IV. Steps Taken Towards Financial Stability[6]

Since the last Report, one of the most important developments with respect to financial stability has been the excessive fluctuations in international financial markets from May 2013 onwards. This chapter discusses the arrangements introduced by the CBRT and the BRSA as well as the policies that the CBRT has implemented since May 2013.

The arrangements and policy implementations put into effect to achieve financial stability can be summarized under three headings:

1. Increasing domestic savings as a healthy and realiable source for financing stable economic growth in the medium and long terms.
2. Putting into practice the structural reforms that are necessary for increasing the financial sector's strength against prospective shocks.
3. Implementing the necessary monetary policy and macroprudential policies to mitigate the adverse effects of cyclical developments that could jeopardize financial stability.

IV.1. CBRT Implementations

Fluctuations in Financial Markets and the Monetary Policy

In the second half of 2013, one of the primary objectives of the CBRT was to increase the financial system's strength in the face of global financial developments. The uncertainty atmosphere triggered by the first signals that the FED might reduce asset purchases became a tough test for developing countries with respect to the soundness of their financial systems and the functionality of their macroprudential policy tool sets. In this process, the significant rise in sovereign risks, excessive volatility in exchange rates and interest rates, loss of debt in bonds and bills market were listed as factors that could trigger macrofinancial risks.

In this period, the CBRT effectively used monetary policy instruments (liquidity management, interest rate corridor and foreign exchange selling auctions) against foreign exchange and interest rate volatility that could threaten financial stability because of their direct and indirect effects on the balance sheets of banks and firms. On 11 June 2013, the CBRT announced that it would implement additional monetary tightening by reducing the amount of liquidity provided to the market at the policy rate temporarily below the lower bound announced for normal days. The Central Bank also announced that it might hold unsterilized intraday foreign exchange selling auctions or foreign exchange interventions to

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support additional monetary tightening when deemed necessary. Accordingly, on 11 June 2013, the CBRT started to hold intraday foreign exchange selling auctions with a daily auction amount of USD 50 million. On 24 June 2013, the Bank announced that an intraday foreign exchange selling auction would be held on the days with regular funding and stated that the auction amount would be minimum USD 150 million. The foreign exchange selling auction amount was decreased to USD 50 million with the Press Release dated 2 July 2013.

In its July meeting, the Monetary Policy Committee decided to raise the upper bound of the interest rate corridor by 75 basis points. Moreover, it was annnounced that to support the effectiveness of the corridor, there would be no funding to banks via the primary dealer repo facility on additional monetary tightening days. The Monetary Policy Committee raised the interest rate corridor by 50 basis points in its August meeting. As of end-August, the CBRT has taken steps towards increasing the predictability of its liquidity policy to curb the excessive volatility in domestic interest rates on the back of the US economic data.

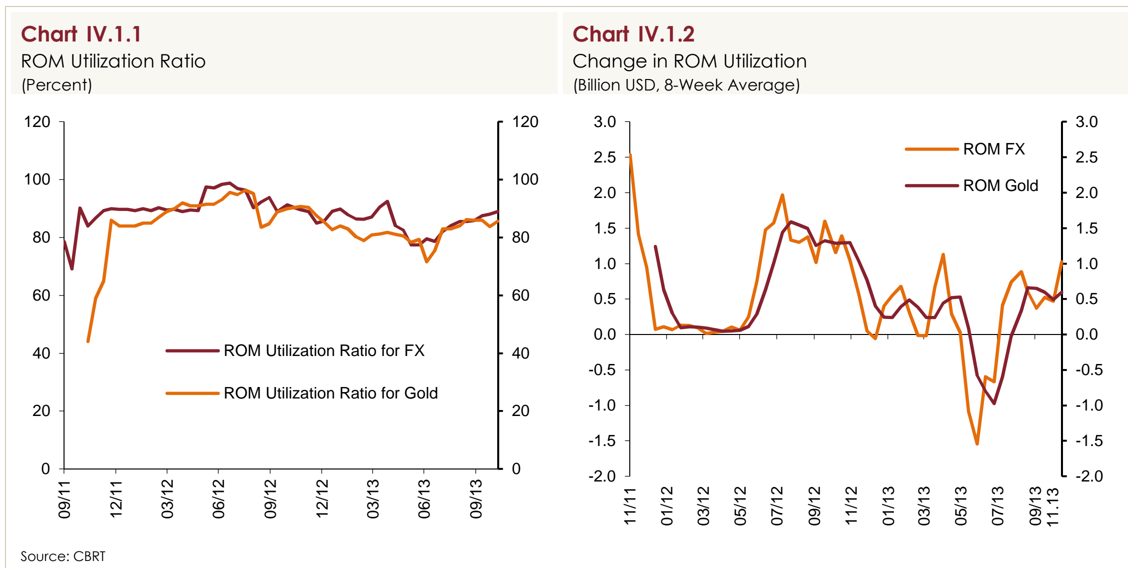
The Monetary Policy Committee kept the interest rates constant at its September meeting. Moreover, on 20 September 2013, the intraday foreign exchange selling auction amount was decreased to minimum USD 20 million. In the October and November MPC meetings, interest rates and foreign exchange selling auctions remained unchanged. However, in line with the decision about enhancing the predictability of interest rates, the one-month repo auctions were terminated in November and it was stated that the interbank money market rates would materialize around 7.75 percent.

