

STRATEGIC PLAN

2013 / 2015



**BANKING
REGULATION AND SUPERVISION
AGENCY**



STRATEGIC PLAN
2013 / 2015

CHAIRMAN'S MESSAGE



Mukim ÖZTEKİN
CHAIRMAN

Our Agency that carries out the functions of regulation, supervision and enforcement within the aim of providing reliability and stability in financial markets, ensuring the efficient running of credit system, protecting rights and interests of savers and developing financial sector considers strategic planning as one of the main instruments to fulfill its duties effectively.

Within the previous Strategic Plan period including 2010-2012; alongside works and transactions conducted regarding institutions within the scope of its supervision and surveillance, our Agency kept following closely the economic developments inside and outside Turkey and contributing to financial stability in cooperation and coordination with other institutions taking place in economy management. Furthermore, putting into force of Basel II regulations regarding the harmonization of capital measurement and capital standard internationally, strengthening the legal infrastructure concerning non-bank financial institutions, carrying out the studies of the second Financial Sector Assessment Program (FSAP-Turkey) and contributing to Istanbul International Finance have been the main items of the Agency's agenda. Within this period, despite the global crisis effects of which are still continuing, with its strong capital structure and manageable risk profile, the Turkish Banking sector kept growing and financing the country's economy by giving weight to branching. For the first time, total asset size of banks and non-bank financial institutions exceeded the gross national product.

Within the scope of the third Strategic Plan prepared concerning the period of 2013-2015; main strategic goals were determined as the strengthening of institutional structure, increasing the efficacy of regulation, supervision and enforcement activities, conducting studies to increase reliability and stability in financial markets and reinforcement of applications concerning the ones benefiting from financial products and services. Within this framework, primary study fields will be increasing managerial efficacy by strengthening especially human resources and technical infrastructure, empowering the regulatory structure and mainly internal risk measurement approaches and Basel II standards, determining policies concerning the supervision of systematically important banks and financial institutions, making banks' risk management policies and processes subject to supervision, increasing the speed and efficiency of surveillance process and harmonization of the Agency with new supervision fields which may gain currency. Moreover, developing policies and implementations for efficient protection of persons benefiting from financial products and services, considered as a critically important for financial development and stability will also be one of the items of the Agency's agenda for next period.

The BRSA Strategic Plan has been prepared with a sense to manage efficiently this process for our country which is becoming a regional and global finance center and to turn it into an opportunity. BRSA will monitor constantly and efficiently the development of its efforts and successes within the scope of the Plan, in light of its strategic goals and targets, and the activities realized will be shared with public in transparency. We hope that the Strategic Plan will be instructive for both our Agency and our financial system.



CONTENTS

STRATEGIC PLAN AT A GLANCE.....	1
INTRODUCTION.....	4
FORWARD LOOKING	6
BASIC VALUES	7
SITUATION ANALYSIS.....	8
1. INTRA-AGENCY ANALYSIS.....	8
1.1 INSTITUTIONAL STRUCTURE, DUTIES AND ACTIVITIES.....	8
1.2 HUMAN RESOURCES	9
1.3 PHYSICAL RESOURCES	10
1.4 FINANCIAL RESOURCES	10
2. RELATED PARTY ANALYSIS	10
3. ENVIRONMENT ANALYSIS	12
3.1 SITUATION AND DEVELOPMENTS WORDLWİDE	12
3.2 SITUATION AND DEVELOPMENTS IN TURKEY	14
3.3. SENIOR POLICY TEXTS	16
3.4. SWOT ANALYSIS.....	17
GOALS TARGETS STRATEGIES	18
PERFORMANCE MONITORING AND EVALUATION.....	50

ABBREVIATIONS

EU	European Union
USA	United States of America
BCBS	Basel Committee on Banking Supervision
BRSA	Banking Regulation and Supervision Agency
NBFI	Non-Bank Financial Institutions
BIS	Bank for International Settlements
OC	Obligations Code
eDMS	Electronic Document Management System
FSC	Financial Stability Committee
FATF	Financial Action Task Force
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSI	Financial Stability Institute
FTKGG	Financial Consumer Protection Task Force
MCT	Ministry of Customs and Trade
AB	Arbitration Boards
UoT	Undersecretariat of Treasury
IADI	International Association of Deposit Insurers
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFSB	Islamic Financial Services Board
INFE	International Network on Financial Education
IOSCO	International Organization of Securities Commissions
MoI	Ministry of Interior
IFM	Istanbul International Finance Center
IEP	Investigation and Evaluation Process
ICAEP	Internal Capital Adequacy Evaluation Process
OU	Organization Unions
DL	Decree Law
TRNC	Turkish Republic of Northern Cyprus

