

From the Banking Regulation and Supervision Agency:

**REGULATION ON THE PRINCIPLES REGARDING THE
AUTHORIZATION AND ACTIVITIES OF RATING AGENCIES**

(Published in the Official Gazette Nr. 26333 dated November 1, 2006)

**SECTION ONE
Objective, Scope, Basis and Definitions**

Objective

ARTICLE 1- (1) The objective of this Regulation is to regulate the principles and procedures regarding the authorization, activities and cancellation of authorization of rating agencies.

Scope

ARTICLE 2- (1) This regulation covers ratings of banks to be conducted as per Article 5 and rating agencies which will conduct credit assessment of customers, which will use credits from banks, and their activities.

Basis

ARTICLE 3- (1) This Regulation has been prepared on the basis of the Articles 15, 34, 36 and 93 of the Banking Law Nr 5411 dated October 19, 2005.

Definitions

ARTICLE 4- (1) The following terms used in this Regulation shall have the meanings expressly designated to them below:

a) Bank(s): Bank(s) which are defined by the Article 3 of the Law,

b) Auditor(s): Auditor(s) as appointed as per Article 347 of Turkish Commercial Code Nr 6762 dated June 29, 1956,

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d) Rating mark(s): Mark(s) awarded by the rating agency to customers or credits as a result of studies and analyses conducted,

e) Rating specialist: Natural person(s) including members of the rating committee, who are directly involved in the process of rating by conducting analyses or evaluating analysis results,

f) Financial statements: Financial statements as referred to by the Regulation on the Principles and Procedures Related to Accounting Practices of Banks and Retention of Documents,

g) Accounting period: A calendar year,

h) Law: Banking Law Number 5411,

¹ Extracted pursuant the Regulation published in the Official Gazette Number 26658 dated September 29, 2007.

- i) Control: Control as defined by the Article 3 of the Law,
- j) Credit: Transactions deemed credit under the first sub-clause of the Article 48 of the Law,
- k) Board: Banking Regulation and Supervision Board,
- l) Agency: Banking Regulation and Supervision Agency,
- m) Customer: Banks or natural persons or legal entities that will use credits from banks, signing contracts with the rating agencies to cause a rating to be conducted,
- n) Qualified share(s): Qualified share(s) as defined by the Article 3 of the Law,
- o) Rating not requested: Awarding of rating marks by the rating agencies by taking as a basis information and financial statements publicly disclosed without signing contracts with customers themselves, excluding banks,
- p) Authorized rating agency: Agency authorized by the Board to conduct rating as per this Regulation,
- r) Manager: Persons serving in positions of general manager or assistant general manager in an authorized rating agency, as well as persons not having these titles but of which authorities and duties are equivalent or superior to these positions.²

SECTION TWO

Fundamental Concepts

Scope of Rating Activity

ARTICLE 5- (1) The rating activity involves;

- a) Rating of creditworthiness,
- b) Rating of compliance with the principles of corporate management,
- c) Assessment of validity of the rating methods used by banks,
And the process of determining a rating mark based on the result of studies and analyses to be made depending on the nature of such activities.

(2) Rating of creditworthiness involves operations by rating agencies of independent, impartial and fair assessment and classification of;

- a) Customer's capability of repaying credits to be used or
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² Added pursuant the Regulation published in the Official Gazette Number 26658 dated September 29, 2007.

b) Customer's risks of being able to meet obligations such as principal, interest and the like concerning the capital market instruments which represent their indebtedness.

In the event that the customer is of the nature of a parent company partnership, such operations also cover examination and analysis of creditworthiness of the partnership covered by consolidation provided that this is limited to the purpose of forming an opinion for credit rating. However, rating marks awarded in this case relates to the parent subsidiary only and it is not valid for other partnerships attached to the group.³

(3) Rating of compliance with the principles of corporate management involves operations by rating agencies of independent, impartial and fair assessment and classification of the level of compliance by banks with the provisions of Regulation on the Principles for Corporate Management of Banks.⁴

(4) Assessment of validity of the rating methods used by banks involves operations of independent, impartial and fair assessment of validity of the rating methods concerning creditworthiness ratings applied by banks for their customers as natural persons and legal entities and their compliance with information disclosed by them publicly.

Professional Code of Conduct⁵

ARTICLE 6 – (1) The authorized rating agencies, their executive board members responsible for quality assurance system pursuant to the Article 11 of the Regulation, members of rating committee and rating specialists have to act in compliance with the following principles.

a) **Objectivity:** Correctness of the assessment methods used for rating of customers must have been proved on the basis of past experience. These methods must be reviewed regularly. It is obligatory that the method of rating creditworthiness be reviewed regularly at intervals of one year to three years covering retrospective tests.

b) **Impartiality:** The process of rating must be independent such that it could not be affected by the partnership structures of the rating agencies and/or potential conflicts of interest on the Executive Board.

c) **International Accessibility /Transparency:** All the local and foreign institutions must have equal access to any individual rating marks awarded by the rating agencies.

ç) **Obligation of Disclosure:** The following must be made to the public: definition of defaults concerning credits, assessment methods, time intervals used, probability of change for ratios and degrees of default in each category of assessment, meaning of each rating mark and general methods used by the rating agencies.

³ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

⁴ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

⁵ Version of the Article amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

d) Source adequacy: Rating agencies must have all the necessary sources so that they can conduct assessment to optimum quality. It must maintain lasting relationships with customers rated so that rating can be more effective and reliable.

e) Prestige: Availability of quality assurance systems, which prevents misuse of confidence of third parties and entities in ratings by the rating agencies and also of information thereof, bears utmost importance for the prestige of the rating agencies.

(2) Partners, chairmen and members of executive board of authorized rating agencies, as well as their auditors, managers and rating specialists may not enter into any commitments with their customers as regards the results of rating activities performed or to be performed by them under Article 5.

Professional Competence⁶

ARTICLE 7 – (1) It is obligatory that the rating specialists;

a) Have received minimum graduate education of 4 years,

b) Have professional competence certificates given by the authorized institutions in the field of rating inside and outside the country as well as an experience of at least three years within the fields of banking, independent audit or rating or an experience of at least five years within the fields of banking, independent audit or rating.

(2) It is essential that at least two third of the members taking part on the rating committee which must be set up and composed of minimum three persons as per paragraph (d) of the first sub-clause of Article 20;

a) Are resident in Turkey,

b) Have had previous employment as general managers or assistant general managers in charge of credits or members of the credit committees in banks or chairman or a member in the Board, Deputy Chairman or Head of Department in the Agency or banking specialist or assistant banking specialist in the Agency or sworn bank auditor or assistant sworn bank auditor.

(3) It is essential that the other rating committee members carry the conditions searched in rating specialists specified within the first sub-clause.

Independence⁷

ARTICLE 8 – (1) Independence is a whole of behaviors and understandings which will ensure that rating agencies, their partners, chairmen and members of their executive board as well as their auditors, managers, rating committee members and rating specialists conduct and maintain the operations covered by this Regulation in strict correctness and impartiality.

⁶ Version of the Article amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

⁷ Version of the Article amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

(2) Rating agencies' partners, chairmen and members of their executive board as well as their auditors, managers, members of rating committee and rating specialists shall;

a) have to keep away from any relationships of interest/material benefit that may arise during their activities, not to allow any interventions that may affect their honesty and impartiality and to disclose any opinions reached as a result of rating operations without considering their own or other parties' direct or indirect interests,

b) may not take part in the decision making processes of the management of banks rating services are provided to and also of any partnerships directly or indirectly controlled by them, may not provide managerial services as part of such processes and may not enter into any direct or indirect partnership or credit relationships with them and may not be engaged in any rating operations in case they are in any relationships that may be treated in this respect,

c) may not be engaged in rating activities concerning the banks where their relatives by blood or by marriage including degree three and degree two, respectively, or their spouses serve in positions as shareholders, executive board chairmen or members, general managers, assistant general managers, or manager performing executive functions in any other positions equivalent or superior to those of assistant general managers, even if they are employed under other titles,

ç) may not be employed in the bank or in partnerships where the bank has qualified shares to which rating service is given, within two years before the service is given, and may not take position no matter under what title within the tow years following the service, and may not own any direct or indirect shares of these, excluding the investment funds,

(3) Authorized rating agencies' partners, chairmen or members of executive board, auditors, managers, members of rating committee, rating specialists and their relatives by blood or by marriage including degree two and degree three, as well as the rating agencies inside or outside the country having legal relationships with these institutions;

a) may not enter to any kinds of partnerships, direct or indirect, with the customer, partnerships controlling the customer or partnerships controlled by the customer to which the rating service is procured, or to loan or debt-receivable relationships privileged comparing to the market conditions or to any relationship based on interest which may prevent the effective conduct of the rating service, or may not own directly or indirectly the shares of these, excluding the ones owned by investment funds,

b) may not serve in these as chairman or member of the executive board, general manager or assistant general manager or any other positions having the authority and responsibility of making important decisions, or may not procure them managerial services.

(4) Shareholders, chairmen and members of executive board, auditors, and managers, members of rating committee and rating specialists of an authorized rating agency may not take positions as chairman or member of executive board, auditor, manager or shareholder in another rating agency or in institutions procuring independent audit or valuation services. They cannot be employed as personnel involved in rating, independent audit or valuation activities.

Cessation of Independence⁸

ARTICLE 9 – (1) Independence of a rating agency is deemed to have ceased in following cases:

a) When there is a contradiction to the second, third and fourth sub-clauses of the Article 8.

b) If the shareholders, chairmen and members of executive board, auditors, managers, members of rating committee or rating specialist of and authorized rating agency as well as their relatives by blood or by marriage including degree three and degree two respectively or their spouses take advantage directly or indirectly from the customer other than predicted within the rating contract or if they are offered or promised any direct or indirect advantages and this situation is not informed by the related persons to the members of quality assurance system to ensure that it is notified urgently to the Agency.

c) If it is found out that the fees for the rating services for past periods have not been paid by the bank without any justifiable reasons or that no legal action has been filed to recover such sums payable or that payment has been made to the rating agency later in excess of the sum agreed on by the contract.

d) If the rating services fees are tied to the conditions related to the results of rating or a pre-determined rating estimate or determined after completion of rating services.

e) If it is established that the rating of creditworthiness of a customer has been made by a method different from the definition of default, accounting period and estimated default ratios related to the rating category notified to the Agency and disclosed to the public.

f) If revenues obtained from a customer from the third accounting period after establishment exceeds fifteen percent of the period revenues obtained at the end of that year without justification.