Despite the deterioration in sovereign risk perceptions after May 2013, banks did not have any difficulty in rolling over their foreign debts. In a period when foreign investors were trying to decrease their assets denominated in Turkish liras, institutions' demands for foreign exchange (Turkish lira equivalent) that depend on payments in foreign exchange exerted a measured pressure on exchange rates. The CBRT curbed excessive volatility in exchange rates via foreign exchange selling auctions. Meanwhile, the change in the composition of Turkish lira liquidity along with the increase in the effectiveness of the interest rate corridor via extending upward limited the speculative demand for U.S. dollars.

In this process, households became one of the most important economic units. Despite excessive volatility in Turkish lira, only a small portion of household savings was transferred to foreign exchange deposits which was a favorable development for the banking sector. The stability in households' saving preferences can be attributed to the policies implemented as well as to the effective communication strategy.

In September, the steps taken towards enhancing the predictability of interest rates and liquidity were successful in bringing relative stability to market interest rates that displayed excessive volatility upon the announcement of U.S. data. As a result of the policies enhancing predictability, the transaction volume at the GDDS market started to gradually increase.

The utilization of the Reserve Options Mechanism (ROM) facility, which was designed by the CBRT as an automatic stabilizer, significantly changed in the May-June period. In this period, banks met their short-term foreign exchange liquidity needs from the ROM facility, as anticipated. In this period, the ROM facility contributed to alleviating the pressure on exchange rates. However, as banks did not have any problems in rolling over their foreign debts in the second half of the year, no significant change was observed in ROM utilization in this period (Chart IV.1.1, Chart IV.1.2).

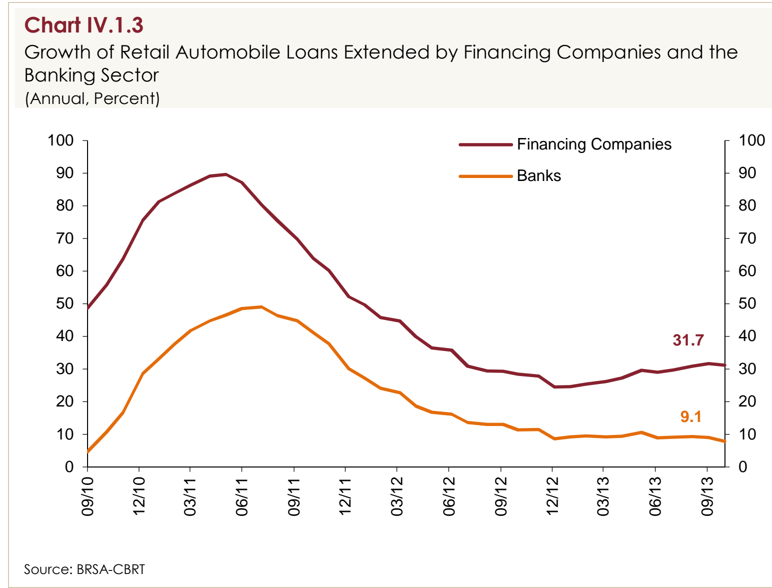


The Inclusion of Financing Companies in the Reserve Requirements Coverage

According to the "Financial Leasing, Factoring and Financing Companies Law" and related legislation, a financing company is defined as "a company granting loan for each sort of goods and service receiving by making payment directly to the seller by delivering or providing service in the name and account of the real person or legal entity purchasing the good or the service". The financing companies are specifically important because of the high amount of automobile loans that they provide, and it was previously announced that the non-bank financial institutions were monitored with respect to financial stability and could be included in the scope of reserve requirements implementation if deemed necessary.

In June 2013, there were thirteen financing companies in the sector that recorded an annual growth of 31.3 percent when the balance sheet size of the sector was TL 13,2 billion. By the same date, loans accounted for 91 percent of total assets; domestic and external loans accounted for 73.7 percent and securities issued accounted for 12.3 percent of total liabilities. The majority of the loans extended by financing companies, which recorded a year-on-year growth of 29 percent by June 2013, is composed of automobile loans. Retail automobile loans, which account for almost half of the total automobile loans, increased by 32 percent compared to the same period last year (Chart IV.1.3).

