

By the Banking Regulation and Supervision Agency:

REGULATION ON FINANCIAL HOLDING COMPANIES
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PART ONE

Objective and Scope, Basis and Definitions

Objective and Scope

ARTICLE 1– (1) The objective of this Regulation is to regulate the procedures and principles for the scope of financial holding companies, their corporate structures and their limitations and audits.

(2) This Regulation covers the financial holding companies for which natures and scope are laid down by Article 4 hereof.

Basis

ARTICLE 2– (1) This Regulation has been prepared on the basis of the Articles 78(1) and 93(1) of Banking Law Nr. 5411 dated October 19, 2005.

Definitions

ARTICLE 3– (1) The following terms used in this Regulation shall have the meanings expressly designated to them below:

- a) Parent company: Parent company other than the bank as defined by Article 3 of the Law
- b) Affiliate: Affiliate as defined by Article 3 of the Law
- c) Bank(s): Bank(s) which are defined by Article 3 of the Law
- ç) Financial holding company: Financial holding company as defined by Article 3 of the Law, for which qualifications and scope are set forth by Article 4 of this Regulation
- d) Financial organization: Financial organization as defined by Article 3 of the Law
- e) Fund: Savings Deposit Insurance Fund
- f) Accounting period: One calendar year
- g) Law: Banking Law Nr. 5411
- ğ) Credit organization: Credit organization as defined by Article 3 of the Law
- h) Board: Banking Regulation and Supervision Board
- ı) Agency: Banking Regulation and Supervision Agency
- i) Qualified shares: qualified shares as defined by Article 3 of the Law

Scope of financial holding companies

ARTICLE 4– (1) In the event that the following conditions concerning a parent company which is established in Turkey as a joint stock company (AŞ) and has least one of its affiliates operating as a credit organization are met altogether, the said parent company falls in the scope of financial holding companies:

- a) More than half of the affiliates are credit organizations and/or financial organizations
- b) More than fifty per cent of paid up capital is allocated for such types of affiliates

c) The ratio of the average of the sum of assets held by the affiliates which are composed of the credit organizations and financial organizations as at the end of the last three accounting periods to the average of the individual sums of assets of the parent company and affiliates is forty per cent or more

ç) The ratio of the average of the sum of assets for the affiliates composed of banks and financial leasing, factoring and financing companies as at the end of the last three accounting periods to the average of the sum of assets for the affiliates composed of credit organizations and financial organizations is ten per cent or more

PART TWO

Corporate structure of financial holding companies

Qualifications of and indirect shareholding by partners

ARTICLE 5- (1) Natural persons and legal entities holding qualified shares in capital of financial holding companies must meet the qualifications for bank founding partners as laid down by Article 8 of the Law.

(2) In determination of qualified shareholding as referred to by the first paragraph, indirect shareholding is determined subject to the procedures and principles regulated by the Article 13 of Regulation on Operations of Banks Subject to Permission and Indirect Shareholding.

Amendments to articles of association, share acquisition and assignments

ARTICLE 6- (1) Amendments to the articles of association of financial holding companies shall be governed by provisions of the Article 16 of the Law and the Agency shall be informed of such amendments with the Trade Registers Office within ten work days from the date of the registration.

(2) Acquisition and assignment of shares by financial holding companies shall be applied by provisions of Article 18 of the Law. Such transactions shall be subject to provisions set forth in Article 11 of the Regulation on Banking Operations Subject to Permission and Indirect Shareholding.

(3) In issue of permissions for acquisition and transfer of shares in financial holding companies, the transfer share laid down by the Article 18(3) of the Law is deposited with the Fund on the basis of the change indirectly occurring in the shareholding of the bank.

Provisions governing corporate management

ARTICLE 7- (1) Financial holding companies may determine their organizations and processes regarding corporate management subject to the procedures and principles established by the Regulation on the Principles for Corporate Management of Banks pursuant to Article 22 of the Law.

(2) Persons not meeting the conditions in sub-paragraphs (a), (b), (c) and (d) of the first paragraph of Article 8 of the Law may not be employed by financial holding companies in positions of general managers, deputy general managers or any other officers holding signature powers. Provisions of Article 26 of the Law are applicable for staff of financial holding companies, which are established to have acted in violation of the provisions of the Law or other relevant legislation as a result of audits conducted and for whom legal proceedings are requested to be initiated.