Professional care and Meticulousness⁹

ARTICLE 10 – (1) Authorized rating agencies may not accept any rating activities where knowledge and skills of their members of executive board responsible for quality assurance system, members of rating committee and their rating specialists are not adequate.

(2) Members of rating committee and rating specialists appointed by the authorized rating agency must exert necessary professional care and meticulousness at the stages of planning and execution of rating assignments and granting rating marks as appropriate. Care and meticulousness refer to the attention and efforts that would be exerted by the staff if careful and foresighted members of a rating committee or rating specialists as regard details and findings under the same conditions.

⁸ Version amended of the Article by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

⁹ Version amended of the Article by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

Quality Assurance System

ARTICLE 11- (1) Authorized rating agencies are responsible for the implementation of a quality assurance system to confirm that the rating agency, its shareholders, chairmen and members of its executive board, and its auditors, managers, member of rating committee and rating specialists possess the professional competence and sufficiency and in accordance with the related regulations and that the ratings conducted are correct. The quality assurance system shall have sufficient financial resources and shall be established in a structure independent from the rating process.¹⁰

(2) Two members to be elected from among the members of the executive board not having executive functions of the authorized rating agency are assigned with responsibilities for operation of the quality assurance system. The members of executive board responsible for quality assurance system shall be graduated from a four-years undergraduate programme at least and they shall have professional adequacy certificates granted from authorized institutions within the field of rating inside and outside the country and they shall have an experience for at least five years within the fields of banking, independent audit or valuation or they shall have an experience for at least seven years within the fields of banking, independent audit or rating. When they are aware of the contradiction to the provisions of this Regulation, shareholders, chairmen and members of the executive board, managers, auditors, rating committee members or rating specialists of the authorized rating agency shall notify this situation to the members of executive board members responsible for quality assurance system to ensure that they notify immediately to the Agency.¹¹

(3) The quality assurance system shall be reviewed once a year at the end of the year. The quality assurance system report shall be sent to the Agency until the end of April after that it is affirmed by the executive board and it is published within the web-site of the authorized rating agency.¹²

(4) A review of the quality assurance system considers the level of compliance with the following principles.

a) Professional Competence: The members of executive board responsible for quality assurance system, members of rating committee and rating specialists shall carry the qualifications specified within the Article 7.¹³

b) Professional requirements: ¹⁴

1) The shareholders, chairmen and members of executive board and auditors, managers, members of rating committee and rating specialists of the authorized rating agency shall act in compliance with the provisions of Articles 8, 9 and 21,

2) Authorized rating agency, its executive board members responsible for quality assurance system, rating committee members and rating specialists shall act in compliance with the provisions of Articles 6, 10 and 20.

c) Distribution of duties: Rating studies must be carried out by persons having knowledge, professional qualifications and skills at a required level and a mark must be awarded by a committee by taking as a basis the results of these studies.

¹⁰ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

¹¹ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

¹² Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

¹³ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

¹⁴ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

d) Guidance: Works carried out must be reviewed at every level and staff assigned for rating activities must be guided over their duties so that rating activities can be of a required quality and exact and correct views can be communicated as a result of rating..

e) Consultation: Where necessary, persons having experience and knowledge on the matter at hand must be consulted.

f) Duty acceptance and continuity: Performance of rating for acceptance of new duties or continuation of rating activities in the forthcoming periods and evaluation of the customer's position especially in respect of compliance with the principles of independence and scope and dimensions of services to be provided.

g) Monitoring: Monitoring of the quality assurance system and its functionality.

SECTION THREE **Authorization of Rating Agencies**

Conditions to be met by Rating Agencies for Authorization

ARTICLE 12- (1) The rating agencies to be authorized;

a) Must be established as joint stock companies (AŞ) with all of its shares registered,

(b) Must have an expression expressing that they will only be involved in rating activities within their main contract,¹⁵

c) Must include the phrase, rating in their commercial titles,

d) Must have a managerial organization of an adequate size, an adequate number of staff with required qualifications, necessary technical equipment/hardware and a documentation and registration system as well as plans for establishment of a quality assurance system enabling them to achieve rating,

e) Must pledge to take out and maintain professional liability insurance policies to cover any damages that may arise out of services provided,

f) Must have suffered no cancellation of their rating authorizations locally or internationally,

g) Its shareholders, chairmen and members of its executive board, its managers, auditors and rating committee members must pledge to withdraw from the rating service provided to the customer if their independence is cancelled during the rating activity.¹⁶

¹⁵ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

¹⁶ Added pursuant to the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

Conditions to be searched for in Shareholders, Executive Board Members Responsible for Quality Assurance, Rating Committee Members and Rating Experts of the Rating Agency to be Authorized¹⁷

ARTICLE 13 – (1) The shareholders, executive board members responsible for quality assurance system, rating committee members and rating specialists of the rating agency to be authorized must;

a) Not have partnerships in another rating, independent audit or valuation institution or must not take position in those as chairman or member of executive board, auditor, manager, nor rating committee member or rating specialist, independent auditor or valuation expert,

b) Carry the qualifications specified within the paragraph (d) of the first sub-clause of Article 8 of the Law,

c) Not have any responsibilities in any operations which have caused the cancellation of activities in institutions of which independent audit, valuation or rating authorizations have been cancelled locally or internationally,

ç) Not be involved in any commercial activities outside professional ones.

