I. Overview

Global economic activity moved onto a recovery trend as of the second half of 2020 on the back of the gradual easing of worldwide lockdown measures against the coronavirus pandemic, the supportive economic and financial measures introduced during the pandemic period of which the majority are still in effect, and the vaccine developments in the consequent period. Accordingly, emerging market economies (EMEs) have seen portfolio inflows to their equity and bond markets since October 2020, though with the latter displaying fluctuations from time to time. Stock exchanges of advanced economies and EMEs, particularly those of Turkey and peer countries, have performed positively since May 2020 when quarantine measures started to be eased. On the other hand, the indebtedness of corporate and public sectors that increased further from its already high levels due to the pandemic and the related financial support schemes stood out as a vulnerability factor in both advanced economies and EMEs. The duration of measures, the timing of the unwinding of measures as well as the management of the trade-offs that this process will trigger, and the divergences across countries regarding the vaccination rollout will have a decisive effect on the global growth outlook. In the period ahead, divergences across countries in terms of economic growth and uncertainties regarding the monetary policies of advanced economies may lead to a volatility in capital flows to EMEs.

Domestic economic activity registered a strong recovery starting from the third quarter of 2020, which was more pronounced in domestic demand. The acceleration in loans pushed up imports through the domestic demand channel. Meanwhile, the upward trend in exports observed in the second half of 2020 continued into the January-April 2021 period as the global growth outlook improved gradually and the pandemic restrictions in European countries including our major trade partners remained mainly limited to the services sector. Despite the strong course of industrial production, the persistent spread of the pandemic weighs on the recovery in the services sector, particularly in tourism. Besides the strong domestic demand, the rise in import prices also affects the external balance unfavorably. However, the strong upward trend in exports, the significant fall in gold imports and the slowdown in credits amid the tightening of financial conditions support the expected improvement in the current account balance. While measures to maintain employment curb the negative effects of the pandemic on the labor market, the rise in the labor force participation rate has had an upward impact on the unemployment rate in the recent months. In addition to the increases in international commodity prices, demand and cost factors, supply constraints in some sectors, and high levels of inflation expectations continue to pose risks to the pricing behavior and inflation outlook.

Loan growth has been on the decline since the last Report period due to the tightening of monetary policy starting from the final quarter of 2020 and the termination of the credit campaigns introduced as part of the pandemic measures. Compared to September 2020, the total annual foreign exchange (FX) adjusted loan growth decreased from 25% to 13% while the FX-adjusted commercial loan growth declined from 19% to 8% as of April 2021. Meanwhile, the retail loan growth, which had exceeded 50% in September 2020, stood at 34% in April 2021. Given the loan growth trends of the recent period, the decelerating impact of the current tight monetary stance on credits is expected to become more pronounced in the upcoming period and the annual loan growth rates will continue to decrease along with the impact of the base effects that will kick in during the summer months.

In the current Report period, the decline in the corporate sector's FX open position continued as a result of the increase in FX deposits and the ongoing decrease in FX debts. The net FX open position of the sector declined year-on-year by USD 15 billion to USD 155 billion as of February 2021. The short term FX long position has increased sharply since early 2020, amounting to approximately USD 26 billion in February 2021 while the ratio of short-term FX assets covering short-term liabilities rose to 127%. The continued improvement in these FX position indicators increases the resilience of corporate sector firms' to exchange rate developments. In the same period, the corporate sector's financial debt to GDP ratio rose to 63% from 57% as the pandemic-driven increased financing need was effectively met by the banking sector through Turkish lira denominated loans and the rise in the exchange rate affected the FX debt stock. Nevertheless, the corporate sector's indebtedness ratio continued to hover below the EME, G20 and global averages as of the third quarter of 2020.

