



# **WHAT CAN THE CBRT LAWYERS LEARN FROM THE CRISIS?**

**K. EDA MEYVECİ ÇELEN**

**Legal Counsel**

**Antalya, November 13, 2014**

## **I. November 2000 and February 2001 Crisis**

- The Transition Programme for Strengthening the Economy
- The amendment of the Law of the Central Bank of the Republic of Turkey (No.1211, enacted in 1970);
- Other structural reforms and legislative changes

## **II. 2008 Global Financial Crisis**

- Institutional Infrastructure

## **III. Conclusion**

## The Transition Programme for Strengthening the Economy

After the financial crises experienced in November 2000 and February 2001, Turkey embarked on a comprehensive structural reform process with the transition programme for strengthening the economy.

## THE AMENDMENT OF THE LAW OF THE CBRT

➤ **determined the primary objective of the Bank as achieving and maintaining price stability**

➤ **granted the Bank's independence**

➤ **established a Monetary Policy Committee**

➤ **established accountability and transparency**

## **The Primary Objective (Article 4 of Law No. 1211)**

The primary objective of the CBRT is to achieve and maintain price stability.

The CBRT supports the growth and employment policies of the Government without prejudice to its primary objective.

## **Monetary Policy Committee (Article 22/A of Law No. 1211)**

- Consists of the Governor, Vice Governors, a Board member and a member appointed by a joint decree on the recommendation of the Governor
- Chaired by the Governor
- Treasury may be represented in the meetings in a non-voting capacity
- Convenes at least once a month

## Duties and Powers of the Monetary Policy Committee

- to determine the principles and strategy of monetary policy in order to achieve and maintain price stability
- to determine the inflation target together with the Government
- to provide information to the public and to the Government by preparing reports regarding monetary policy targets and its implementation
- to take necessary measures to protect the value of Turkish Lira and to establish the exchange rate regime jointly with the Government

## **Institutional Independence**

(Article 4 of Law No.1211)

The Bank shall enjoy absolute autonomy in exercising the powers and carrying out the duties granted by this Law under its own responsibility.

## **Operational Independence (Article 4 of Law No. 1211)**

- The Bank shall determine the monetary policy and the monetary policy instruments that it is going to use on its own discretion.
- The Bank shall be the ultimate body authorized and responsible to implement monetary policy.
- The Bank shall be authorized to take precautions for enhancing the stability in the financial system, and to take regulatory measures with respect to money and foreign exchange markets.

## **Financial Independence (Article 56 of Law No. 1211)**

The CBRT may not grant advance and extend credit to the Treasury and to public establishments and institutions and may not purchase debt instruments issued by the Treasury and public establishments and institutions in the primary market.

## **Personal Independence (Article 29 of Law No. 1211)**

Vice Governors shall be appointed for a period of five years.

Vice Governors may be reappointed upon the expiration of this term.

## The Amended Articles of Law No.1211 about CBRT's Independence

### Institutional Independence

- **Article 4** "The Bank shall enjoy absolute autonomy in exercising the powers and carrying out the duties granted by this Law under its own responsibility."

### Operational Independence

- **Article 4/first paragraph** "The Bank shall determine on its own discretion the monetary policy that it shall implement and the monetary policy instruments that it is going to use in order to maintain price stability."
- **Article 4/II-b** "The Bank shall be exclusively authorized and responsible in the implementation of the monetary policy."
- **Article 4/II-c** "The Bank shall, with the objective to maintain price stability, be authorized to use the monetary policy instruments described in this Law and to directly determine and implement other monetary policy instruments that it deems appropriate as well."
- **Article 4/I-g** "The fundamental duties of the Bank shall be ... to take precautions for enhancing the stability in the financial system and to take regulatory measures with respect to money and foreign exchange markets."