(2) Shareholders of a rating agency which has applied for authorization shall carry the qualifications specified within paragraph (d) as well as (a), (b) and (c) of the first sub-clause of the Article 8 of the Law and the shareholding structure of legal entity shareholders must be transparent and open.

(3) Rating committee members and rating specialists shall carry the qualifications specified within Article 7 and they shall guarantee that they will withdraw from rating service process in case of appearance of any relationships cancelling the independence.

Information and Documents Requested during Application for Authorization

ARTICLE 14 – (1) Rating agencies intending to be authorized within the scope of this Regulation shall apply to the Agency with a letter specifying the subject(s) determined within the Article 5 for which they want to be authorized, accompanied by the following information and documents.

a) Notarized copies of the main contract of the rating agency as well as its latest version including the amendments made in, if any,

b) Addresses of the head offices and/or branches of the rating agencies,

c) Balance sheet of the rating agency on the date of application,

d) Copies of contacts concluded with relevant overseas organizations as certified by authorized officers of overseas organizations in case of any legal connections with any overseas rating agencies,

¹⁷ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

e) Written guarantee, determined within the paragraph (g) of the first paragraph of Article 12 and to be prepared according to the example within the Annex-2,

f) Of their shareholders, executive board members responsible for quality assurance system, rating committee members and rating specialists;

1) Detailed CVs including professional experiences and educations received, to be prepared according to the example given within the Annex-1, as well as notarized copies of ID cards and passports,

2) Criminal records including the archives, received within the last six months,

3) Written declarations to be drawn-up as per the model under Annex-6, certifying that they don't have and will not have any partnerships in any other rating agency or in an institution providing independent audit or valuation services, or they don't take or will not take any positions as chairman or member of the executive board, manager or auditor or personnel involved in rating, independent audit or valuation in those institutions, or they didn't have any responsibilities causing the cancellation of authorization in institutions of which licences to conduct independent audit or valuation have been cancelled,

4) Declarations to be drawn-up as per the model under Annex-7 certifying that they are not involved in any other commercial activities other than professional ones,

g) Of their shareholders;

1) Written declarations to be drawn-up as per the model under Annex-3, certifying that they are not bankrupt and that they have not declared rescheduling of debts according to the provisions of Code of Execution and Bankruptcy Nr. 2004 dated June 9,

2) Document to be obtained from Saving Deposit Insurance Fund to be drawn-up as per the model under the Annex 5, certifying that they have not held any qualified shares in or control of the banks for which Article 71 of the Law are applicable or which have been transferred to the Saving Deposit Insurance Fund prior to the entry into force of the Law or brokerage houses forced into liquidation and finance houses/organizations forced into liquidation other than voluntary liquidation, development and investment banks the operating licences of which have been discontinued, credit organizations for which partnership rights other than dividends and management and control have been transferred to the Saving Deposit Insurance Fund or for which powers and permissions to do banking and receive deposits and participation funds have been discontinued before transfer to the Saving Deposit Insurance Fund or lifting of powers and permissions to do banking and receive deposits and participation funds,

h) Notarized copies of under-graduate diplomas and certificates received of executive board members responsible for quality assurance, rating committee members and rating specialists,

i) Guarantee letter to be drawn-up as per the model under Annex-8, certifying that they will withdraw from rating service provided to the customer in case of appearance of situations cancelling the independence, determined within the Article 9,

j) Copy of the executive board decision declaring which executive board members will be responsible for the quality assurance system to be established or will be established according to the principles and procedures determined within the Article 11 and detailed information concerning the structure and running of the quality assurance system prepared and signed by the executive board members responsible for the quality assurance system,

k) Information relating to the rating methods concerning rating activity or activities determined within the Article 5 and for which they want to be authorized as well as the rating note system, default definition, time interval and estimated default ratios relating to the rating category they predict to use in accordance with those methods and the members appointed in the rating committee,

l) Detailed information about the trainings to be given to rating committee members and rating specialists about the subjects within the scope of paragraph (j),

m) Documents presenting the partnership structures of legal entity shareholders,

n) Declaration of the rating agency declaring that they will take out a professional responsibility insurance within the aim of covering the losses which may be arised from the services that they will provide.¹⁸

(2) For the purpose of ensuring qualification for the principle of objectivity under paragraph (a) of the first sub-clause of Article 6 during evaluation of applications or when considered necessary by the Board, the Agency may request that an information sharing contract be concluded between the rating agencies applying for authorization and a rating agency, which is assigned by the Board or operated internationally subject to the procedures and principles indicated by the Article 15 or that additional information and documents be furnished. Any omissions detected by the Agency or any additional information and documents are notified to the rating agency requesting authorization in writing.¹⁹

(3) In the event that documents requested from natural persons and legal entities of a foreign nationality cannot be obtained due to the lack of an authority or system in the countries where such persons are based, where such records are maintained, this situation must be certified to the Agency with a document to be received from the competent authorities in such countries.