Household financial assets and liabilities grew at a slower pace in the current Report period mainly due to tightened credit conditions following the credit campaigns with favorable terms specific to the pandemic period as well as due to the weakened preference for holding precautionary cash and cash equivalent assets. While the largest contribution to the growth in liabilities came from general-purpose loans and personal credit card transactions that posted relatively strong increases, asset growth was driven by the preferences for savings deposits, equity securities and precious metals. The recent years' gradual downtrend in the household financial leverage ratio, whose 10-year average is 47%, ended in the pandemic period, and the ratio flattened out at 36% in the current Report period. On the other hand, the household debt to GDP ratio in Turkey, which is around 18%, still hovers below the EME average of 51%.

Potential effects that the pandemic could have on the banking sector's asset quality outlook through the channel of corporate cash flow and household debt service capacity have been curbed by the comprehensive policy measures taken. Thanks to measures and practices such as the postponement of loan installments, extension of the classification periods for NPLs and Stage 2 loans for a specified period, and CGF loans, the

NPL balance remained almost flat, the credit balance posted a strong increase, and the NPL ratio of the sector receded to 3.8% in March 2021. On the other hand, the Stage 2 loan balance started to rise starting from the second quarter of 2020 due the regulation regarding the classification periods as well as the increase in exchange rates, and the share of these loans in total performing loans increased moderately from 10.9% in March 2020 to 11.1% in March 2021. It is expected that the switches from restructured loans or from Stage 2 loans into NPL accounts will be on a course consistent with historical averages, and once the BRSA regulation allowing flexibility in classification of loans is terminated, the increase in the NPL ratio will be limited on the back of the strong course in economic activity. Thanks to the sector’s sustaining of the prudent provisioning, a possible deterioration in the asset quality is expected to remain at manageable levels.

The short-term and long-term liquidity positions of the banking sector remain strong. The liquidity coverage ratios (LCRs) have been well above the minimum legal limits, and the sector’s loan-to-deposit ratio (LDR) was on a balanced course at 100% as of April 2021. The TL and FX LDRs of the sector are 150% and 55%, respectively, and the existing FX liquidity surplus as well as the TL liquidity need are being managed effectively via the domestic and foreign currency swap markets.

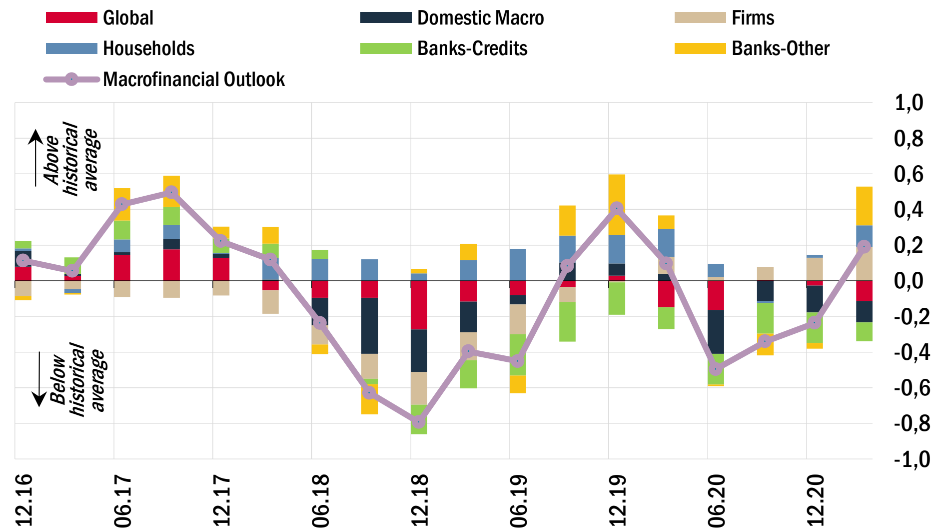
In the current Report period, banks are renewing their syndicated loans on the foreign borrowing market at similar costs compared to the same period of last year and at roll-over ratios above 100%, despite the increased risk premium due to the global and domestic developments. The trend of firms’ investment appetite and depositors’ choice of FX deposits were the factors that reduced the banking sector’s need for borrowing from abroad. The FX liquid assets of the banking sector, which creates a sufficient buffer against global shocks covered 81% of the sector’s short-term FX-denominated external debt as of March 2021. Banks’ liquid assets including their currency swap positions can cover their entire short-term debt.