Chart IV.1.3
Growth of Retail Automobile Loans Extended by Financing Companies and the Banking Sector
(Annual, Percent)



Source: BRSA-CBRT

With the Communiqué on Reserve Requirements No. 2013/13 that became efffective as of the calculation period dated 6 December 2013, financing companies were included in the reserve requirements coverage taking into account the recent rise in credit volume and the credit growth, especially the higher-than-banking sector in retail automobile loans, and with a view to preventing unfair competition and ensuring a sound monitoring of the credit channels of the non-bank sector as a requisite of financial stability. With the Communiqué No.2013/14, the Reserve Options Mechanism facility that allowed banks to keep their Turkish lira required reserves in foreign exchange or in gold became applicable to financing companies as well and financing companies' liabilities dated before 4 October 2013 were excluded from reserve requirements implementation until the end of their maturity.

External loans, which account for approximately 59 percent of total liabilities, securities issued and quasi-capital debts that were not covered in equity capital calculation, stand as the main financing source of the loans extended by financing companies, were included in the reserve requirement coverage; however, domestic loans were not included in the reserve requirement coverage as was the case for banks as these

loans are extended by banks. Inclusion of financing companies in the reserve requirements coverage is expected to support financial stability.

Eased Conditions for Export Rediscount Credits and Their Impacts

Foreign exchange reserves are one of the main instruments that the central banks use to curb the impacts of excessive volatility in capital inflows on local currencies. Actually, in the second half of 2013, when risk appetite in international finance markets fell, the CBRT, like most of the developing countries' central banks, also opted for selling foreign exchange to the market. Via export rediscount credits, the CBRT on the one hand supports exporters who increase the foreign exchange income of the country, on the other hand it increases foreign exchange reserves that provide an important support to macroeconomic policy in volatility periods. The fortcoming part explains the operation principles of export rediscount credits as well as the effects of the amendments made to the regulation governing the implementation.

In the scope of Article 45 of the Central Bank Law, for the financing of their receivables from forward sales or the exports they undertake, exporters can obtain rediscount credits in Turkish lira with a maturity of maximum 240 days, via presenting foreign exchange bills for rediscount. The return on bills is received in foreign exchange on the date of maturity.

While the use of these credits with quite reasonable interest rates based on LIBOR/EURIBOR interest rates and long-term maturities reduces financing costs for exporters, the rise in the number and the enriched sectoral and regional distribution of beneficiary firms contribute to the expansion of Turkey's export markets and to the rebalancing in foreign trade.

Taking into account the contribution of export rediscount credits to the decrease in the current account deficit and the increase in the CBRT's foreign exchange reserves, the credit limits which were set as USD 6 billion on 4 December 2012 were increased to USD 12 billion on 15 August 2013; out of this total limit, USD 11 billion were allocated to Export Credit Bank of Turkey, Inc. (Türk Eximbank) for the financing of preshipment and postshipment export and USD 1 billion to other commercial banks for the financing of post shipment export.

The changes made in export rediscount credits' regulations in August and November 2013 are as follows:

• The maximum maturity of bills to be accepted for rediscount was extended from 120 days to 240 days.

•The credit limit for foreign trade capital companies was increased from USD 120 million to USD 240 million; the limit for other types of companies was raised from USD 90 million to USD 180 million; moreover, the entire limit can be used for credit applications with a maturity up to 120 days and a maximum 50 percent of the limit can be used for credit applications with a maturity of 121-240 days.

• The interest rate to be applied to export rediscount credits with a maximum maturity of 120 days is the monhtly LIBOR or EURIBOR interest rate, and the interest rate to be applied to export rediscount credits with a maturity of 121-240 days is the 6-month LIBOR or EURIBOR rate plus 20 basis points.

• In order to decrease the credit costs of exporters, the CBRT has started to accept bills with two signatures provided that a transferable letter of credit is submitted instead of the third signature by a commercial bank as a guarantee.

As a result of these changes, costs were decreased, maturities were extended and limits were raised making export rediscount credits more attractive for companies. The number of companies that applied for these credits and thus the contribution of these credits to CBRT reserves have increased significantly.

As a consequence of eased credit conditions, the amount of export rediscount credits, which was USD 3.1 billion in 2011, became USD 10.5 billion in 2012. By 31 October 2013, the total amount of export rediscount credits extended was USD 12.2 billlion and the outstanding balance was USD 6.1 billion (Table IV.1.1, Chart IV.1.4). In 2013, 80 percent of all export rediscount credits were in U.S. dollars and 20 percent was in euros.