OA	Overdraft Account
PPSE	Public Personnel Selection Examination
LTV	Loan to Value Ratio
OECD	Organization for Economic Cooperation and Development
OG	Official Gazette
CA	Competition Authority
RC	Risk Center
SIFI	Systematically Important Financial Institutions
CMB	Capital Market Board
SREG	Systemic Risk Evaluation Group
NGO	Non-Governmental Organizations
CASR	Capital Adequacy Standard Ratio
SWOT	Strengths and Weaknesses, Opportunities and Threats Analysis
BAT	Banks Association of Turkey
TBTF	Too Big to Fail
TPC	Turkish Penal Code
CBRT	Central Bank of the Republic of Turkey
TUPB	Turkish Union of Participation Banks
CPL	Consumer Protection Law
SDIF	Saving Deposit Insurance Fund
IAT	Insurance Association of Turkey
ACMII	Association of Capital Market Intermediary Institutions of Turkey
TCC	Turkish Commercial Code
TCIC	Turkish Civil Code
AFUS	Application Follow-Up System
TPL	Tax Procedural Law
WB	World Bank
WTO	World Trade Organization



STRATEGIC PLAN

GOAL 1

CORPORATE STRUCTURE WILL BE STRENGTHENED.

Target 1.1: Administrative efficiency will be enhanced for reaching at corporate goals.

Target 1.2: Human, financial and physical resources will be enhanced.

Target 1.3: Structures towards efficient and safe usage of information will be enhanced.

Target 1.4: Research and analysis capacity will be developed.

Target 1.5: Communication capacity will be enhanced.

Target 1.6: Corporate culture will be improved.

GOAL 2

THE EFFICIENCY OF REGULATION, SUPERVISION AND IMPLEMENTATION ACTIVITIES WILL BE ENHANCED.

Target 2.1: Regulation infrastructure will be strengthened.

Target 2.2: Supervision function will be strengthened in light of new approaches and instruments.

Target 2.3: Maintenance of efficiency and effectiveness of implementation function will be provided.



AT A GLANCE

GOAL 3

STUDIES WILL BE MADE TOWARDS THE MAINTANENCE OF RELIANCE AND STABILITY IN FINANCIAL MARKETS.

Target 3.1: The capacity of analyzing the systemic fragilities will be increased.

Target 3.2: Financial market policies of the institutions with which we are in cooperation will be followed-up.

Target 3.3: The efficiency of crisis management will be enhanced.

GOAL 4

IMPLEMEMNTATIONS TOWARDS THOSE GETTING BENEFIT FROM FINANCIAL PRODUCTS AND SERVICES WILL BE STRENGTHENED.

Target 4.1: Administrative capacity and regulatory frame towards protection of those getting benefit from financial products and services will be strengthened.

Target 4.2: Studies will be made for enhancing the financial awareness level concerning the issues needed.

Target 4.3: Required studies will be made for enhancing the financial access concerning the issues under the Agency's duty and power field.

INTRODUCTION

It is provisioned pursuant to the Article 88 of the Banking Law Nr. 5411 that strategic plan, performance indicators, targets and goals of the Agency are determined by the Board; while according to the Article 94, the Agency is authorized to set targets so as to improve financial services sector and upon the Article 97 it is provisioned that the Agency informs the Council of Ministers once in six months relating to strategies and carrying out these strategies. On the other hand, pursuant to the Article 91 of the said Law, Department of Strategy Development is established as the main service department; and upon the Article 18 of the Regulation on Organization, duties such as carrying out studies on determining the strategy, policy, targets and goals of the Agency, preparing strategic plan, monitoring and evaluating the enforcement, preparing and sharing with the related parties thereof the progress reports are assigned to this Department.

Strategic planning is generally defined as the plan including medium and long term targets, main principles and policies, targets and priorities, performance indicators of managements and methods to obtain them as well as distribution of resources. Strategic planning process is composed of phases to determine activities and projects that enable to analyze weak and strong aspects of the Agency as well as opportunities and threats, to define the condition desired to be reached in future and targets and goals that would ensure it and to provide these targets and goals to be accomplished eventually. Accordingly, efficiency of the planning is directly related to carrying out the process within the scope of participation and scientific principles.

Activities foreseen in the BRSA Strategic Plan target integration, pioneering and confidence on global basis, determine the steps ought to be taken for fulfilling the mission of the Agency, diminish ambiguity and provide guidance, guide so as the budget and resource allocation is made according to the foreseen priorities.