The decline in the profitability of the banking sector in the current Report period was due to the fall in net interest income driven by increased funding costs and the fall in net fee and commission income. . The decline in net interest income caused by the maturity mismatch between assets and liabilities and low-interest loans offered in 2020 was offset by the volume effect generated by a strong loan growth. Net fee and commission income propped up profitability in the first quarter of 2021and net interest margin is likely to weigh less on profitability with continued repricing of loans in the upcoming period. Changes in provisioning, low growth in operational expenses and capital market transaction gains contributed positively to profitability in this period. Provisions prudently earmarked in the previous reporting period supported the sector’s risk management capacity, while decreased provisioning expenses had a positive effect on profitability in the current Report period.

The capital structure of the banking sector remains strong. The capital adequacy ratio (CAR) fell by 143 basis points in the current Report period to 18%. Pandemic-related incentives to be factored into the CAR calculation that have been extended by the BRSA until 30 June 2021 generally supported the CAR, while the upward revision in the exchange rate to be used in the calculation of the risk-weighted assets put a pressure on the CAR. Despite having decreased in the current Report period, profitability continued to contribute positively to shareholders’ equity.

The Macrofinancial Outlook Index constructed using key indicators from the sections of the Financial Stability Report declined in the first half of 2020 amid the global pandemic before recovering gradually in the following period to surpass its historical average as of the first quarter of 2021 (Chart I.1). As of the last two quarters, loans, the banking system’s balance sheet soundness indicators, as well as corporate and household financial developments have been more accommodative. While global financial conditions worsened in this period, the domestic macroeconomic environment improved to some extent amid robust economic activity, but risks to inflation and the current account balance maintain their significance. The improvement expected in the current account balance and inflation outlook as the effects of the tight monetary stance become more pronounced in the remainder of the year will support macrofinancial stability. The stability in the general price level will foster macroeconomic stability and financial stability through lower country risk premiums, reversal in currency substitution, the onset of the upward trend in foreign exchange reserves and a perpetual decline in financing costs.

Chart I.1: Macrofinancial Outlook Index
(Standardized Index and Contributions)



Note: For details of the index, see November 2019 Financial Stability Report, Box I.1.II.

Box I.1.I

Steps Taken Towards Effective Functioning of Financial Markets

Some of the measures taken to support economic activity and macrofinancial stability, and to limit the negative effects of the coronavirus pandemic on the corporate sector and households were gradually eased as the economic activity remained strong in the last quarter of 2020. On the other hand, to manage the persistent risks driven by the ongoing global uncertainties about the course of the pandemic, some measures were maintained along with the tight monetary policy stance, and some additional measures were required in the current Report period.

Under main headings, this box summarizes the measures and regulatory steps taken in the current Report period to support financial stability and contribute to the effective functioning of markets (Table I.1.I.1).

Table I.1.I.1: Major Measures and Regulations for Financial Markets

1. CBRT Steps on Interest Rates and Liquidity Management

Effective Date	Measure / Regulation
25 December 2020	The policy rate (one-week repo auction rate) and the TL interest rate applied to TL currency swap and TL gold swap transactions were raised to 17% from 15%.
4 January 2021	The CBRT's swap transactions and the TL-settled foreign exchange futures transactions at the BIST Derivatives Market (VIOP) started to be published on the CBRT website on a daily and value date basis.
4 March 2021	FX, FX-indexed, and gold-denominated government domestic debt securities issued by the Ministry of Treasury and Finance for institutional investors were included among the securities that banks could bring to the CBRT as collateral for repo transactions.
19 March 2021	The policy rate (one-week repo auction rate) and the TL interest rate applied to TL currency swap and TL gold swap transactions were raised to 19% from 17%.