(3) Provisions of Articles 23 and 24 of the Law are applicable for the executive boards and Supervisory Committees of financial holding companies. Notifications to be made to the Agency in connection with appointments of members for executive boards and Supervisory Committees are subject to the provisions of Articles 4 and 5 of the Regulation on the Procedures and Principles for Notification of and Taking Oath and Declaration of Assets by Executives to be Appointed to Top Management of Banks and Maintenance of Books of Resolutions.

(4) The members of the executive board of the bank, which is in a position as an affiliate of the financial holding company may serve on the executive board of the financial holding company as well.

(5) The members of the supervisory committee established in the bank which is in a position as an affiliate of the financial holding company subject to the procedures and principles laid down by the Regulation on Internal Systems of Banks may also serve on the Supervisory Committee of the financial holding company.

(6) Article 25 of the Law is applicable for general managers and deputy general managers of financial holding companies. Notifications to be made to the Agency regarding the appointments made for the positions of general managers and deputy general managers are subject to Article 6 of the Regulation on the Procedures and Principles for Notification of and Taking Oath and Declaration of Assets by Executives to be Appointed to Top Management of Banks and Maintenance of Books of Resolutions.

(7) Financial holding companies are obliged to establish and operate an adequate and effective system of internal control, internal inspection and risk management which complies with the scope and composition of operations for monitoring and controlling risks exposed to them, covers all the partnerships subject to consolidation and are separate from those established within the bank in a position as their affiliate. The provisions of the Regulation on Internal Systems of Banks are implemented as a basis for implementation of these obligations.

(8) Any executive board and supervisory committee resolutions of financial holding companies are recorded on a book of resolutions to be maintained as per Article 28 of the Law. Article 11 of the Regulation on the Procedures and Principles for Notification of and Taking Oath and Declaration of Assets by Executives to be Appointed to Top Management of Banks and Maintenance of Books of Resolutions.

PART THREE

Limitations regarding financial holding companies

Own-fund

ARTICLE 8– (1) The provisions of Article 44 of the Law are applicable for equities of financial holding companies. Financial holding companies have to calculate consolidated own-fund subject to the provisions of Article 12 of the Regulation on the Equity of Banks. Investment sums by the partnerships in which shares are directly or indirectly held by financial holding companies are deducted off the sum of consolidated own-fund calculated as per the provisions of this paragraph.

(2) The sums of consolidated own-fund calculated by financial holding companies subject to the first paragraph of the present article must not be less than the total of the sum of minimum capital required to be held by credit organizations and financial

organizations in which they are shareholders and the sum of the shareholdings in organizations other than credit organizations and financial organizations.

(3) In calculation of the sums of minimum capital covered by the second paragraph, the following are taken as a basis:

(a) Minimum capital sum calculated by the banks subject to the Regulation on the Measurement and Evaluation of the Capital Adequacy of the Banks

(b) Minimum capital sum calculated by financial leasing, factoring and financing companies which are not required to calculate minimum capital sums as per the legislation governing them, subject to the Regulation on the Measurement and Evaluation of the Capital Adequacy of the Banks

(c) Sums indicated in information and documents reported to competent authorities by the financial organizations not covered by paragraphs (a) and (b), which calculate minimum capital sums as required by the legislation governing them or sent to the Board by such authorities as per the provisions of the Article 12(1) and (2)

(4) For the purpose of implementation of the present article, a minimum capital sum refers to the minimum sum of own-fund which will meet capital liability.

FX net general position/ own-fund standard ratio

ARTICLE 9– (1) Financial holding companies are obliged to calculate FX net position/ own-fund standard ratio in a manner also covering their partners having the nature of credit organizations and financial organizations pursuant to the provisions governing protective regulations included in Article 43 of the Law.

(2) Financial holding companies calculate the standard ratio of FX net position/ own-fund standard ratio on the basis of calculation periods for consolidated own-fund subject to the provisions of Articles 5 and 6 of the Regulation on Calculation and Implementation of FX Net General Position/ Own-fund Standard Ratio in Consolidated and Non-Consolidated Basis by Banks.

Credit limits

ARTICLE 10– (1) Financial holding companies which is a parent company have to calculate and implement their credit limits by considering transactions deemed credit under the balance sheets and off-balance sheet accounts of every partnership having the nature of credit organizations or financial organizations included in the scope of consolidation, which are indicated by Article 48 of the Law and the sums of consolidated own-fund calculated as per the Article 8(1) subject to the Regulation on Credit Operations by Banks.