Table IV.1.1
Export Rediscount Credits

	2009	2010	2011	2012	2013[1]
Credit Amount (Million USD, Flow)	1.365	1.227	3.082	10.486	12.248
Outstanding Balance (Million USD, Stock)	325	449	1.612	3.802	6.108
Number of Beneficiary Firms	176	103	281	711	784
Number of Loans	559	416	1.107	4.014	4.922

(1) By 31 October 2013.
Source: CBRT

Between 26 August 2013, when credits with a maturity longer than 120 days first started to be extended, and 31 October 2013, USD 3.7 billion of export rediscount credits were extended. Of this total amount, USD 1.1 billion (29 percent) was extended with a maturity of 0-120 days, while USD 2.6 billion (71 percent) was extended with a maturity of 121-240 days. By 31 October 2013, 43 percent of the outstanding balance of export

rediscount credits accounted for credits with a long-term maturity (121-240 days) and 57 percent accounted for short-term credits (0-120 days).

In 2013, export rediscount credits were extended predominantly to finance the exports of basic metal industry, textile industry, electrical machinery and equipment industry products (Chart IV.1.5).

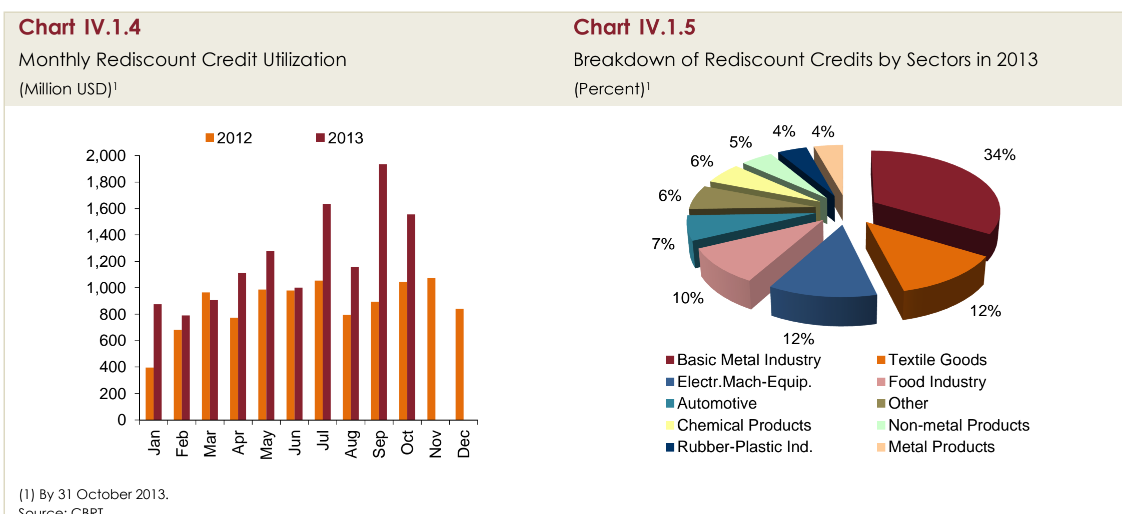


Chart IV.1.4
Monthly Rediscount Credit Utilization
(Million USD)[1]

Chart IV.1.5
Breakdown of Rediscount Credits by Sectors in 2013
(Percent)[1]

(1) By 31 October 2013.
Source: CBRT

Export rediscount credits, which are extended in Turkish liras and collected in foreign exchange, contributed to the CBRT net foreign exchange reserves by USD 8.3 billion in 2012. This contribution is expected to reach USD 13 billion in 2013 (Chart IV.1.6). Of this amount, USD 9.9 billion was already registered in CBRT reserves between 1 January 2013 – 31 October 2013.

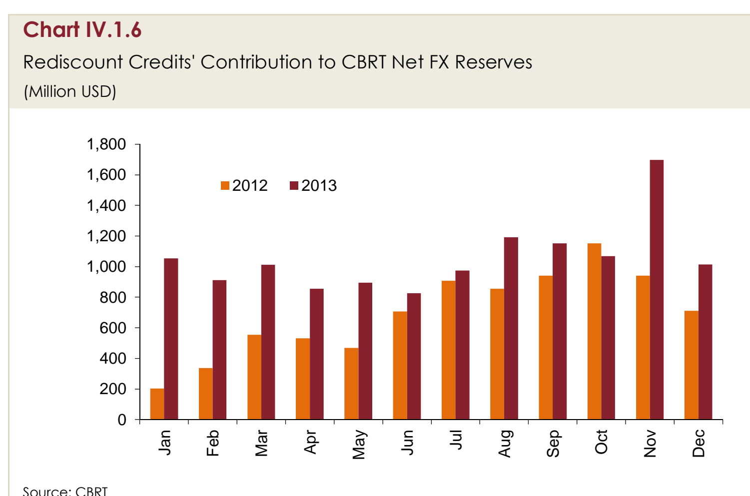


Chart IV.1.6
Rediscount Credits' Contribution to CBRT Net FX Reserves
(Million USD)