2. Reserve Requirements (RR)[1]

Effective Date	Measure / Regulation
27 November 2020	The remuneration rate for TL-denominated required reserves was increased to 12% for all banks, and the commission rate applied to required reserves maintained against USD-denominated deposit/participation fund liabilities was reduced from 1.25% to 0%.
25 December 2020	The CBRT decided to simplify the reserve requirement system to increase the effectiveness of the monetary transmission mechanism. The reserve requirement practice that linked the RR ratios and remuneration rates to real loan growth rates was repealed, and TL and FX RR ratios were rearranged to be at the same level for all banks.
5 March 2021	TL RR ratios were increased by 200 basis points for all liability types and maturity brackets while the remuneration rate applied to TL required reserves was increased by 150 basis points to 13.5%. Additionally, the upper limit of the facility for holding FX was decreased from 30% to 20% of TL reserve requirements, and the upper limit of the facility for holding standard gold was decreased from 20% to 15% of TL reserve requirements.

3. Rediscount Credits for Export and Foreign Exchange Earning Services

Effective Date	Measure / Regulation
4 January 2021	The maximum maturity of rediscount credits for export and foreign exchange earning services, which had been extended to 720 days on 20 March 2020 to mitigate the likely impacts of global economic uncertainties and adversities in international trade on real sector firms and then reduced to 360 days on 7 August 2020, was revised as 240 days. The maximum maturity for credits used to finance exports to new markets, exports of high-tech products and foreign exchange earning services was set at 360 days.

4. Deposits / Participation Funds, Credit Cards and Payment Systems

Effective Date	Measure / Regulation
18 December 2020	With an amendment by the BRSA, the credit card installments were reduced: - from eight months to six months for purchases of jewelry that is minted and not in the form of bullion, - from six months to four months for purchases of electronic appliances, excluding television purchases of up to TRY 3,500, - from 18 months to 12 months for purchases of furniture and electrical appliances.

23 December 2020	With Presidential Decree No. 3321, the following withholding rate reductions applicable to deposits/participation funds opened or renewed between 30 September 2020 and 31 December 2020 were extended to 31 March 2021: - from 15% to 5% for demand and notice accounts as well as time deposits with a maturity of six months (inclusive), - from 12% to 3% for time deposits with a maturity of up to one year (inclusive), - from 10% to 0% for time deposits with a maturity longer than one year.
31 December 2020	The CBRT made changes in the communiqués regarding the fees charged by banks to commercial clients and financial consumers, so that the fee that could be charged for FAST transactions would be subject to fee limitations for EFT transactions, and the said maximum fees would be applied at a 50% higher rate for FAST transactions conducted outside the official working hours of the EFT system.
10 February 2021	The BRSA determined the minimum fineness values for the physical gold that the contracted jewelers and precious metal experts who provide precious metal valuation and collection services on behalf of the banks collect in order to credit the bank customers' gold-denominated deposit/special current/participation accounts.
1 April 2021	With Presidential Decree No. 3755, the withholding rate reductions applicable to deposits/participation funds were extended to 31 May 2021.
30 April 2021	The Regulation on the Disuse of Crypto Assets in Payments issued by the CBRT stipulated that: - Crypto assets shall not be used directly or indirectly in payments, and no services shall be provided that involve the use of crypto assets directly or indirectly in payments, - Payment service providers shall not develop business models that directly or indirectly use crypto assets in the provision of payment services and in the issuance of electronic money, and they shall not provide any services related to such business models, - Payment and electronic money institutions shall not intermediate the fund transfers from and to the platforms providing services of trading, custody, transfer or issuance related to crypto assets.
1 May 2021	With Presidential Decree No. 3941, crypto asset service providers and savings finance companies were included in the scope of the regulation on the prevention of laundering of proceeds of crime and financing of terrorism.