Hence; the Third Strategic Plan which is began to be prepared in 2012 was drawn up by the Department of Strategy Development in the light of needs of the Agency and the sector, opinions and suggestions of the related parties in the market, necessities of international integration, international best practices and experiences of equivalent authorities. After that, the draft text which had been reviewed by the Technical Working Group members of which is determined by assignment from various departments in order to provide intra-Agency participation in the highest level was revised towards the issues determined in SWOT analysis in the individual meetings made for each unit. In the same period, current situation evaluations and legislation analysis studies were also finalized. After that, in the evaluation meeting held by the participation of upper management, mission, vision and main values as well as the strategic areas took their final form and goals, targets and strategies were determined on the basis of strategic areas determined. The draft which was finalized by the active participation of whole Agency has been submitted to the Chairman's Office.

In the surveillance of the Chairman's Office and in the coordination of the Department of Strategy Development, the BRSA Strategic Plan (2013-2015) which shall be carried out by the related Vice-Presidencies as well as service departments and with the contributions of the related parties entered into force subsequent to the Board Resolution dated May 30, 2013 and Nr. 5360. Amendments to be made to the Strategic Plan shall be subject to the process relating to determining the Plan.



FORWARD LOOKING FORWARD LOOKING

OUR VISION

The BRSA's vision is to be an authority which enforces regulation, supervision and risk management in international standards towards financial markets, institutions and consumers within the frame of national needs and requirements.

OUR MISSION

BRSA's mission, within the frame of its duty and authority, is to ensure the institutions subject to the Agency's supervision to operate in a sound and secure manner, to enable effective operating of credit system, to protect the rights and benefits of depositors, and therefore contribute to the development of financial markets and financial stability.



BASIC VALUES

Prudentiality: refers to using the regulation and policy instruments which are under the authority of the Agency in order for confident and sound operating of institutions subject to supervision in compliance with the economic conjuncture and taking measures when necessary.

Independency: refers to performing the Agency's duties and authorities without taking order from any organ, using independently financial resources allocated thereto within the frame of the principles and procedures set out by its budget that its decisions would not be kept subject to audit of appropriateness.

Reliability: refers to carrying out activities of the Agency by considering public benefit in an equal, fair, consistent and predictable manner for all related parties, ensuring the transparency and accountability.

Participation: refers to carrying out activities of the Agency in active cooperation and solidarity with related national and international agencies and institutions by considering views of related parties.

Efficiency: is to carry out activities of the Agency in light of cost/benefit approach and in a risk and quality-focused manner.

Competence: refers to having internationally accepted professional competence, information and ability standards while performing the activities of the Agency.

Responsiveness: refers to evaluating and responding reasonable requests, suggestions and complaints to be considered pursuant to related legislation in a timely and efficient manner, and keeping them subject to regulation and enforcement in case of necessity.

SITUATION ANALYSIS

Situation analysis is used as an ancillary factor for the determination of the strategies relating to institutional goals and targets. Situation analysis is comprised of intra-agency analysis, stakeholder analysis and environment analysis

1. Intra-Agency Analysis

In this section, conditions and tendencies which can be controlled and having internal nature that may affect the current status and future of the Agency are analyzed, strong and weak aspects of institutional structure and activities as well as human, physical and financial resources are determined and evaluated.

1.1 Institutional Structure, Duties and Activities

The Banking Regulation and Supervision Agency which was established by the Abolished Banks Act Nr. 4389, started to operate on August 31, 2000. By the Banking Law Nr. 5411 published in the Official Gazette dated November 01, 2005, its duties and responsibilities are enhanced and authorities are increased. Within this frame; beside banks, financial holding companies, financial leasing, factoring, financing and asset management companies are also included in the regulation and supervision scope of the Agency

In Article 82 of the Banking Law, it is stated that the Banking Regulation and Supervision Agency; (1) has been established as a public legal person with administrative and financial autonomy, (2) shall independently perform and use the regulatory and supervisory duties and rights assigned thereto by the Law and the applicable legislation, under its own responsibility, (3) shall independently use the financial resources allocated thereto within the framework of the related laws, to the extent its duties and powers necessitate within the framework of the principles and procedures set out in its own budget, (4) shall employ

adequate number of personnel with required qualifications in order to efficiently fulfill its duties and powers.

Organization structure of the Agency is set out by the Regulation on Organization Structure which was put into force by the Cabinet Decision. The Agency consists of the Banking Regulation and Supervision Board and the Chairman's Office. The Board is the decision-making organ of the Agency; it shall consist of seven members, including one chairman and one vice chairman appointed by the Council of Ministers for five years, having the qualifications determined in Article 84 of the Law. Chairman and members whose term of office is finished can be appointed again ad hoc.

