April 11, 2012) regulates and lists the new fees for official announcements.

### UNDP-Turkey Treaty

The Law Approving the Confirmation of the Treaty Regarding the Establishment of the Istanbul International Center for the Private Sector in Development between the Government of the Turkish Republic and the United Nations Development Programme (*numbered 28276*) was published on April 27, 2012.

## Energy & Climate Change

### Amendments to Regulation on Electricity Market

Certain provisions of the Regulation Regarding Free Consumer of Electricity Market (published in the Official Gazette dated December 4, 2002 and numbered 24866) were amended on April 7, 2012. According to the amendment, any free consumer wanting to change supplier must be certified as having fulfilled his obligations towards his previous supplier and such presented to the new supplier.

### Regulation on Nuclear Facilities & Physical Protection of Nuclear Materials

The Regulation on Nuclear Facilities and Physical Protection of Nuclear materials was announced by the Turkish Atomic Energy Authority on May 22, 2012. This Regulation covers the terms and conditions of the physical protection measures required to be taken for the protection of nuclear materials and facilities against sabotage and theft.

### Amendments to the Regulation on Controlling Industrial Air Pollution

Certain provisions of the Regulation on Controlling Industrial Air Pollution (*published in the Official Gazette dated July, 3 2009 and numbered 27277*) were amended on April 13, 2012, namely articles regarding environmental permits and limiting values for SO2 emissions.

### Amendment to the Regulation on Distribution and Consumer Services of Natural Gas

Certain provisions of the Regulation on the Distribution and Consumer Services of Natural Gas (*published in the Official Gazette dated November, 3 2002 and numbered 24925*) were amended on May 3, 2012. Gas distribution companies and the expansion of distribution areas have been issued.

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## Regulation on License Application Competition for Establishing Solar-powered Generation Facilities

The Regulation on License Application Competition for Establishing a Solar-powered Generation Facility was announced by the Turkey Electricity Transmission Company ("TEİAŞ") on May 29, 2012. The new Regulation is based on the use of renewable energy resources in the Electricity Generation Law (*published in Official Gazette dated May 10, 2005 numbered 5346*). The purpose of the Regulation is to organise applicants according to procedures and principles in the Regulation in the event that more than one applicant applies for a license for generating electricity in the same area.

## Decision Regarding License Applications for Solar Energy Plants

The decision adopted by the Energy Market Regulatory Authority ("EMRA") regarding license applications for Solar Energy Plants (*numbered 3842 and published June 14, 2012*) sets forth the procedures and principles for generation license applications. According to the decision, between June 10-14, 2013 a generation license application shall be submitted for solar energy generation plants which have a total installed capacity of 600 MW. The decision lists the required documents and information for the application and states that generation plants located in specific areas shall not apply for a license (specific areas are stated).

## Infrastructure

### Highway Tolls & Tariffs

The Regulation on the Determination and Application of Toll Tariffs for Highways under the Jurisdiction of the General Directorate of Highways and Access Controlled Highways (numbered 28292 published May 14, 2012) outlines procedures and principles for the calculation of toll tariffs.

## Pharma, Healthcare & Biotechnology

### Amendments to Regulation of Private Hospitals

The Regulation on Private Hospitals (*published in the Official Gazette dated March 27, 2002 and numbered 24708*) was amended by the Ministry of Health on May 27, 2012 to include Foundation Universities with the main features considered on a broad basis.

### Amendment to Pharmacists and Pharmacies Law

The Pharmacist and Pharmacies Law and Narcotic Drug Control Law (published in the Official Gazette on December 18, 1953 numbered 6197) was amended on May 17, 2012 (as announced in the Official Gazette May 31, 2012) to widen the procedures and principles for opening a pharmacy.

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