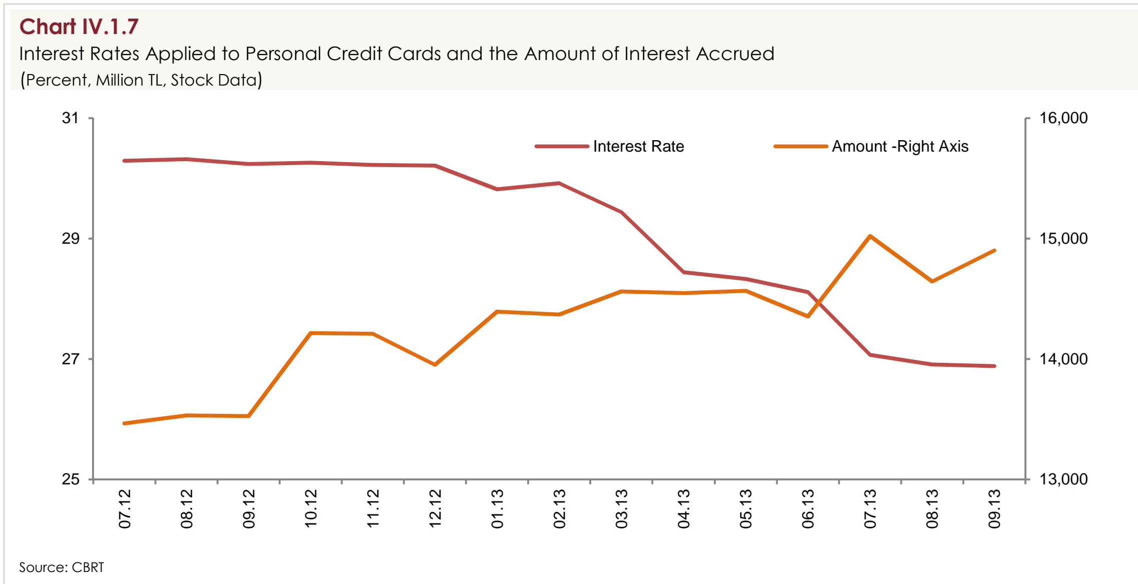
Source: CBRT

Arrangements on Maximum Interest Rates to be Applied to Corporate Credit Cards and Deposit Accounts with Overdraft Facility

Article 26 of the Bank Cards and Credit Cards Law No. 5464, which took effect after it was published in Official Gazette No. 26095 dated 1 March 2006, stipulates that the maximum contractual and overdue interest rates to be applied to credit cards shall be determined by the CBRT and the rates determined shall be published once every 3 months.

The CBRT Communiqué No. 2013/11 on the Amendment to the Communiqué on Maximum Interest Rates to be Applied to Credit Card Transactions, which is still in force, stipulates that the monthly maximum contractual interest rate and monthly maximum overdue interest rate to be applied to credit card transactions in Turkish lira shall be 2.02 percent and 2.52 percent, respectively. Therefore, the maximum monthly interest rates applied to credit card transactions decreased from 5.75 percent in 2006 to 2.02 percent in 2014. Meanwhile, the annual interest rate for credit cards decreased to 26 percent in October 2013 (Chart IV.1.7).

Chart IV.1.7
Interest Rates Applied to Personal Credit Cards and the Amount of Interest Accrued
(Percent, Million TL, Stock Data)



Source: CBRT

An Overdraft Account (ODA), which is a type of credit that is linked to the account holder's demand deposit account, allows the account holder to draw money or make payments from the account even if the account has an insufficient balance. Having a demand deposit account at a bank is adequate for opening an ODA. While opening a bank account, the client is asked to sign a contract on basic banking services that allows cross-selling. When an ODA is opened, a credit limit is allocated to the account holder and this limit is generally calculated proportionate to the account holder's documented income. For ODAs, interest is accrued during the period of credit utilization, which means the interest

