

## From the Savings Deposit Insurance Fund

### **ACTION PLAN FOR THE ESTABLISHMENT OF AN ASSET MANAGEMENT COMPANY**

International experience suggests that a 6 to 15 month period is required for the establishment and full operation of a centralized AMC. In light of international experience and given the existing conditions in Turkey, the Savings Deposit Insurance Fund has designed an action plan regarding the establishment of an asset management company (AMC). The plan outlines the actions that need to be taken in order to establish an AMC within a period of six months. The time it takes for the company to become fully operational will, to a large extent, depend on the valuation and pricing methods to be used. [or in other words, the ability of the new AMC to acquire suitable assets, whose value can be increased by enhanced stewardship].

<b><u>Actions</u></b>	<b><u>Date</u></b>
<b>I. Nomination of the coordination committee:</b> A team of 5-10 persons is to be nominated to conduct the necessary actions and prepare the necessary documentation during the initial stages of the setting up of the AMC. It is aimed that this committee shall form the core of the human resources that will be charged with representing the SDIF at the AMC.	March 2002
<b>II. Preliminary design of the company model:</b> In order to fulfill efficiently the functions that are expected from it, the AMC to be established must be modeled in an appropriate manner. In this context, the AMC's; <ul style="list-style-type: none"><li>- strategy (including the target types of assets to be acquired),</li><li>- articles and memorandum of association,</li><li>- proposed ownership structure,</li><li>- organisation structure,</li><li>- duties, authorization and responsibilities of key personnel,</li><li>- qualifying assets, and,</li><li>- appropriate regulatory framework</li></ul> shall be determined. The design of the company to be established shall be carried out within a process including the exchange of views within the Agency, examination of the other countries' experiences, benefiting from the consultancy service in the further stages of the schedule. Key considerations in the design of the AMC will be the nature of assets to be acquired and the market interest in such assets.	April 2002

<p><b>III. Meetings with the real and financial sector representatives:</b> Leading organizations in the real and financial sectors, primarily TOBB (the Union of Chambers of Commerce, Industry, Maritime Trade and Commodity Exchanges of Turkey), TUSIAD (Turkish Industrialists and Businessmen Association) and TBB (Turkish Banks Association), and other providers of assets as well as providers of funds and other risk takers, together with those institutions which may service and acquire assets shall be encouraged to participate in the process in every possible stage. Such feedback will be used in designing the AMC in line with the needs of the real and financial sector and ensure their support. Besides, through this participation, the determination of the potential investors from the real sector that can be the shareholders of the company and starting the dialogue process with them shall be facilitated.</p>	<p>April/May 2002</p>
<p><b>IV. Learning from the experiences of other countries:</b> It is planned that the members of the coordination committee will take hands-on training from the asset management companies in other countries for a period of 2 to 3 months. The training will focus particularly on the acquisition and establishment of asset pools, marketing techniques and general workings of the systems of AMCs. A condition of a minimum of one year of work at the AMC or at the SDIF will be required for the staff to be trained.</p>	<p>April/June 2002</p>
<p><b>V. Obtaining consultancy about the design of the AMC:</b> During the planning of the structure and process of the system of the AMC, technical assistance of an experienced consultant in respect of the AMC will be assured through the IMF or the World Bank, in order to benefit fully from international experiences for two 2 week periods in early April and early June.</p>	<p>April/June 2002</p>
<p><b>VI. Meetings with national and international institutions:</b> Meetings with international institutions such as IFC and investment companies and institutional investors will be held. The purpose of these meetings is to determine the views and expectations in respect of the new AMC. The appetite of these institutions, especially towards participation in and management of the AMC shall be explored through these meetings.</p>	<p>April/May 2002</p>
<p><b>VII. Notification to potential investors:</b> The draft articles and memorandum of association, together with the feasibility assessment and business case shall be submitted to the interested investors.</p>	<p>May 2002</p>
<p><b>VIII. Finalization of the draft of company agreement:</b> Draft of company agreement shall be finalized through a series of meetings of potential investors.</p>	<p>June 2002</p>

<p><b>IX. Determining the board of directors of the AMC:</b> Ownership composition and appropriate board of directors thereto shall be finalized.</p>	<p>July 2002</p>
<p><b>X. Determination of the design and the procedures on establishment of the AMC:</b> A committee or consultancy company to be charged by board of directors shall determine the details regarding the operational structure of the AMC, principles of activities and procedures of establishment within the framework of the principles appeared in previous stages and that are to be agreed-upon.</p>	<p>July 2002</p>
<p><b>XI. Establishment of AMC:</b> AMC shall be established within the framework of the operating principles determined in the previous stages.</p>	<p>August 2002</p>
<p><b>XII. Credit purchases of AMC:</b> The time of effective launch of an AMC, which is characterized with asset transfers, primarily depends on the valuation and pricing policies that the AMC uses. For example, while the purchase of assets on a fixed discount value shortens the period, a detailed analysis/evaluation of the market value of the assets will lengthen the period necessary for full functionality of the AMC.</p>	