



## MAIN THEME

### Payment Systems In Turkey

The key payment and securities settlement systems in Turkey are: Electronic Fund Transfer System, Electronic Securities Transfer System, Interbank Clearing House, Interbank Card Center, Istanbul Settlement and Custody Banks Inc. and Central Registry Agency Inc.



## CBRT DEPARTMENTS

### Payment Systems Department

The Central Bank's duties related to the payment system are conducted by the Payment Systems Department founded on November 4, 2013.



## THERMOMETER

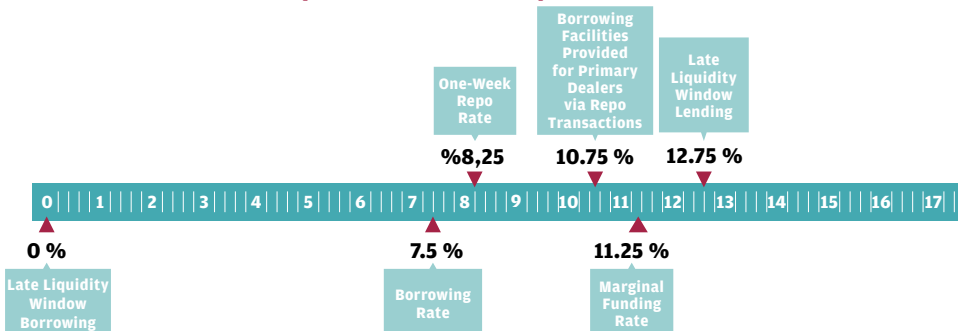
- \*Consumer Loans and Commercial Loans
- \*CBRT FX Reserves

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## CBRT INTEREST RATES (20 NOVEMBER 2014)



## CBRT RESERVES (5 DECEMBER 2014)

### GROSS FX RESERVES

USD 111.700 BILLION

### GOLD

USD 20.186 BILLION

## INFLATION (NOVEMBER 2014)

9.15 %

## MAIN THEME

# Payment Systems in Turkey

The key payment and securities settlement systems in Turkey are: Electronic Fund Transfer System, Electronic Securities Transfer System, Interbank Clearing House, Interbank Card Center, Istanbul Settlement and Custody Banks Inc. and Central Registry Agency Inc.

### Electronic Fund Transfer System (EFT)

EFT system, which is owned and operated by the CBRT, provides real time transfer and real time gross settlement of Turkish Lira interbank payments in electronic form. In EFT system based on the crediting principle, payment instructions are executed provided that the participant has sufficient balance in EFT system account at the CBRT. Participants are not allowed to have overdrafts. In case there is insufficient balance in the participant's account, the transaction is withheld until there is sufficient balance in the account. At the end of each day, any standing payment instruction that is not executed is cancelled. This means the system does not bear a credit risk that might arise from a participant's failure in fulfilling its liability.

### Electronic Securities Transfer System (EMKT)

EMKT launched by the CBRT in 2000, is a securities settlement system that provides real-time electronic transfer and gross settlement of banks' securities transactions in a dematerialized form.

EMKT covers transactions of government domestic debt securities, liquidity bills and bills issued by other public institutions such as the Privatization Administration and the Public Participation Fund. Transactions are subject to the Delivery versus Payment (DvP) principle. According to this principle, the integrated structure of EFT and EMKT systems performs security and fund transfers' settlement simultaneously. Such transactions bear no credit risk.

### The Auction System:

The CBRT Payment Systems Auction System, which is one of the components of the Payment Systems Infrastructure and owned and operated by the CBRT, was commissioned on 30 September 2012 and is used to transfer newsworthy messages such as general announcements among banks. The System is used by the CBRT for various auction transactions that are open to the banking system as well as for market operations and allows follow-up of offers outside the payment systems.

### Interbank Check Clearing House (BTOM)

The checks clearing system is the system through which checks presented to the branches of several banks are encashed from the accounts at the corresponding banks. Transactions related to this system are carried out by the BTOM under the supervision of the CBRT. The clearing is processed electronically by transmission of all the information about the check. By allowing the circulation of the checks between different banks, BTOM reduces cash transfer movements and related risks. The daily average number of checks cleared through the system was 66,000 in 2014.

By the end of 2014, there were 50 participants within the CBRT Payment Systems, including the CBRT. Between January-November 2014, a total of 241,986,923 payment messages were executed.

### Interbank Card Center (BKM)

BKM was established in 1990 with the partnership of 13 public and private Turkish banks for the purpose of providing solutions to common problems and developing the rules and standards of credit and debit cards in Turkey, within the card payment system. BKM performs its functions within the framework of the Law on Bank Cards and Credit Cards. However, its functions as a payment system have also been included in the scope of the Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, enacted in 2013. The interbank clearing of the debts and credits of the card holders arising from their purchases is carried out within BKM through the domestic clearing and settlement of debit and credit card transactions.