5. Regulations Regarding Lending and Payment of Debts

Effective Date	Measure / Regulation
8 December 2020	Under the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) Program conducted through the European Investment Fund, the CGF prepared a credit support package of TRY 7.5 billion for SMEs, with a minimum maturity of 36 months and a maximum maturity of 60 months, including a grace period of one year. SMEs will be able to use up to TRY 1.125 million worth of credits in this scope.
21 December 2020	The World Bank announced that it would provide USD 300 million worth of financing in Turkey via KOSGEB. This project, which was designed in view of the wearing effects of the coronavirus pandemic on micro and small enterprises (MSEs), aims to provide rapid and easy-access working capital support to MSEs in prioritized sectors so that they can keep their businesses afloat and maintain their employment levels. The support program has the following two components: - "interest-free reimbursable support financing" for MSEs in the manufacturing sector, and - "interest-free reimbursable support financing" for innovative young MSEs (established in 2017 or later) in manufacturing, computer programming, and scientific research and development (R&D) sectors.
24 December 2020	The Ministry of Trade announced a grant support program for tradesmen and artisans as well as real person traders whose commercial activities were adversely affected by the coronavirus pandemic. Accordingly, - the grant was set to be provided in the form of income loss and rent support, - the income loss support was set at TRY 1,000 per month for a three-month period, - for three months, the rent support was set at TRY 750 in metropolitan cities and TRY 500 lira in other cities while it would be the same as the actual rent of the business place if its rent was below the rent support amount.
26 December 2020	The Ministry of Trade rearranged the practices regarding installment sales by retail businesses to consumers. Accordingly: - The installments were reduced from six months to four months in sales of electronic goods such as video, camera and sound systems, and in television sales with a price above TRY 3,500. - The installment cap for sales of furniture and electrical goods such as refrigerators, washing machines, dishwashers, and home appliances was decreased from 18 months to 12 months. - The installment cap for sales of minted and non-bullion jewelry by retail businesses was reduced from eight months to six months.

[1] Effective date denotes the starting day of the RR maintenance period.