Rectification of excesses

ARTICLE 11– (1) In the event that the sums of their consolidated own-fund is less than the sum laid down by the Article 8(1) and that the capital adequacy of the credit organizations and financial organizations covered by consolidation meet the limits as per the relevant legislation governing them, financial holding companies have to expand their own-fund within six months following the period of own-fund calculation in which such own-fund inadequacy has taken place.

(2) In the event that the sum of consolidated own-fund calculated by financial holding companies subject to the Article 8(2) cannot meet the minimum capital sum of financial

organizations subject to consolidation other than the banks and companies of financial leasing, factoring and financing, the Agency takes necessary measures for ensuring the relevant minimum capital sum in cooperation with the authority responsible for surveillance and supervision of the related financial organizations.

(3) Financial holding companies where there are excesses within limits laid down by Articles 9 and 10 due to the falls that may occur in own-fund have to rectify excesses within six months from the period of own-fund calculation when such an excess has taken place by increasing their own-fund in a sum to eliminate such an excess or decreasing the transactions causing such an excess and prevent recurrence of such a situation subject to the provisions of Article 47 of the Law.

PART FOUR

Audits of financial holding companies

Audits, sharing audit information and measures to be taken

ARTICLE 12– (1) As per Articles 65, 66, 93 and 95 of the Law, financial holding companies including all of their partners covered by consolidation are subject to audits. Consolidated audits are conducted by consolidating the results of the results of audits of banks and companies of financial leasing, factoring and financing audited by the Agency and the results of audits conducted by authorities authorized to audit and supervise other financial organizations. Upon a request made to competent authorities by the Board if deemed necessary by the Agency, consolidated audits may jointly be conducted by the staffs of the Agency and relevant competent authorities, who are authorized to conduct such audits.

(2) Copies of any reports, opinions and/ or written comments obtained as a result of audits conducted by authorities authorized to audit and supervise the financial organizations other than banks and companies of financial leasing, factoring and financing companies, in the relevant financial organizations covered by the first paragraph, which concern subjects of a nature that may have impact on the financial structures of financial holding companies, are sent to the Agency within maximum fifteen days from the date of their preparation by the relevant competent authorities as per the Article 95(4) of the Law. The Agency may request the authorities in charge of audits and supervision of the relevant financial organizations by providing justification thereof that they submit any information considered essential in view of the financial sheets of financial holding companies, which cannot be derived from the reports or opinions regarding the results of audits sent, including copies of documents concerning such information.

(3) In the event of determination of any of the instances listed by Article 67 of the Law exists for a financial holding company as a result of audits conducted, the Board may request implementation of measures set in Articles 68, 69, 70 and 72 as applicable.

(4) As a result of consolidated audits of financial holding companies, the Agency, in connection with the measures deemed necessary for introduction by the financial organizations other than banks and companies of financial leasing, factoring and financing companies, informs the authorities authorized to audit and supervise such organizations accordingly. Copies of information and documents requested by the said authorities in writing in this respect are also sent by the Agency to these authorities.

(5) In the event that measures are introduced in banks which are part of consolidation with financial holding companies pursuant to the provisions of Article 71 of the Law, the Fund is authorized to take necessary measures concerning the management of such financial holding companies as it deems necessary.

Accounting and reporting system

ARTICLE 13– (1) Articles 37 and 38 of the Law governing accounting and reporting systems and consolidated financial reports are applicable for financial holding companies. Financial holding companies prepare and issue consolidated financial reports at the end of March, June and September and at the end of the accounting period.

(2) Financial holding companies are obliged to prepare financial statements and annual activity reports containing external audit reports and providing information on the fields of operations of their partners pursuant to Article 40 of the Law. In preparation of annual activity reports, the provisions of the Regulation on Procedures and Principles for Preparation and Publication of the Annual Report by Banks are taken as a basis. Annual operating reports to be prepared by financial holding companies cover the considerations listed by sub-clause (1) of sub-paragraph (a) of the first paragraph and sub-clauses (1), (3) and (4) of sub-clause (c) of Article 6 of this Regulation.

(3) Articles 39, 41 and 42 of the Law are applicable for preparation, submission, publication and audit of financial reports about financial holding companies and responsibilities of executive boards and retention of documents. For the purpose of implementation of these provisions, Articles 12, 13, 14 and 17 of the Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks are applicable.

External audits

ARTICLE 14– (1) Consolidated financial reports prepared by financial holding companies upon the close of an accounting period are subject to audits by organizations authorized under the Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks in the framework of the procedures and principles laid down by the said regulation pursuant to Articles 15 and 33 of the Law.