### Istanbul Settlement and Custody Bank Inc. (TAKASBANK)

An important portion of the financial market transactions is performed by financial intermediaries. As financial intermediaries are not classified as banks, they are not members of EFT and EMKT systems run by the CBRT. They can access these systems only indirectly via TakasBank. Hence, TakasBank serves as a bridge between the CBRT and these financial intermediaries.

The securities and bills-bonds buying/selling transactions that take place throughout the day at Borsa Istanbul are settled in TakasBank system and are subjected to multilateral netting at the end of the day. In the multilateral netting process, net debtor and net creditor members are identified for both securities and funds. Net positions obtained after the netting process are closed via TakasBank Electronic Transfer System according to the DvP principle.

### Central Registry Agency (MKK)

MKK is the central securities depository institution responsible for the central custody and dematerialization of capital market instruments, as well as electronically monitoring these instruments and the rights attached to them on an ownership basis. Currently, stocks traded on Borsa Istanbul, exchange traded funds, mutual funds, government domestic debt securities, private sector debt securities, asset backed securities and sukuku are electronically monitored by MKK.

EFT and EMKT in Turkey are based on the real time gross settlement system. The payment and securities settlement systems based on a "Netting" method are TakasBank, BKM and BTOM.

## CBRT DEPARTMENTS

# Payment Systems Department

Law 6493, “The Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions”, gives the Central Bank a variety of duties. These tasks include supervision of all payment and securities settlement systems established or to be established in Turkey, evaluation of activities related to system operation, permit application, and ensuring the smooth and uninterrupted operation of the system. In addition, the Central Bank has been authorized to take over the operation of the system and to apply sanctions on the system operator where necessary.

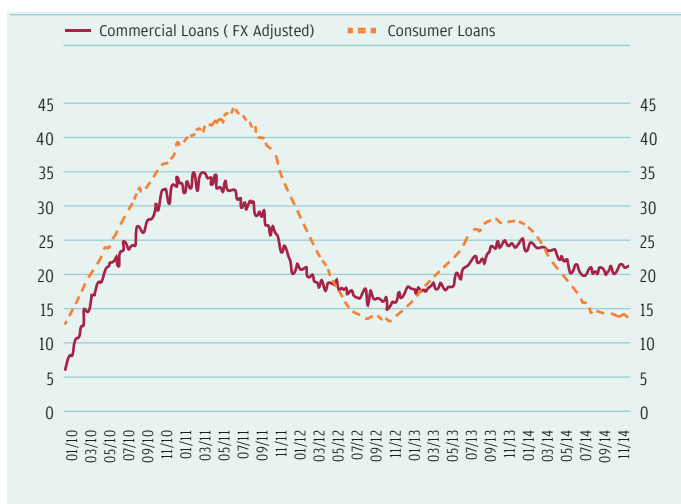
The Central Bank’s duties related to the payment system are conducted by the Payment Systems Department founded on November 4, 2013.

The Payment Systems Department;

- Ensures smooth functioning of financial market infrastructures,
- Monitors and evaluates national, regional and global developments, studies and regulations in the field of payment systems; contributes to related international studies; develops policies for payment and securities settlement systems within and outside the Bank as well as for payment instruments and methods,
- Establishes bank payment systems; operates these systems in an effective and efficient way; ensures improvement of these systems in the framework of pre-determined policies,
- Determines the targets, policies, scope, instruments and methods regarding the oversight of payment and securities settlement systems; carries out oversight activities,
- Coordinates studies on payment and securities settlement systems within and outside the Bank that will be conducted in cooperation with national and international institutions as well as with national and international organizations of which the Bank is a member,
- Makes regulations on payment and securities settlement systems in coordination with relevant units of the Bank within the scope of its duties and powers; contributes to regulations made by other authorities,
- Carries out studies on the alignment of the legislation on payment and securities settlement systems with the EU acquis,
- Conducts studies on duties entrusted to the Bank regarding authorizations for payment and securities settlement systems that will operate in Turkey and measures to be taken when needed as well as authorization for payment and electronic money institutions,
- Follows and assesses the data on payment and securities settlement systems as well as payment instruments and methods; reports these data as a reference for future decisions to be made by the authorized bodies of the Bank,
- Executes transactions to be conducted by the Bank as a SWIFT participant,
- Performs activities regarding the surveillance and notification of assets to be held within the Bank, in the framework of the Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions concerning payment and electronic money institutions,
- Makes recommendations on principles governing the mode of printing checks and determining the amount for which drawee banks are legally responsible for paying per bad check, within the scope of the check legislation and duties entrusted to the Bank,
- Represents the Bank in processing legislative amendments regarding checks and ensures internal coordination to this end,
- Performs the duties assigned to the Bank vis-à-vis the operation of the Interbank Clearing Houses Center,
- Takes part in determining the principles governing cash and on account payments, deposits, remittance and collection transactions to be made in Turkish lira deposit accounts of the Bank, and the principles for interest, commission, fees and expenses to be applied by the Bank to banking transactions in Turkish lira,
- In cases of amendments to be made to Turkish lira deposit accounts in the Instruction on Tariffs, concludes the amendment requests by other departments regarding the issues that fall under their mandate in a coordinated manner, and in the cases where departments make individual amendments to the Instruction on Tariffs, incorporates such amendments into the Instruction following the notification thereof,
- Within the context of duties entrusted to the Bank with regard to the Public Electronic Payment System, Internet Banking System and related systems, ensures coordination with external institutions, carries out administrative affairs and coordinates with relevant departments of the Bank regarding technical aspects,
- Prepares internal regulations and ensures coordination of other procedures to be conducted by the Bank jointly with the compliance officer, within the scope of responsibilities assigned to the Bank with the legislation regarding the prevention of laundering proceeds from crime and financing terrorism,
- Carries out necessary actions within the purview of the duties assigned to the Bank regarding intergovernmental financial protocols or agreements related to loans and grants received by the Government from international financial institutions, member states of the Organization for Economic Co-operation and Development (OECD), from other countries and the European Union as well as project loans borrowed by public institutions under the Government Guarantee,
- Instructs the branches and banks on issues that fall within the scope of its mandate.