29 December 2020	With Presidential Decree No. 3340, it was decided - to apply a 50% interest discount on the loans extended by Halkbank directly or under the guarantee of the Tradesmen and Artisans Credit and Guarantee Cooperatives within the scope of the decisions taken in previous years, the balance of which was transferred to 2021, as well as on the loans to be extended between 1 January and 31 December 2021, - to apply a 100% interest discount on the loans out of the abovementioned ones that meet certain special criteria determined by the Decree, and - that the income losses arising from the loans extended within the scope of this Decree would be covered by the Ministry of Treasury and Finance.
13 February 2021	The Ministry of Environment and Urbanization revised the bank credit interest supports for urban transformation, and the upper limits of the principal loan amount were increased for loans subject to interest support. The upper limit of the principal loan amount subject to interest support for each beneficiary was raised to TRY 80,000 from TRY 50,000 for “building reinforcement” credits, and to TRY 200,000 from TRY 125,000 for “housing construction”, “housing acquisition”, “workplace construction” and “workplace acquisition” credits. The total loan amount per beneficiary subject to interest support was raised to TRY 1 million from TRY 625,000.
1 March 2021	With the CBRT’s amendment to the Communiqué on Procedures and Principles Regarding the Fees That Banks Can Charge Their Commercial Clients, the loan origination fee that banks can charge for cash loans extended to commercial clients was increased to 1.1% of the loan amount from 1%. If the commercial client requests early repayment of the entire loan for the loans extended as of 1 March 2021, banks have to accept this request. In this case, they can charge an early repayment fee up to 2% of the early repayment amount calculated by making the necessary discounts on the interest and other costs for TL loans for loans with a remaining maturity not exceeding 24 months, and up to an amount to be calculated by adding 1% for each additional year (exceeding 24 months) for loans with a remaining maturity of more than 24 months. In this calculation, the terms exceeding 24 months of remaining maturity will be rounded up to a year, and it will be possible to charge a one-point higher fee for foreign currency or foreign currency-indexed loans than the maximum fee to be applied for TL loans.
12 March 2021	Under the Economic Reforms Action Plan announced by the Ministry of Treasury and Finance, the following facilities were introduced: - With the Credit Guarantee Fund (CGF) warrant, long-term loan support will be provided to manufacturing-based investments that prioritize import substitution and exports in the 5th and 6th regions, - Under the Additional Employment Financing Support, each additional job created by micro and small-scale companies will enable access to a loan of TRY 100,000 (with an upper limit of TRY 500,000) through the CGF guarantee, with a maturity of two years (and a grace period for the first six months), - For each person added to employment, the social security and unemployment insurance premiums paid by the company throughout 12 months will be deducted from the loan’s interest balance, - SMEs' receivables guaranteed by the State-Sponsored Credit Insurance System will be accepted as collateral by banks.
16 March 2021	The Ministry of Trade rearranged the installments in housing and vehicle sales subject to the general provision that limits the installments for sales of goods and services by retail businesses to 12 months. Accordingly, the installment cap for housing sales was lifted while it was stipulated that vehicle sales might be subject to installments from 24 to 60 months depending on the value of the vehicle.
16 April 2021	The BRSA developed the “Retail Banking Analysis and Rating Model (BAM)” in line with the Economic Reforms Action Plan. With BAM, the aim is to evaluate a bank's operation, business model, strategy and policies within the scope of the rights and interests of financial consumers with a proactive point of view, in addition to the existing regulatory compliance audit, and to extend best practices by setting rules and standards to this end.
23 April 2021	With a Presidential Decree published in the Official Gazette No. 31463 , the duration of the short-time work allowance was extended until 30 June 2021 for workplaces implementing short-time work due to compelling reasons under period-specific conditions caused by external factors driven by the new coronavirus.
30 April 2021	The Ministry of Trade announced that it extended by one month the duration of the practice of paying tradesmen and artisans a grant support of TRY 1,000 and a rent support of TRY 750 in metropolitan cities and TRY 500 in other cities, which was initially set to be provided for the first three months of 2021 as part of pandemic measures.
1 May 2021	A new support program with a total budget of TRY 5 billion was launched for micro and small enterprises in the manufacturing sector and for technology-based start-ups via KOSGEB. Accordingly, micro and small enterprises will be able to receive an entirely interest-free support of up to TRY 30,000 and TRY 75,000, respectively, with a grace period of three years. Moreover, the installment payments of loans extended to tradesmen via the Union of Tradesmen and Artisans Credit and Guarantee Cooperatives (TESKOMB) and Halkbank were postponed until 1 July 2021.

21 May 2021	With Presidential Decree No. 3998 published in the Official Gazette, it was announced that a total of TRY 4,622 million in grant support would be given to the tradesmen in two groups whose businesses were damaged by the pandemic. Accordingly, - A grant support of TRY 5,000 will be provided to the first group of 235,000 tradesmen operating businesses such as traditional Turkish coffeehouses, cafes, tea gardens, school staff bus services, wedding ceremony halls, student dormitories, canteens, stationery stores, and Turkish baths, - A grant support of TRY 3,000 will be provided to the second group of 1.15 million tradesmen.
25 May 2021	With the amendment published in the Official Gazette No. 31491, if the private sector employers with less than 50 insured employees in their service declarations for the March 2021 period provide additional employment between 1 July 2021 and 30 June 2022, the remaining amount after deducting the insurance premiums for these insurance holders calculated over the lower limit of earnings subject to premium, the entirety of which is paid within the legal period (as well as after deducting the premium incentives, support or discounts obtained from unemployment insurance covered by insurance holder's and employer's share premiums) will be deducted from the loan interest or profit share balance following the payment of the premiums for the 12-month period for the loans used by the relevant employers until 30 June 2022. The amount deducted from the loan interest or profit share balance by the credit guarantee institutions in the scope of this article will be covered by the Fund.
26 May 2021	The Ministry of Treasury and Finance announced that with the cooperation of TOBB and the CGF, and with the participation of 10 banks, a new Respite Credit package would be introduced for 2021 to provide financing support for SMEs. Under this package, - The annual rate of interest on the loans is set at 17.5%. With a 6-month grace period, the loans will be paid back in 12 equal installments. - SMEs with a turnover of up to (not exceeding) TRY 1 million in 2020 will be able to use a maximum of TRY 50,000, and SMEs with a turnover between TRY 1 million and TRY 10 million will be able to use a maximum of TRY 200,000. - The package will provide a working capital financing facility for member businesses registered in Chambers of Commerce, Maritime Trade, Industry, Commerce and Industry, or Commodity Exchanges, which have a turnover of less than TRY 10 million and have lost 25% of their turnover in 2020 compared to 2019. - The package will be in effect as of 1 June 2021, and offer Treasury-backed CGF guarantee.