The Chairman's office is comprised of the chairman, vice-presidents, advisors to the chairman and service units. Service units of the Agency are comprised of 14 departments as consultation, main service, and support service units. Vice-presidents and heads of departments are assigned by Board resolution.

Pursuant to the related provisions of the Banking Law Nr. 5411, Bank Cards and Credit Cards Law Nr. 5464 and Financial leasing, factoring and Financing companies Law Nr. 6361; main power, duty and responsibilities of the Agency for ensuring the confidence and stability in financial markets, effective operating of credit system and safeguarding the rights and benefits of depositors are;

- To avoid any transaction or practice that will jeopardize the rights of depositors and regular and effective operating of banks and lead to serious losses in economy, to take and enforce necessary decisions and measurements to enable effective operating of credit system,
- To determine strategies for the improvement of financial services sector,

- To carry out the surveillance, on-sight audit, analysis and measurement of the enforcement of the provisions on the institutions under the scope of the Law as well as any operations thereof and the issues affecting their financial structure,
- To carry out the licensing transactions stipulated in the Banking Law and other related laws,
- To demand any information and document on the enforcement of the Law, from institutions under supervision and partners thereof,
- To regulate, enforce, ensure to be practiced, monitor and audit the establishment and activities, administration and organization structure, merger, division, share transfer and liquidation of banks and financial holding companies as well as, without prejudice to the provisions stipulated in other laws and related legislation, financial leasing, factoring and financing companies,
- To ensure the effective operating of card payments system through regulating the principles and procedures on issuing, using, only for account transactions relating to bank cards and credit card,
- To carry out the permission transactions relating to institutions willing to have activities on forming card system, issuing card, making agreements with member work places, information share, clearing and netting, to ensure the supervision and surveillance of the activities of those institutions,
- To publish reports on its activities, strategies, significant developments experienced in the related sector as well as the performances of the institutions under supervision, to inform the Turkish Grand National Assembly Plan and Budget Commission and to ensure transparency and accountability by declaring final accounts to public,
- To authorize the institutions that will provide external audit, evaluation and rating services to banks, to determine the principles and procedures relating to their activities,
- To make coordination with the authorized domestic and abroad authorities on the exercise of money, credit and banking policies, audit, information share and other issues,
- To carry out Systemic Risk Evaluation Group, Financial Sector Commission and Coordination Committee activities as well as the secretariat pertaining thereto, to be member of international

financial, economic and professional formations in which domestic and abroad equivalent agencies participated, accordingly, to participate actively in the activities of Financial Stability Board and Basel Committees, to sign Memorandum of Understanding with the related authorities of foreign countries on the issues that fall under its duty field,

- To exercise its power given by the legislation by regulatory transactions or special resolutions to be made by the Board, to issue regulations and communiqués for the enforcement of the Law upon the Board resolutions, to exercise differentiation on those issues on bank or bank group basis.

1.2 Human Resources

Human resources which are the fundamental source of the productivity of the Agency have a particular importance as it is hard and time-consuming to improve and substitute thereof and due to its determining impact on financial and physical resources as well as the usage efficiency of the information.

Within the framework of the Banking Law Nr. 5411 and the Public Servants Law Nr. 657; the Regulation on Human Resources of the Banking Regulation and Supervision Agency, Regulation on Competition, Authorization and Adequacy Examinations as well as the Operating Principles and Procedures of the BRSA, Regulation on Professional and Ethical Principles for the Members of the Banking Regulation and Supervision Board and the Personnel of the Banking Regulation and Supervision Agency, Regulation on promotion in charge and title change of Personnel of the Banking Regulation and Supervision Agency and other related regulations form the legal ground for human resources management of the Agency.

One of the strongest aspects of the Agency is that it has educated young and dynamic human resources profile. Human resources need due to the activity fields of the finance sector which are getting complicated and diverse are met by employing qualified personnel specialized on various fields by a competitive selection. As of April 2013, a total of 559 personnel are employed in the Agency as administrator, advisor, specialist and other personnel. 70% of the personnel are comprised of career personnel.

While 64% of the personnel have graduate degree, 25% of the personnel have master degree and 3% of the personnel have doctorate degree.

On the other hand, further strengthening of human resources in quantity and quality and exercising the measures which will increase the productivity and motivation of the personnel is one of the fundamental strategies of the Agency to reach at its goals and targets. Accordingly, new personnel employment is foreseen to be made continuously in order to meet the requirement in quantity due to the enhancing duty and power area of the Agency and in order to improve the quality of the personnel through increasing domestic and abroad training opportunities by annual training programs to be formed according to the requirements on service unit and personnel basis. Moreover, benefiting from distance training programs and exercising personnel change programs in coordination with international institutions and equivalent authorities are foreseen.