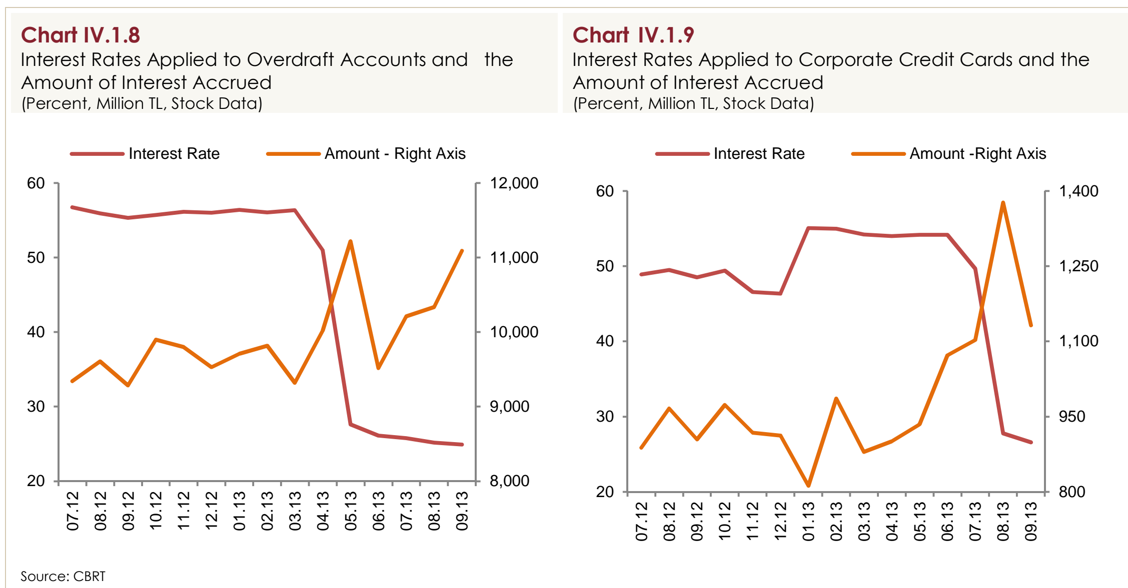
is accrued between the date the account falls below the sufficient balance and the day the account is rebalanced. Currently, the ODA is mostly used via debit cards.

The primary reason for the ODA demand was mainly for emergency cash needs and the interest rates accrued on ODA transactions were quite high. The CBRT concluded that it was necessary to determine the maximum contractual and overdue interest rates to be applied to an ODA in order to support financial stability and reinforce the monetary transmission mechanism. In this regard, the CBRT Communique No. 2006/1 was amended and contractual and overdue interest rates on overdraft deposit accounts became subject to the upper limits of contractual and overdue monthly interest rates on credit card transactions. The regulation became effective as of 27 May 2013.

After the regulation, the interest rates on ODAs, which was 51 percent in April 2013, became 27.6 percent in May 2013, and 24.9 percent in September 2013. The amount of ODA utilization increased from TL 10 billion in April 2013 to TL 11.1 billion in September 2013 (Chart IV.1.8).

Chart IV.1.8
Interest Rates Applied to Overdraft Accounts and the Amount of Interest Accrued
(Percent, Million TL, Stock Data)

Chart IV.1.9
Interest Rates Applied to Corporate Credit Cards and the Amount of Interest Accrued
(Percent, Million TL, Stock Data)



Source: CBRT

Another area in which the CBRT introduced arrangements was **the corporate credit cards**. The interest rates applied to corporate credit cards used by tradesmen were significantly higher than the interest rates applied to similar instruments. An amendment was made to authorize the CBRT to determine and announce the maximum contractual and overdue interest rates to be applied to corporate credit cards in addition to the personal credit cards.

The Law No. 6495 dated 2 August 2013 amending Law No. 5464 expanded the CBRT's scope of duty to include corporate credit cards. Accordingly, the CBRT has started to

determine and announce the maximum contractual and overdue interest rates to be applied to corporate credit cards in addition to personal credit cards. The CBRT Communiqué No. 2013/10 on the Amendment to the Communiqué on Maximum Interest Rates to be Applied to Credit Card Transactions, which was promulgated in the Official Gazette No.28727 dated 3 August 2013, stipulates that as of 5 August 2013, the monthly maximum contractual and overdue interest rates to be applied by banks to corporate credit card transactions shall not exceed the maximum rates applied to personal credit card transactions.

After these regulations, interest rates applied to corporate credit cards, which was 49.6 percent in July 2013, fell to 27.8 percent in August 2013. The amount of corporate credit card transactions, which was TL 1.1 billion in July 2013, remained the same in September 2013 (Chart IV.1.9).

IV.2. Arrangements Made by the BRSA

In the aftermath of the global financial crisis, the Basel Committee on Banking Supervision recommended a set of reform measures to strengthen the banking sector. These measures, which are also known as the Basel III accords, can be roughly summarized as raising the quality and quantity of capital, enhancing risk coverage, establishing a leverage ratio, establishing a capital adequacy framework according to economic cycles and financial indicators and an developing an international framework for liquidity risk measurement, standards and monitoring.