## THERMOMETER

## Consumer Loans and Commercial Loans

**CHART 1: CONSUMER LOANS AND COMMERCIAL LOANS\***  
(Year on Year Change, Percent)

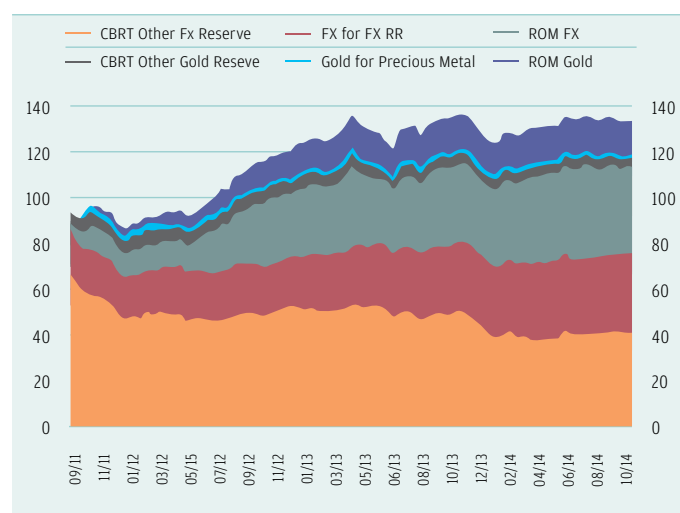
Last Observation: 28 November 2014.

Source: CBRT.

\*Total banking sector (Including participation banks), NPLs Excluded.

The growth rates of consumer and commercial loans have been monitored by the CBRT for any possible effects on price stability and financial stability. The growth rates have been on a downward course since early-2014, due to macroprudential measures adopted by the CBRT and the tight monetary policy stance. Commercial loans grew by 21 percent in November 2014, which remained close to the average growth rate for 2007-2013 of 22 percent. In the same month, consumer loans grew by 14 percent, below the average growth rate of 27 percent for the said 6-year period. In terms of loan trends, the annualized growth rate of consumer loans continues to hover at low levels while commercial loans remain relatively more robust. The robust course of commercial loans underpins production while the relative slowdown in consumer loans point to a controlled demand for consumption. Hence, the relative robustness of the commercial loan growth contains medium-term inflationary pressures while at the same time contributing the improvement in the current account balance.

## CBRT FX Reserves

**CHART 2: CBRT FX RESERVES**  
(Billion USD)

Last Observation: 21 November 2014.

Source: CBRT.

The CBRT, having taken into account both the developments in global markets in the third quarter of 2014 and also the operational processes regarding reserve requirements; have limited the foreign currencies that can be maintained within the context of Reserve Options Mechanism (ROM) to the US dollar only. The limited decline in this period in reserves maintained by banks within the context of FX and gold reserve options was offset by the increase in reserves held for FX reserve requirements.

In order to spur balanced growth, on 20 October 2014, the CBRT raised the limit for export rediscount credits and reduced the cost of these credits. These changes are envisaged to lead to a surge in the utilization of export rediscount credits by exporters and to an increase in the amount contributed from this channel to the CBRT's foreign exchange reserves in year 2015. Nevertheless, the fact that foreign exchange selling auctions will continue in the upcoming period is, on the other hand, expected to decrease the CBRT FX reserves.

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