Furthermore, within the scope of articles added to Decree Law dated November 02, 2011 Nr. 666 sand Decree law Nr. 375, the fact that the determination concerning the wages of Board Chairman and members as well as Agency personnel became more limited than the previous legal frame has the potential to have negative impacts on human resource improvement opportunities.

1.3 Physical Resources

Physical resources being sufficient and ergonomic are affecting directly and positively the service quality and are contributing to reach at strategic goals and targets.

BRSA is conducting its activities in two buildings rented in Ankara and Istanbul. In parallel with Istanbul Finance Project, a new ergonomic service building is required in compliance with the Agency structure foreseen in Banking Law Nr. 5411 as well as enhancing activity field and increasing personnel number

1.4 Financial Analysis

In Article 82(3) of the Banking Law Nr. 5411, it is stipulated that the BRSA shall independently use the financial resources allocated thereto within the framework of the principles and procedures laid down in the Banking Law and the Public Financial Control and Management Law No. 5018, to the extent its duties and powers necessitate

within the framework of the principles and procedures set out in its own budget. In Article 101 of the Law, it is determined that the revenues of the Agency shall recover its expenditures, the expenses of the Agency shall be financed from contribution to be paid to the Agency before the budget takes effect by banks, leasing, factoring, consumer finance institutions and the amount to be collected as contribution to fund expenses shall not exceed three per ten thousand of the balance sheet total of such institutions.

In the period of the previous plan, participation share ratios were determined below the legal upper limit in order to increase the efficiency level in the sector and by taking into consideration the requirements of the Agency. Accordingly, the participation share ratio was applied as 2 per ten thousand in 2010, 1,5 per ten thousand in 2011 and 2012 in the said period and amounts collected from the institutions were realized as TL 152.168 thousand, TL 129.248 thousand and TL 156.202 thousand, respectively.

One of the strongest features of the Agency is the fact that it has financial autonomy and the legal basis thereof is given by the Law. However, some difficulties which are not proportional with the intensity, scope, complexity, diversity and the importance of the activities may be faced during the realization of general expenditures due to the general practices and approaches. Especially, transfer of financial resources not used in the related year to the general budget limits the opportunity of the Agency to make long-term expenditure and investment planning.

On the other hand, issues such as enhancing duty and responsibility field of the Agency, increase in the number of personnel required, the goals and targets of the government relating to financial sector that are stated in plans and programs, assurance of a service building that meets the needs, activities to be carried out relating to international memberships of Turkey and increasing training requirements relating to personnel are foreseen to have a significant increase in the expenditures of the BRSA in the following plan period.

2. Stakeholder Analysis

Determination of the stakeholders is important for; ensuring maximum participation during plan preparation

and practice process, effective evaluation of practice results and minimizing the information asymmetry between the stakeholders. Persons, groups, agencies and institutions which benefit from products and services provided by the Agency, are affected from its activities or affect the Agency directly or indirectly are defined as stakeholders of the Agency. Within this scope, main stakeholders of the Agency are as follows:

(a) **Institutions subject to supervision;** banks, financial holding companies, financial leasing companies, factoring companies, financing companies, asset management companies as well as external audit companies, rating, valuation and support service companies that provides service to the mentioned institutions, partners and members thereof, settlement and custody system companies, card system companies and credit bureaus,

(b) **Consumers / customers and institutions which are composed of them;** customers or associations, organizations, federations, forums and related non-governmental organizations thereof,

(c) **Domestic agencies and institutions with which the Agency is in active cooperation;** Ministry of European Union, Ministry of Development, The Undersecretariat of Treasury, Central Bank, Capital Markets Board, Competition Authority, Savings Deposit Insurance Fund, Stock Exchange Istanbul A.Ş., Public Oversight, Accounting and Auditing Standards Authority, Turkish Statistics Institute as well as Turkish International Cooperation and Development Agency, Loan Registration Bureau, Interbank Card Center and BAT Risk Center,

(d) **Related public agencies and institutions;** The Turkish Grand National Assembly, Prime Ministry, Related Minister, Ministry of Justice, Ministry of Finance, Ministry of Custom and Trade, ministers or ministries related with the agencies or institutions with which the Agency is in active cooperation, Financial Crimes Investigation Board, Information and Communication Technologies Authority and other related public agencies prescribed in the laws,