The Basel Committee member states, including Turkey, have decided to phase-in the Basel III accords between 2013 and 2019. In Turkey, the BRSA has issued the following regulations within the framework of the harmonization process for Basel III:

• "The Regulation on Measurement and Assessment of Leverage Level"

• "The Regulation on Capital Conservation and Countercyclical Capital Buffers"

• "The Regulation on Own Funds of Banks"

• "The Regulation Amending the Regulation on Measurement and Assessment of Banks' Capital Adequacy"

The CBRT greets the above regulations favorably as they are expected to contribute to taking under control the risks driven by excessive borrowing and cyclical movements.

The Regulation on Measurement and Assessment Evaluation of Leverage Level was promulgated in the Official Gazette No.28812 dated 5 November 2013 and will take effect as of 1 January 2014. The objective of this Regulation is to help banks operate more effectively and efficiently and to curb bank indebtedness and, thus, banks' risk exposure. The leverage ratios shall be calculated by dividing the banks' tier I capital by the total risk amount. The leverage ratios shall be calculated on a solo and consolidated basis, and the quarterly simple arithmetic average of the ratio shall be equal to and maintained at minimum 3 percent as of 1 January 2015.

The Regulation on Capital Conservation and Countercyclical Capital Buffers, which was published in the same issue of the Official Gazette, will take effect as of 1 January 2014. The Regulation sets forth the principles and procedures regarding the calculation of the additional common equity tier 1 capital amount that the banks are expected to keep as a capital conservation buffer and counter-cyclical capital buffer. The Regulation also establishes the procedures to be followed and measures to be taken in case of a deficiency in the additional common equity tier 1 capital. In this scope, the capital conservation buffer (CCB) is defined as the additional common equity tier 1 capital amount that the banks are expected to keep to avoid any deficiency in their own funds, in case of prospective losses that may stem from a deterioration in economic and financial indicators, compared to the levels stipulated in regulations on capital adequacy. The bank-specific counter-cyclical capital buffer (BSCCB) is defined as the additional common equity tier 1 capital amount that the banks are expected to keep to avoid any deficiency in their own funds -at times of credit expansion levels so high that they might increase the financial sector's riskiness- compared to the levels stipulated in regulations regarding capital adequacy.

The banks' additional common equity tier 1 capital amount is calculated by dividing the sum of bank specific counter-cyclical capital buffer and the capital conservation buffer by the amount of risk-weighted assets. The BSCCB ratios will be calculated by the banks considering their credit portfolio breakdown by countries; and the cyclical buffer ratio to be used in these calculations for Turkey will be determined by the BRSA. At the end of the gradual transition period in 2019, the CCB ratio will be 2.5 percent. Hence, these buffers are not minimum required ratios; their aim is to help banks reach to the level of capital foreseen by imposing certain restrictions on profit distribution in case of inadequacy.

The principles and procedures on calculating own funds and consolidated own funds amounts to be used in calculating the restrictions binding on banks, and the standard ratios have been specified in the Regulation on Own Funs of Banks that was promulgated in Official Gazette No.28753 dated 5 September 2013. The arrangements stipulated in the Regulation will be enacted on 1 January 2014. Accordingly, the banks' equity capital will be calculated by making deductions based on "principles on deductions from equity capital

components" from the sum of tier 1 capital and supplementary capital, while tier 1 capital will be the sum of common equity tier 1 capital plus the additional tier 1 capital. The Regulation introduces tighter rules for the borrowing instruments that will be included in the supplementary capital and changes the principles governing the inclusion of minority shares and the shares of third parties in calculating consolidated own funds. It also introduces a facility so that the borrowing instruments to take place in additional tier I capital and supplementary capital can be deleted from the records in case the bank's capital adequacy ratio falls below a determined threshold with the aim of recovering the losses, or making the borrowing instruments transformable to a stock.

The Regulation Amending the Regulation on Measurement and Assessment of Banks' Capital Adequacy, which was promulgated in the same Official Gazette, will take effect on 1 January 2014. With the new arrangement, new ratios have been defined that make up the sub-items of the minimum capital adequacy ratio that is currently at 8 percent. Some new definitions have been added to the Regulation, such as Tier 1 capital, the Tier I capital adequacy standard ratio, common equity, the common equity tier 1 capital adequacy ratio, consolidated tier 1 capital and the consolidated capital adequacy ratio. Moreover, the minimum common equity tier 1 capital adequacy standard ratio and the minimum tier I capital adequacy standard ratio to be calculated on a consolidated and non-consolidated basis and to be attained and maintained by the banks was set as 4.5 percent and 6 percent, respectively. Meanwhile, regarding classification of risks, the excess taxes paid are recorded as current tax assets and listed under risk classification "receivables from the central government".