(4) It is essential that any documents to be obtained from abroad in connection with applications covered by this Regulation are certified by the competent authorities in the relevant countries and by the Turkish consulates in such countries or as per the provisions of the Convention on the Lifting of the Requirement of Certification of Foreign Official Documentst prepared within the framework of the Hague Conference on States Particular Law and that notarized translation of the documents are annexed to applications.

¹⁸ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

¹⁹ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

Information Sharing Contracts

ARTICLE 15- (1) An information sharing contract which will be concluded between the rating agency applying for authorization and a rating agency identified by the first sub-clause of Article 14 must incorporate provisions regarding;

- a) Title and address of the rating agency which will agree to information sharing,
- b) Principles regarding information transfer to be made by the rating agency agreeing to information sharing to the entity applying for authorization about procedures and techniques used by it in Turkey or in international rating practices,
- c) Declaration by the entity applying for authorization that it shall maintain its rating operations in line with the procedures and techniques transferred by the rating agency which shall conduct such an information sharing,
- d) Declaration by the entity applying for authorization if it would quote the title of the rating agency, which would conduct information sharing, as part of disclosure of ratings awarded under its operations,
- e) Renumeration to be paid to the rating agency which would agree to

information sharing

- f) Term of the contract and conditions of termination.

Authorization²⁰

ARTICLE 16 – (1) The rating agencies approved by the Agency as a result of the evaluation made by the Agency as of the subject for which the rating agency has applied for authorization are authorized within the scope of this Regulation. The authorized rating agencies are announced to public on the web-site of the Agency.

(2) If the conditions causing the cancellation of conducting rating activities inside or outside the country have been cleared or if the authorization has been restored, the re-authorization of the rating agency within the scope of this Regulation is assessed by the Board.

SECTION FOUR

Activities of Rating Agencies

Ban on Advertising

ARTICLE 17- (1) Authorized rating agencies may not engage in operations that may be considered direct or indirect advertising in order to obtain jobs. However, they may prepare and distribute brochures containing introductory information about themselves, may place notices to hire staff, may issue scientific publications on professional subjects and organize meetings such as seminars and conferences.

(2) No comparison of a rating agency with another or several rating agencies may be made as part of the practices referred to the first sub-clause and during talks with customers.

Rating Contracts

ARTICLE 18- (1) It is obligatory that authorized rating agencies conclude written contracts with their customers so that they may engage in rating operations indicated by Article 5. This requirement is not sought for ratings not ratings.

²⁰ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

(2) These contracts must incorporate the following as a minimum;

- a) Title and head office address of the rating agency,
- b) Title and head office address of the customer benefiting from rating services,
- c) Objectives, subject and particular reasons of the contact, if any,
- d) Name and surname of the rating specialist to be appointed,

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e) Term of the contract and conditions for termination,²²

f) Renumeration to be paid to the rating agency,

g) Responsibilities and obligations of the parties,

h) Commitment to take out and maintain professional

responsibility insurance.

(3) The authorized rating agency can sign a rating contract with a customer for four accounting periods at most. To give rating services to the same customer after four accounting periods, at least one accounting period shall be pass.²³

Termination of the Rating Contract

ARTICLE 19-²⁴

(2) Authorized rating agencies may withdraw at any stages of rating operations if they believe that their rating operations are restricted significantly contrary to the provisions of the contract, that any information and documents requested are not furnished, that there is intentional misrepresentation or that any other similar instances may have occurred.

(3) Withdrawal from rating operations or failure by the rating agency to take out and maintain professional responsibility insurance in line with the procedures and principles indicated by the Article 26 as per paragraph (h) of the second sub-paragraph of Article 18 is deemed the cancellation of the rating contract.

(4) In the event that a bank is the party of the rating contract and that the authorized rating agency withdraws within the scope of the second sub-paragraph, this situation shall be notified to the Agency by the related authorized rating agency with the motives.²⁵

²¹ Abolished by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

²² Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

²³ Added by Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

²⁴ Abolished by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

²⁵ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

(5) A bank may terminate a rating contract only if there is a deviation from the rating contract or the rating operations are not conducted as per the principles indicated by this Regulation after evidence submitted regarding these aspects are considered appropriate by the Agency.

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(7) In the event that the rating contract is terminated by the authorized rating agency as per the second sub-clause, the public or only the customer must be informed of the termination of the contract, depending on the fact if the rating awarded has been disclosed to the public or to the customer only.²⁷

(8) In the event of termination of the contract for the grounds indicated by the present article, it is essential that at least two years elapse so that a contract may be signed with the same rating agency again.²⁸

Rating Operations

ARTICLE 20- (1) Authorized rating agencies perform their operations in line with the principles and procedures indicated below.

a) Rating specialists must collect data in line with the rating methods or information sharing contracts notified to the Agency and disclosed to the public and written processes ensuring unprejudiced analysis of such data must be determined.

b) An adequate number of rating specialists with required qualifications must be allocated depending on the nature of the customer and rating operations apart from those attending the negotiations conducted with the customer on remuneration for rating.