(e) **Chambers and associations;** Banks Association of Turkey; Participation Banks Association of Turkey; Financial Leasing, Factoring and Financing Companies Association; Chamber of Independent Accountants and Certified Public Accountants and Sworn Public Accountants of Turkey, The Association of Capital Market Intermediary Institutions of Turkey, Association of Valuation Specialists of Turkey, Financial Leasing Association, Factoring Association, Consumer Financing

Companies Association, External Audit Association, Internal Audit Institute of Turkey, Corporate Management Association of Turkey, Risk Managers Association,

(f) **International organizations and institutions with which the Agency is in active cooperation;** The International Monetary Fund (IMF), World Bank (WB), Financial stability Board (FSB), Bank of International Settlement (BIS), Organization for Economic Co-operation and Development (OECD), Basel Committee on Banking Supervision (BCBS), Financial Stability Institute (FSI), Financial Action Task Force (FATF), World Trade Organization (WTO), G-20 platform, Global Partnership for Financial Inclusion (GPFI), Alliance for Financial Inclusion (AFI), International Network on Financial Education (INFE), International Association of Deposit Insurers (IADI), International Federation of Accountants (IFAC), International Organization of Securities Commissions (IOSCO), International Accounting Standards Board (IASB) and related organizations of the European Union, International Association of Islamic Banks (IAIB) and Islamic Financial Services Board (IFSB),

(g) **Equivalent authorities abroad;** Equivalent authorities of related countries concerning partnership, branch, related institution, representative and similar activities abroad of global-capital banks operating in Turkey as well as whole banks operating in Turkey, Central Bank of TRNC, Central Bank of Albania, Central Bank of Romania, Central Bank of Bahrain, Central Bank of Indonesia, national Bank of Pakistan, Financial Services Authority of Malta, Central Bank of Greece, Central Bank of Kyrgyzstan, Central Bank of Azerbaijan, Central Bank of Bulgaria, Banking Supervision Commission of China, Financial Services Authority of Dubai, Central Bank of Georgia, Central Bank of Kosovo, Central Bank of United Arab Emirates, Financial Sector Surveillance Commission of Luxembourg, Banking Control Commission of Lebanon, Banking Agency of Bosnia-Herzegovina, Central Bank of Kazakhstan, Central Bank of Ukraine, Central Bank of Republic of Macedonia, Central Bank of Russian Federation, Central Bank of Syria, Credit and Money Council, Finance center Regulation Authority of Qatar, Federal Financial Supervision Authority, Central Bank of Croatia, Central Bank of Jordan, Central Bank of Belgium, Financial Services Supervision Agency of South Korea and Central Bank of Iraq with which MOUs are signed.

(h) **Members of the Board and staff of the Agency;** Members of the Banking Regulation and Supervision Board as well as administrative personnel, and specialist personnel of the Agency comprised of

administrators in charge in the Agency, advisors to the chairman, sworn bank auditors and assistant sworn bank auditors, banking specialists and assistant banking specialists,

(i) **Agencies which conducts external audit at the Agency;** Court of Accounts, State Supervisory Council,

(j) **Judicial bodies;** Constitutional Court, Supreme Court of Appeals, Council of State and other related judicial bodies,

(k) **Arbitration authorities;** Arbitration Committee for Customer Complaints and other related arbitration institutions,

(l) **Related academic circles and Press information institutions.**

3. Environment Analysis

Within the scope of environment analysis, international and domestic conditions and tendencies concerning the field of duty of the Agency are analyzed as well as the high level policy documents and the opportunities and threats defined as critical are determined.

3.1 Situation and Developments Worldwide

The factors shaping the world economy before the global crisis in 2008 were deregulation, growth encouraged by low-interest environment, more rapid-increasing real prices when compared to productivity, aggressive profitability policies, accelerated financial innovation, mergers and acquisitions, increase of public and real sector indebtment instruments, increasing household indebtment ratios in developed countries, accelerated short-term capital flows and supervision and risk management process which are weak in general. In this period, while developed countries having complex financial systems grew rapidly, the performance of emerging countries was relatively weak and income difference between two blocks increased.

The first responses of the countries in the center of global crisis were as resolutions and practices widely based on public resources. In this process, primarily financial stability-focused policies were enforced. Among the measures taken, there were approaches such as; providing extensive liquidity and capital support to banks, purchasing the shares of banks, guaranteeing the deposits and loans, taking over certain bills, acquisition of large companies together with public support, supporting a

portion of companies experiencing insolvency and adopting coordinated interest rate cut by central banks. Especially within the last two years, the increase in protective tendencies towards real and financial sector companies under national economy structure in EU countries brought together the risk of limitation of global goods and capital flows.