### Personal Independence

- **Article 29** "Vice Governors shall be appointed by a joint decree for a period of five years on the recommendation of the Governor from among persons who have received a bachelors or a masters degree and have adequate knowledge and experience either in one of the fields of law, public finance, economics, business administration, banking, finance, engineering, public administration, political science, international relations and statistics or in faculties of economics and administrative sciences, and who have worked in their professions for at least ten years. The first paragraph of Article 27 and second paragraph of Article 28 shall also be applicable to Vice Governors."

### Financial Independence

- **Article 56** "The Bank may not, grant advance and extend credit to the Treasury and to public establishments and institutions, and may not purchase debt instruments issued by the Treasury and public establishments and institutions in the primary market."

## **Accountability and Transparency (Article 22/A)**

The Monetary Policy Committee shall determine the issues that it shall announce, together with the procedure of their announcement.

## **Accountability and Transparency (Article 42/paragraph 2)**

The Bank may have the balance sheet and the income statements audited by independent auditing institutions.

## **Accountability and Transparency (Article 42/paragraph 3)**

The Governor shall submit a report to the Council of Ministers on the activities of the Bank and the monetary policy followed and to be followed, each year in April and October. The Bank shall furnish information regarding its operations to the Planning and Budget Commission of the Grand National Assembly of Turkey twice a year.

## **Accountability and Transparency (Article 42/paragraph 4)**

The Bank shall prepare periodical reports concerning monetary policy targets and implementations and disclose these information to public. In what periods of the reports shall be prepared and the scope and disclosure procedure of the reports shall be determined by the Bank. In the event of incapability to achieve the determined targets in due time published or of the occurrence of the possibility of not achieving them, the Bank shall submit information to the Government in writing and inform the public disclosing the reasons and the measures to be taken thereof.

## **The Banking Law**

**(No. 5411, enacted in 2005)**

- embraced a new financial structure for ensuring financial stability, improving the sector, strengthening the regulation, surveillance and supervision framework, protecting the rights and interests of depositors, and strengthening the institutional capacity
- expanded the supervision mandate of Banking Regulation and Supervision Agency
- made the regulation process more transparent and strengthened the supervision system

- Pursuant to the Law on Currency Unit of the State of Turkish Republic No. 5083 dated January 31, 2004, New Turkish Lira banknote and coins are put into circulation on January 01, 2005.
- Law on Public Finance and Debt Management was issued on March 28, 2002 with the aim to effectively manage and monitor public internal and external debt with this Law.
- Public Procurement Law was put into force in January 1st, 2003.
- The Law on Obtaining Information entered into force in 2003.
- The Law on Public Finance Administration and Control entered into force in 2003.
- Act on Application Procedures and Ethical Duty for Public Sector Officials and Managers was entered into force as of May 25, 2004.
- Public Officers Ethical Board was established in 2004 by the Law No. 5176 in order to determine and monitor the implementation of ethical behaviourur principles to be obeyed by public officers.
- In 2004, Electronic Signature Law comprising the legal structure of electronic signature, activities of electronic certificate service providers and operations relating to the use of electronic signature in all fields was entered into force.

### In 2000's, Autonomous Regulatory and Supervisory Agencies (Boards) were established:

- The Banking Regulation and Supervision Agency (BRSA)
- Competition Authority
- Energy Market Regulatory Authority
- Public Procurement Authority
- Sugar Authority
- Information and Communication Technologies Authority
- Tobacco and Alcohol Market Regulatory Authority
- Corporate structure of the Savings Deposit Insurance Fund (SDIF) of which management and presentation is performed by the BRSA was changed.

### **Systemic Risk Coordination Committee**

(Banking Law No.5411, Art. 72)

### **Financial Sector Commission**

(Banking Law No.5411, Art. 99)

## Institutional Infrastructure

**Financial  
Stability  
Committee**

**Systemic Risk  
Evaluation  
Group**

**Financial  
Sector  
Commission**

## **As a conclusion:**

- Establishing sound legal infrastructure
- Establishing new institutional infrastructure

***THANK YOU FOR YOUR ATTENTION!***