6. Classification of Loans and Receivables and Legal Ratio Limitations

Effective Date	Measure / Regulation
8 December 2020	The BRSA stipulated that until 30 June 2021, i. The past-due period specified as 90 days for the non-performing loan classification under the Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Set Aside would be applied as 180 days, and the provisions to be set aside for the loans that continue to be classified under Group 2 despite the 90-day past due period would continue to be determined according to the banks' own risk models used in the calculation of expected credit loss within the scope of the TFRS 9, ii. The maximum past-due period specified for financing companies as 90 days from the due date of the payment of principal, interest or both under the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies would be applied as 180 days, including for the companies that set aside provisions for expected credit loss under the TFRS 9, and as 240 days for financial leasing companies, and that the provisions for receivables that are not transferred to the "Receivables to be Liquidated" account despite the 90-day past-due period would continue to be set aside by companies according to their own risk models, iii. The 30-day past-due period specified for loans to be classified under Group 2 would be applied as 90 days for Group 1 loans, and the provisions to be set aside for the loans that continue to be classified under Group 1 despite the 30-day past-due period would continue to be determined according to the banks' own risk models used in the calculation of expected credit loss within the scope of the TFRS 9, iv. Loans obtained by the bank in return for the credit debt or paid in kind would be classified as performing loans, and the one-year monitoring period required for restructured non-performing loans to be classified as restructured loans under Group 2 would be applied as "six months", v. To continue to facilitate repayments of restructured loans, the condition requiring the classification of loans, whose principal and/or interest payments were past due by more than 30 days within the one-year monitoring period or which were subject to restructuring once again during this one-year period, under Group 3 would not be applied, vi. The obligation to dispose of the commodities and real estates within three years as of the date of acquisition would not be applied. vii. With the arrangement made in the Capital Adequacy Ratio, it was decided that - If the net valuation differences of securities at fair value through other comprehensive income are negative, these differences may not be recognized in equities,

	- In the calculation of the amount subject to credit risk, when the amounts of monetary assets and non-monetary assets (other than items in foreign currency measured in terms of historical cost) subject to Turkish Accounting Standards-based valuation as well as the amounts of relevant special provisions are calculated, it would be possible to use the simple arithmetic mean of the CBRT's foreign exchange buying rates for the last 252 business days before the calculation date. viii. In the regulation on the Foreign Currency Net General Position (FXNGP)/Equity ratio, it was stipulated that the provisions for depreciation of the securities held by the banks in their portfolios as of 23 March 2020 might not be taken into account in the calculation of the FXNGP.

7. Regulations on Derivative Transactions with Non-Residents

Effective Date	Measure / Regulation
30 November 2020	With an earlier BRSA resolution, it was stipulated that the total amount of TL placement, TL deposit, TL repo and TL loan transactions to be conducted by banks with non-resident financial institutions, including the transactions with their non-resident financial subsidiaries and affiliates that are subject to consolidation and their branches abroad, would be limited to 0.5% of banks' most recently calculated regulatory capital. Upon further evaluation, to contribute to the effective functioning of markets, the BRSA decided to - revise this limit to 2.5% from 0.5%, and - The overdraft TL loans,which are paid within the same day given by banks to non-resident financial institutions mentioned above, shall not be subject to this limitation.