In the 10th Development Plan spanning 2014-2018, which was promulgated in the repeated issue of Official Gazette No.28699 dated 6 July 2013, the three important pillars of achieving high and sustainable growth were defined as increasing domestic savings, directing increased domestic savings to productive investments and decreasing resource waste. In this framework, the BRSA has introduced regulations on credit cards, loan provisions and techniques for credit risk mitigation, and changed the related risk weights in capital adequacy to keep the rise in consumer loans under control via macroprudential measures, diversify credit costs and increase the share of commercial loans in total loans by other measures taken.

The Regulation Amending the Regulation on Bank Cards and Credit Cards was published in the repeated issue of Official Gazette No.28789 dated 8 October 2013. The Regulation stipulates that the total credit card limit of a first time-credit card-holder for all credit cards issued by several issuers shall not exceed two folds of the average annual income of the credit card holder for the first year, and four folds of his income in the second year. In case the monthly or annual average income of a real first- time credit card holder

cannot be determined, the total credit card limit of this real person's all credit cards from several issuers shall not exceed TL 1,000. Concurrently, the Regulation stipulates that in case the total credit card limit of a credit card-holder's credit cards from several issuers exceeds four folds of the income of the card holder, the limits of the credit cards shall not be raised.

The minimum payment ratio for credit cards was increased from 25 percent of the total debt in the billing cycle to 30 percent for credit cards with a maximum limit of TL 15,000, from 30 percent to 35 percent for those with a maximum limit of TL 15,000-20,000 and to 40 percent for credit cards with a limit of TL 20,000 and more. However, a derogation was cited in the amending Regulation, and accordingly, from 1 January 2014 till 1 January 2015, the minimum payment ratios of credit cards with maximum limits of TL 15,000 and TL 15,000-20,000 will be 27 percent and 32 percent, respectively.

Excluding limits up to TL 1,000, the monthly or annual average income will be determined based on the income sources documented or stated by the card holder and approved by the issuer. The credit card issuer's approval will be based on the evaluation of the documents and statements regarding the credit card holder's credit repayment performance, assets and liabilities, social status, level of education, age and other necessary information.

The Regulation stipulates that if the minimum payment of a credit card is not paid three times in a calendar year, the card shall be closed to cash advances and if the balance is not paid in three consecutive months, the card shall be closed to cash advances and shopping. The credit card shall be kept closed and its limit shall not be raised, until the entire balance is paid off.

Another arrangement introduced in the 10th Development Plan is the amendments made to the Regulation on the Principles and Procedures for the Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be Set Aside(Regulation on Provisions) that took effect after publication in Official Gazette No.28789 dated 8 October 2013. Accordingly, the scope of the incremental provision ratios, which are applied to consumer loans -excluding automobile and housing loans- extended by banks with a consumer loans / total loans ratio above 20 percent, has been extended to cover automobile loans; and this ratio was increased from 20 percent to 25 percent. Moreover, the consumer loan definition in the Regulation has been extended to cover overdraft deposit accounts that allow real persons to avail credit via their savings accounts, and credits extended to credit card holders as cash advances or payment for goods and services; these types of credits were not previously covered by the consumer loan definition. Finally, the general provision ratios are set as 0 percent for the first group cash and non-cash

export credits; 0.5 percent for cash credits and 0.1 percent for non-cash credits extended to SMEs.

With "The Regulation Amending the Regulation on Measurement and Assessment of Banks' Capital Adequacy", which took effect upon promulgation in the same issue of the Official Gazette, the risk weights of receivables from credit cards and long-term automobile loans that were used in calculating capital adequacy ratios were increased.

The risk weights for credit cards have been changed as follows: the risk weight on installments with a remaining maturity of 1-6 months for credits extended via credit cards as cash advances or payments for goods and services was increased from 75 percent to 100 percent; the risk weight on installments with a remaining maturity of 6-12 months was raised from 150 percent to 200 percent and the risk weight on installments with a remaining maturity longer than 12 months was increased from 200 percent to 250 percent.

For automobile loans, the risk weight for the amount of installments with a remaining maturity longer than 1 year, which was 75 percent, was defined as follows: 150 percent for those with a remaining maturity of 1-2 years and 200 percent for those with a remaining maturity longer than 2 years.

Consequently, the "Regulation Amending the Regulation on Credit Risk Mitigation Techniques" was announced in the same issue of the Official Gazette and went into force. The amendment stipulates that the export credit insurance contracts issued by the Export Credit Bank of Turkey, Inc. (Türk Eximbank) can be used in credit risk mitigation techniques as "other funded credit conservations" provided that they are pledged with the credit issuer bank, and the contracts included in other funded credit conservations shall be deemed like the warranties granted by the Central Government of the Turkish Republic provided that they qualify for the condition.