The fragmental regulations enforced peculiar to each country in EU countries contribute to the change in financial system. In the recent period; it is seen worldwide, mainly in EU countries, that reduce in balance sheets narrows the loan supply, funding challenges continue in strained countries, institutions having systemic importance may tend towards local markets by the impact of the regulations, cost and scarcity of capital triggers the localization, tight regulations in some countries limits the effective usage of liquidity in cross border and fluctuation trend shall be observed in cross border loans. Furthermore, activities are separated and new institution structures are formed in banking. On the other hand, in the pioneering of countries such as Russia and Japan, it is seen that internationalism trend in banking sector goes in parallel.

Turkey, thanks to its strong banking sector, has not been negatively affected by these developments yet. Moreover, due to the integration continuing with global economy and finance system, the mentioned developments may bring new risks and, in parallel, new opportunities for Turkey.

Although five years have passed over global crisis, economic problems still continue today, mainly in Japan, the USA and EU countries. Slowing growth rates in countries in the center of crisis, public sector indebtment problems and household indebtment ratios are still risk for world economy and finance system. The measures taken by EU countries to remove the impacts of crisis are not adequate for the removal of global macro imbalances created by the crisis via foreign trade and capital channel.

Following the global crisis, it is seen that world economy had a significant change and a *new economic order* that also significantly affects global financial system architecture was established. Beside financial flows, the importance of regional trade opportunities, targeting new exportation markets and best usage of transportation opportunities together with time usage in local and global

trade increases. Furthermore, it is seen that countries implement measures towards improving business environments. International institutions and enterprises develop reform policies for transition to the mentioned new economic order. OECD's new development strategy, G-20 countries' efforts for sustainable growth and financial stability as well as finance and fiscal policy measures demanded by World Bank (WB) and IMF from crisis countries towards re-implementation of macro balances are results of the mentioned reform approaches. In this process, it is accepted that the focus of global growth shifted from Western countries in the center of global crisis to east and South. The main factor for this view is that Turkey, China, India, Brazil, Russia, Indonesia and Mexico which is known as E-7 countries had further integrated with world economy. It is expected that average income per person in the mentioned country group shall come near to G-7 countries in long term. As a matter of fact, although the problems which are continuing to be experienced in the USA and EU countries threaten global economy, the share of emerging countries among which Turkey is included in total world product increases with a moderate speed. It is expected that economic recovery in countries which cannot eliminate the economic tension shall spread to long years and the traces of financial recession experienced may force many developed and emerging economies to take new measures.

In this period, changes are observed in all structures affecting international economic and financial system. Approaches to regulatory structures change, systemic risk and risk management processes are being developed, stability funds are formed against probable crisis, new regional integration efforts appear and treasury funds grow. Among the developments which may play a role for improving strategies relating to banking and economy in the future, innovations in financial channels and products will be important. As a matter of fact, the requirement for information and communication Technologies in finance sector increase and productivity gains significance. New Technologies and business models shape service diversity and customer profile. Service providing capacity via alternative distribution channels such as Internet banking, ATMs, call centers and etc enhances. Especially with the improvement of mobile technologies, customers are provided to access banking activities anytime and everywhere.

Efforts for re-designing economic and financial system on global basis continue. After global financial crisis, policies towards re-implementation of the reliance to financial system, taking under control the spread channels of the crisis and reducing the costs of probable crisis are expected to be the determiner factor for developing global strategies in the following years. Within this scope, beside preventing the corruption towards financial transactions, regulatory and Standard making institutions are expected to continue their efforts towards protection of consumer as well as enhancing financial participation and financial training. On the other hand, it is expected that institutions having systemic risk shall be determined, supervision instruments in compliance with systemic importance shall be used and efforts for a more effective bank resolution process shall be continued.

As it is known, global crisis showed that regulatory frame valid on global basis was inadequate to comprise some risks, did not consider mutual interaction of financial and economic system and could not provide financial institutions to hold capital in proportion with the risks they faced. In the following period, implementing capital quality and adequacy in financial system, enhancing risk management scope, developing and effective usage of new instruments will be one of the preferential areas on global basis. Basel-III Accord which is an international Standard in capital adequacy and risk management in banking will continue to be the base of the efforts for restructuring the financial system. Basel-III fundamentally foresees to bring the obligation for holding more capital, to increase the quality and transparency of capital base, to set aside capital in order to prevent the cycling in financial system, to implement leverage ratio in banking sector general and to bring minimum standards regarding liquidity. These comprehensive innovations are expected to affect the banks' business models, costs and pricing policies.