8. Other Regulations

Effective Date	Measure / Regulation
16 November 2020	The Precious Metals Swap Market, which enables TL, US dollar and euro swap transactions against gold, started operating at BIST.
31 December 2020	A CMB decision included the following instruments among the financial instruments eligible for repo and reverse repo transactions of intermediary institutions: - Debt instruments issued by the Turkish Wealth Fund pursuant to Law, - Real estate certificates and project-based securities issued in Turkey or abroad by resident issuers, - Participation shares of mutual funds excluding hedge funds, - Securities issued by international institutions, of which the Ministry of Treasury and Finance and the CBRT are members. Additionally, necessary changes were made regarding the valuation and collateralization of these financial instruments. It was also stipulated that the amount of financial instruments eligible for repo and reverse repo transactions that are issued by intermediary institutions themselves, or by their subsidiaries, affiliates and establishments over whose capital, management and supervision they have control, or by qualified shareholders of intermediary institutions, excluding deposit and participation banks, could not exceed 10% of the equity of intermediary institutions.
15 January 2021	Silver futures contracts started trading on VIOP at the After Hours Session (Evening Session), with a price change limit of 10%. They were included in the primary dealership program as of 1 February 2021.
29 January 2021	The BRSA allowed that the potential demands for dividend distribution could be met up to 10% of the net profit for the year of 2020 in view of the precautionary principle and the bank-specific conditions, particularly the capital adequacy ratio.
10 February 2021	With the BRSA's amendment to the Regulation on Principles Relating to Repo and Reverse Repo Transactions of Banks, the following instruments were included among the financial instruments eligible for banks' repo and reverse repo transactions with residents: - Debt instruments issued by the Turkish Wealth Fund, - Real estate certificates and project-based securities, - Participation shares of mutual funds excluding hedge funds, - Debt instruments issued by international institutions, of which the CBRT and the public institutions that are public legal entities of the Republic of Turkey and do not have a separate legal entity status are members or partners. Also, provisions were introduced regarding the valuation and collateral ratios of these instruments. In addition, it was stipulated that in repo and reverse repo transactions with non-residents, only the shares determined by BIST to be eligible for repo and reverse repo transactions on BIST markets could be traded while shares traded on stock exchanges or other organized markets abroad could not be subject to repo and reverse repo transactions.
7 March 2021	The Law No. 7292 on the Amendment of the Law on Financial Leasing, Factoring and Financing Companies set forth the working principles of savings finance companies. The minimum capital amount was set at TRY 100 million for savings finance companies and raised to TRY 50 million from TRY 20 million for financial leasing and financing companies.
29 April 2021	According to the decision of the CMB, of the companies and institutions that are liable to prepare interim financial reports for every three months and submit them to the Public Disclosure Platform (PDP), i) portfolio management companies' and investment institutions' interim financial reports for the three-month period between 01.01.2021 and 31.03.2021 that have not yet been

	disclosed to the public can be submitted in 30 days further from the final disclosure dates specified in the capital market legislation, ii) interim financial reports of companies, whose capital market instruments are traded on a stock exchange and/or on other organized markets, for the three-month period between 01.01.2021 and 31.03.2021 that have not yet been disclosed to the public can be submitted in 30 days further from the final disclosure dates specified in the capital market legislation, iii) financial reports of companies with the special accounting period specified in paragraphs (i) and (ii) above, which have not yet been disclosed to the public within their final disclosure date in April or May 2021, can be submitted in 30 days further from the disclosure dates defined by the relevant legislation.
6 May 2021	With a change in the Private Pension System, it was made possible for the participants to add the funds of all companies in the market to their portfolios. It was decided that as of 1 July 2021, pension mutual funds could be traded on a central platform and the right to change funds would be increased from 6 times to 12 times per year.