c) Financial sheets which are approved by the independent auditing organizations or by career practitioners licenced as per Law Nr. 3568, who are authorized to conduct audits, as compliant with the accounting principles established by the Turkish Accounting Standards Institution must be taken as a basis in evaluation of creditworthiness.

d) Working papers must be prepared to prove that rating has been conducted in compliance with the provisions of this Regulation and the rating methods declared by the authorized rating agencies for application and a record system must be in place for them and any other information and documents supporting the justification for rating.

e) It is essential that the working papers, their annexes prepared by rating specialists as well as the rating to be given to the customer based on the opinions related to them and the rating methods based on the rating marks to be given to the customers by groups are determined by the rating committee to be established by the authorized rating agency.²⁹

²⁶ Abolished by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

²⁷ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

²⁸ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

²⁹ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

f) Results of rating operations and publicly disclosed ratings other than those which are agreed to be reviewed regularly under the contract, any developments that may affect the creditworthiness of the customers or information taken as a basis for ratings awarded must be followed continuously and updated; if necessary, rating adjustments must be made and in this case, new ratings and justification for changing the previous ratings must be disclosed to the public.

g) It is essential that in case of awarding a rating mark about a customer without a request, rating is conducted throughout minimum four accounting periods in line with the principles and procedures indicated by this Regulation and that rating marks to be awarded are reviewed and made public at intervals of maximum six months.

h) The authorized rating agency must implement a method allowing those customers equivalent in terms of creditworthiness or corporate management practices may receive corresponding rating marks.

i) Ratings awarded by the authorized rating agencies must be monitored regularly, policies must be established to ensure continuity and effectiveness of the flow of information that may affect the creditworthiness of customers rated and ratings must be adjusted as applicable in case newly obtained information have impact on the already granted ratings.

Protection of Secrets

ARTICLE 21- (1) An authorized rating agency's shareholders, executive board chairman and members, auditors, managers and rating committee members and rating specialists may not disclose any secrets of the banks and customers of the banks including any information deemed a secret to be agreed on by the rating contracts to be concluded, which are learnt by them during rating operations laid down by Article 5, except for any information which must be disclosed to the public as per this Regulation, and neither may they use such information for their own or third parties' benefits. The authorized rating agencies are bound to take any kinds of measures for protection of information deemed a secret.³⁰

(2) Rating specialists may use the information within the scope of the first sub-clause only in rating analyses.

(3) An authorized rating agency's shareholders, executive board chairman and members and auditors, managers, rating committee members or rating specialists may not make any public disclosures about their opinions concerning the rating activities provided to their customers within the scope of Article 5, or any future potential practices.³¹

(4) In the event that information and documents covered by the first sub-clause are the subject matter of an offense, their disclosure to competent authorities does not constitute non-compliance with the protection of secrets.

Public Disclosure of Rating Marks and Other Necessary Information³²

ARTICLE 22 – (1) Customers must be informed to prevent any misjudgements before the public disclosure of any rating marks to be awarded by taking as a basis the system of rating marks declared for implementation during an application for authorization made under Article 14 or of any subsequent updates of a rating mark earlier granted.

³⁰ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

³¹ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007

³² Version amended of the Article by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007

(2) Ratings belonging to banks and to customers other than banks for which there is an express consent thereof as well as any other information required to be announced to public within the scope of this Regulation shall be published on the web-site of the authorized rating agency within one week at the latest. No written or verbal information may be furnished by the shareholders, executive board chairman and members, auditors, managers, rating committee members and rating specialists of the authorized rating agency to the public prior to such publications.

SECTION FIVE Miscellaneous and Final Provisions

Notification to the Board

ARTICLE 23 – (1) The authorized rating agencies have to notify the Agency of any amendments to their articles of association and addresses within two weeks; the changes taking place in connection with their shareholders, executive board members responsible for quality assurance system, rating committee members and rating specialists as well as the amendments made in conditions predicted within the Article 13 within one month at the latest from the date of such amendment or employment, accompanied with the documents certifying that they carry the conditions required by the Regulation and the copies of decisions concerning their appointments or elections. Any amendments or changes are deemed effective if no negative comments are provided by the Agency within thirty days as a result of an evaluation thereof.³³

(2) Authorized rating agencies must send a letter including the subject, scope, purpose, duration of the rating activity, as well as the fee to be paid in exchange of this service, title, name and surname of the personnel conducting the rating service, accompanied by a copy of the professional responsibility insurance policy to the Agency, within one month following the signature of the contract. In the event of any amendments in the information above, the amendments shall be notified in writing to the Agency within one week at the latest.³⁴

(3) Ratings awarded by the authorized rating agencies are regularly reported to the Agency.

Surveillance and Supervision

ARTICLE 24- (1) The Agency may demand for any kinds of information and documents from the authorized rating agencies.³⁵

(2) The rating agencies have to retain the originals of working papers drawn up as part of rating operations and any information and documents annexed to them or their copies having such a nature not leaving any room for suspicion about their correctness for a period of five years for the accounting period that follows their arrangement or until settlement of a dispute for any such documents covered by a legal dispute, as applicable.