PART FIVE

Miscellaneous and Final Provisions

Receipt of rating and evaluation activities and procurement of support services

ARTICLE 15– (1) Article 34 of the Law applies for any ratings to be commissioned by financial holding companies. Such operations are carried out by the organizations authorized under the Regulation on Principles for Authorization and Activities of Rating Institutions and Termination of Their Powers in line with the procedures and principles laid down by the said regulation.

(2) Article 34 of the Law applies for valuation to be procured by financial holding companies. Such operations are conducted by organizations authorized under the Regulation on Authorization and Activities of Institutions to Give Valuation Services to Banks in line with the procedures and principles laid down by the said regulation.

(3) Article 35 of the Law is applicable for procurement of support services by financial holding companies. The procedures and principles laid down by the Regulation on Bank's Procurement of Support Services and Authorization of Such Service Providers are taken into account over the subjects concerning providers of support services and subjects for which support services may be received. In the event that the support services received by financial holding companies having the nature of a parent company are same as the support services received by the banks covered by consolidation and that such services are procured from the service provider through which such banks receive support services, the provisions of the Article 5(1) and (2) are not applicable. Such a situation must be notified to the Agency in writing within fifteen days following the date of contract.

Miscellaneous provisions

ARTICLE 16- (1) Financial holding companies are subject to the provisions of Article 96 of the Law, which govern the powers of the Agency to request information and documents.

(2) Shareholders, executive board members and other employees of financial holding companies, any persons acting for them and organizations from which financial holding companies receive services of external auditing, rating, valuation and support and their staffs are subject to Article 73 of the Law, which governs protection of secrets.

(3) Establishment by financial holding companies of branches or representative offices abroad including the off-shore banking zones is subject to Article 14 of the Law.

(4) In the event that financial holding companies establish partnerships abroad including the off-shore banking zones at a sum which is in excess of fifteen per cent of their own-fund, the provisions of the Article 9(1), (2), (3), (7) and (8) of the Regulation on Operations of Banks Subject to Permission and Indirect Shareholding, which govern abroad establishment of partnerships and participation to the established partnerships are applicable.

(5) It is obligatory that organizations providing services of external audit, rating, valuation and support to financial holding companies take out and maintain liability insurance policies subject to the procedures and principles laid down by the relevant sub regulations pursuant to the provisions of Article 36 of the Law.

Documents concerning holders of qualified shares

PROVISIONAL ARTICLE 1- (1) For persons holding qualified shares in companies covered by the scope of financial holding companies, documents listed by sub-paragraphs (b), (ç), (d), (e), (g), (ğ), (h), (ı), (i), (j) and (o) of the first paragraph of Article 4 of the Regulation on Operations of Banks Subject to Permission and Indirect Shareholding and copies of the Trade Registry Gazette indicating that founding legal entities are holders of qualified shares in financial holding companies as well as list of attendants and any other legal documents to be requested by the Agency are sent to the Agency no later than June 1, 2007.

(2) In the event that persons holding qualified shares in the companies falling in the scope of financial holding companies fail to meet the conditions laid down by Article 8 of the Law and/ or they fail to submit documents certifying that they are in possession of such conditions to the Agency as indicated by the first paragraph, they have to transfer their

shareholdings in financial holding companies by June 1, 2007 such that their shares fall below the limit of qualified shares. Partners failing to achieve the required share transfers by this date may not benefit their partnership rights other than dividends. In this case, other partnership rights are exercised by the Fund upon a notification by the Agency. Such shareholders may not exercise their privileges until their direct or indirect shares in capital fall below ten per cent.

Documents concerning top managers

PROVISIONAL ARTICLE 2– (1) Companies falling in the scope of financial holding companies as of the date of entry into force of this Regulation have to render their positions regarding members of their executive boards and supervisory committees as well as general managers and deputy general managers compliant with the provisions of Articles 23, 24 and 25 of the Law and make necessary notifications thereof to the Agency as required by the Article 7(3) and (6) no later than June 1, 2007.

Submission of comparative information

PROVISIONAL ARTICLE 3– (1) Financial holding companies are not obliged to submit comparative information in their first reporting to be made as per the Article 13(1).

Entry into Force

ARTICLE 17– (1) Articles 8, 9, 10, 11, 12, 13 and 14 and the Article 15(1) and (2) of This Regulation enter into force as of December 31, 2007 whilst other provisions take force as of the date of publication.

Enforcement

ARTICLE 18– (1) The provisions of this Regulation are enforced by the Chairman of the Banking Regulation and Supervision Agency.