³³ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

³⁴ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

³⁵ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

(3) The Agency is entitled to commission another rating agency authorized by the Board for validation of the methods implemented by a rating agency in connection with rating of creditworthiness of its customers.³⁶

Obligation for Preparing Financial Statements and Independent Audit³⁷

ARTICLE 25 – (1) Financial statements of authorized rating agencies, prepared in accordance with the accounting principles determined by the Turkish Standards Institution, are audited by independent audit institutions authorized pursuant to the “Regulation on Authorization and Activities of Institutions to Realize Independent Audit in Banks”, published in the Official Gazette Nr. 26333 dated November 1, 2006.

(2) Authorized rating agencies shall send a copy of their annual audited financial statements and their independent audit reports to the Agency and publish them on their web-site within thirty days following their general assembly meetings.

Professional Responsibility Insurance

ARTICLE 26- (1) The rating agencies have to take out and maintain professional responsibility insurance with a coverage not less than two times the value of the contract for rating services subject to general conditions as laid down by the Undersecretariat of Treasury for each rating contract to be signed by them for the purpose of covering damages that may arise out of rating marks to be given by the rating agencies as part of their rating operations indicated by Article 5 no later than seven days after from the date of signature of the contract as per Article 36 of the Law.

(2) The insurance company with which professional responsibility insurance shall be taken out and maintained may not be the customers or participation or a subsidiary directly or indirectly controlled by such customers.

(3) The sum of coverage of professional responsibility insurance covered by the first sub-clause is determined by assuming minimum two times the sum of the balance sheets budgeted for the current year, which is agreed on by the executive board provided that it is less than the sum of the balance sheets for the previous year of the authorized rating agency subject to approval by the Board.

Cancellation of Authorization³⁸

ARTICLE 27 – (1) In case it is established by the Agency that one or several of the following instances has or have taken place, the Board decides to lift the authorization of a rating agency permanently:

a) The conditions for authorization laid down within the Article 12 excluding the paragraph (f) are no longer in place.

b) It is detected that there is no compliance with the professional code of conduct determined within the Article 6 or with the second sub-paragraph of the Article 17.

c) It is established that subject to procedures and principles laid down by Article 9, although independence of the rating agency’s shareholders, chairmen and member of executive board, auditors, managers and rating committee members has ceased, the authorized agency did not withdraw from the rating service or it is established that although the independence of rating specialists has been ceased, they still participate to the process of awarding a rating mark to the customer.

³⁶ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

³⁷ Version amended of the Article by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

³⁸ Version amended of the Article by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

d) The rating activity is not conducted within the framework of principles and procedures determined within Articles 20 and 21.

e) Failure to engage in authorized rating operations throughout five accounting periods in a row.

f) Failure to take out and maintain professional responsibility insurance in more than one instance, which has to be taken out subject to the principles and procedures indicated by Article 26 pursuant to the Article 36 of the Law.

g) If a false rating mark has been awarded by using incomplete, untrue and misleading data.

h) If the shareholders lose the conditions laid down within the Article 13 or if it is established that their declarations regarding these conditions are untrue.

(2) In the event of appearance of a situation in contradiction with the paragraph (f) of the first sub-clause of Article 12, the cancellation of the authorization is assessed by the Board.

(3) The Board is entitled to bar employment by another rating agency of the rating agency's shareholders, executive board chairmen and members, auditors, managers, rating committee members and rating specialists, who have been found responsible by the Agency for operations leading to cancellation by the Agency of authorization of the rating agency.

(4) If one or several of the instances has or have been established by the Agency, the Board is entitled to cancel the authorization of the rating agency for a period of not more than six months.

a) If the information and documents requested by the Agency are not submitted correctly, completely and in time.

b) If there are deficiencies in the quality assurance system which is obligated to be established according to the Article 11.

c) If necessary amendments are not made if there is contradiction to the provisions of the Article 13 excluding the paragraph (a) of the first sub-clause, in members of executive board responsible for quality assurance system, members of rating committee and rating specialists.

d) If it is established that the first sub-clause of the Article 17 is violated.

e) If persons other than notified to the Agency are taking place in the rating committee.

f) If the matters warned by the Agency are repeated or not performed more than once within the same accounting period.

(5) A written notice is made by the Agency to the rating agency before the cancellation of the authorization permanently or temporarily, to receive the defense of the rating agency. If the defense is not procured within one month, it is assumed that the right of defense is waived.

(6) The decision concerning the cancellation permanently or temporarily of the authorization is announced on the web-site of the Agency. As of the date of announcement, the financial liabilities of the customer against the rating agency as well as its liabilities under this Regulation are terminated.

Indemnification of Professional Responsibility Insurance

ARTICLE 28 – (1) In case it is decided by the Board permanently to lift the rating performance authorization of a rating agency pursuant to this Regulation on ground of the rating services provided under the rating operations indicated by Article 5 for reasons established by the first sub-paragraph of Article 27 excluding paragraphs (a), (d) and (f) thereof or it is established that any untrue rating marks are given or that certain information that would affect rating has not been provided, the injured parties request the relevant insurance company for indemnification under professional responsibility insurance.³⁹

Entry into Force

ARTICLE 29- (1) This Regulation enters into force on the date of promulgation.

Enforcement

ARTICLE 30- (1) The provisions of this Regulation are enforced by the Chairman of the Banking Regulation and Supervision Agency.

³⁹ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

**DETAILED CV'S OF SHAREHOLDERS/ EXECUTIVE BOARD MEMBERS
RESPONSIBLE FOR QUALITY ASSURANCE SYSTEM / RATING COMMITTEE
MEMBERS/RATING SPECIALISTS**

NAME- SURNAME				:
ADDRESS				:
EDUCATION STATUS (In Details)				:
TITLE AND ADDRESS OF PRESENT EMPLOYER				:
PROFESSION AND POSITION				:
NUMBER OF TR ID/PASSPORT				:
TAX ID NR⁴¹				:
SHARE OF PARTNERSHIP				:
PREVIOUS EMPLOYERS				
	Title of the Employer	Dates of Start and End	Title of Position	
1-				
2-				
INFORMATION ON OPERATIONS RATED IN THE LAST FIVE YEARS				
Title of Operation		Audit Period	Title of Position	
TRAININGS AND CERTIFICATES RECEIVED WITH REGARD TO RATING				
Yea	Training Duration	Title of Training	Certificate	
INSTITUTIONS IN WHICH HE/SHE IS EMPLOYED AS PERSONNEL, MANAGER, SHAREHOLDER, AUDITOR OR FOUNDER				
Start Year/Month/Av	Name/Address of Company	Activity Field	Position/ Relation Type	Partnership%

...../...../.....
NAME-SURNAME
SIGNTAURE

⁴⁰ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

⁴¹ The tax ID number shall be filled by foreigner natural persons.

COMMITMENT LETTER**TO THE BANKING REGULATION AND
SUPERVISION AGENCY**

I hereby declare and pledge that, in case of appearance of any situations ceasing the independence determined within the Article 9 the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, published in the Official Gazette Number 26333 dated November 1, 2006, of the shareholders, executive board chairman and members, managers, auditors or rating committee members ofA.Ş. during the rating activity conducted within the scope of the same Regulation, A.Ş. will withdraw from the rating service procured to the related customer.

...../...../.....

SIGNATURE
NAME-SURNAME OF
PERSON(S)
ENTITLED TO
REPRESENT
AND SIGN

DECLARATION

To the BANKING REGULATION AND SUPERVISION AGENCY

I hereby declare and pledge that I have not declared bankruptcy or debt rescheduling as per the provisions of Law N. 2004 on Execution and Bankruptcy.

...../...../.....
SIGNATURE
NAME-
SURNAME
TITLE

⁴³ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

⁴⁴ Abolished by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

To the SAVING DEPOSIT INSURANCE FUND

You are kindly asked to issue me a certificate for submission to the Banking Regulation and Supervision Agency, which certifies that I have not held any qualified shares in or control of the banks to which the Article 71 of the Banking Law Nr. 5411 is applied or which have been transferred to the Saving Deposit Insurance Fund prior to the entry into force of Banking Law Nr. 5411, or in credit institutions for which partnership rights other than dividends and management and control have been transferred to the Saving Deposit Insurance Fund or for which powers and permissions to do banking and receive deposits and participation funds have been discontinued before transfer to the Saving Deposit Insurance Fund or lifting of powers and permissions to practice banking and receive deposits and participation funds.

...../...../.....
SIGNATURE
NAME-
SURNAME
TITLE

TR. ID NR. :
SURNAME :
NAME :
FATHER'S NAME :
MOTHER'S NAME :
PLACE/ DATE OF BIRTH :
OF BIRTH REGISTRATION
CITY :
DISTRICT :
QUARTER/VILLAGE :
VOLUME NR. :
FAMILY POSITION NR:
POSITION NR. :
ADDRESS :

⁴⁵ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

LETTER OF
COMMITMENT

To The BANKING REGULATION AND
SUPERVISION AGENCY

I hereby declare and pledge that I have not held and will not hold any shareholdings in another rating agency or in an institutions procuring independent audit or valuation, that I have not served or will not serve such organizations as chairman or member of the executive board, manager and auditor or personnel involved in rating, independent audit or valuation, that I have not been involved in any rating, independent audit or valuation institution suffered the cancellation of their operations locally or internationally, in any activities causing the cancellation.

...../...../.....
SIGNATURE
NAME-
SURNAME
TITLE

⁴⁶ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

**LETTER OF
COMMITMENT**

**To The BANKING REGULATION AND
SUPERVISION AGENCY**

I hereby declare and pledge that I am not engaged in any commercial activities other than professional activities.

...../...../.....
SIGNATURE
NAME-
SURNAME
TITLE

**LETTER OF
COMMITMENT**

**To The BANKING REGULATION AND
SUPERVISION AGENCY**

I hereby declare and pledge that in case, during the activities by A.Ş., in which I am employee, under the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies published in the Official Gazette Nr. 26333 dated November 1, 2006, any instances leading to cessation of independence emerge as stipulated by Article 9 of the same Regulation, I will withdraw from the rating service extended by A.Ş. to the relevant customer.

...../...../.....
SIGNATURE
NAME-
SURNAME
TITLE

⁴⁸ Version amended by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.

⁴⁹ Abolished by the Regulation published in the Official Gazette Nr. 26658 dated September 29, 2007.