Official authorities are expected, on global basis, to give priority to; activation of administrative capacity, forming a flexible, effective and comprehensive regulatory frame, enhancing the reliance and stability, enhancing the competition power of financial sector, providing the efficiency in costs as well as protecting consumer and customer rights.

In the process of transition to new financial order, it is foreseen that; international competition shall be sharpened, fund costs shall play role primarily, savings increasing policies shall be applied in many countries in order to balance indebtment ratios increasing in world general, deposit's importance shall increase as a funding resource and priority shall be given to increasing financial participation and financial training. Moreover, the uncertainties in global growth, the possibility for the continuation of supervision weaknesses arising from asymmetric information, probable regulation arbitrages, the fact that although financial deepening in emerging countries group is in an increasing trend, it is still less than developed countries hardens a whole recovery in world general in short-term. Therefore, the convergence of emerging markets having more demographic advantages and emerging potentials to developed markets are expected to continue.

Together with the increase in protectionism and localization trend in financial systems in some countries, it is expected that countries financial systems of which are relatively strong can have significant advantages for being a regional finance center through directing the global integration. From this point of view, Istanbul Finance Center (IFM) Project is an opportunity for Turkey in new financial order.

New financial order, by taking sustainable growth and financial stability to its center, gives special importance to developing new instruments and mechanisms towards the protection and strengthens of stability and enhancing the international cooperation. Accordingly, the following issues take place on the global agenda:

- Developing the plans of transition to new capital accord Basel III,
- Strengthening national practices relating to improvement and resolution of financial structures of financial institutions having systemic importance,
- Improving regulatory and surveillance frame in order to prevent Gölge bankacılığı,
- Providing standardization in Tezgâh üstü derivative markets and transition to registered system,
- Regulating rating institutions with a new point of view and reducing the dependency to ratings thereof,

- Enhancing the cooperation in supervision and regulation field and the participation in information exchange standards.

3.2 Situation and Developments in Turkey

General economic situation of our country, especially sound structure of banking sector weighted financial system is accepted both in national and international area. The interest in Turkey increases due to political, macro economic and financial stability, financial institutions having strong capital structure as well as the regulations taken as example by other countries and Turkey becomes a confident country for capital flows. In "New Economic and Financial Order", BRSA gives priority to measures and reform studies towards strengthening the financial system and to be a regional power center in short-term and international power center in long-term by enhancing the national efficiency area.

Stabile growth of Turkish banking sector in the latest 10 years enhanced the financial deepening. Financial soundness indicators of the sector which carries out intermediation function in a more effective manner also have a sound view.

Capacity indicators of the sector have a positive motion and distribution channels continue to develop. Thanks to its high adaptation ability and young population, the sector is quite successful in following-up global innovations and adapting them to Turkish finance market. However, it shall be open to programmed and coordinated leaps in this area in order to effectuate its high potential, enhance its market and product diversity. Main developments in the sector recently are listed as follows:

- The share of loans, mainly consumer loans, in assets increased; on the contrary, share of securities portfolio consisted of mostly government securities decreased.
- Although deposit weighted structure continues on liabilities side, banks followed up policies towards increasing their non-deposit resource opportunities. Accordingly, among resources, securities issued and funds from repo transactions had a strong growth.
- It is seen that there is high growth performance in off-balance sheet transactions mainly depending on the increase in commitments.

- In order for the sound view of sector's own funds, BRSA continued to enforce the limitation of dividends by banks.
- By the impact of increase in loan volume, interest, fee and commission income obtained from loans by banks as well as banking service income increased.
- Positive developments occurred in access channels to financial services due to increasing technologic opportunities and banks' competition and growth strategies.
- The sound structure in financial soundness indicators of banks is maintained. NPL ratios, FXNGP and liquidity indicators were in reasonable levels, capital adequacy ratio was quite above the minimum level foreseen by international standards.
- Global capital interest in banking sector continues.
- In order for the continuation of macro financial stability, instruments diversity was applied in fiscal policies and statutory reserves were started to be used in an active manner. Giving the opportunity for holding statutory reserves as FX and gold denominated contributed for better management of sector's liquidity risk and FX risk. The enforcement is also affective on on-balance and off-balance sheet structures of banks.
- Turkish banking sector continued to obtain finance from international markets and finance real sector, and had a better profitability performance than its equivalents in other countries.
- Although the policies towards lengthening the maturity structure of deposits have positive effects on maturity structure, it is important that policies be diversified and their scope be enhanced.

The BRSA started to take as basis Basel-II frame in capital adequacy calculation as of July 2012. The regulation which points out to a more prudential standing for the regulatory authority brings new measurement and evaluation techniques relating to loans.

By considering the tasks given by G-20, a comprehensive reform package was announced by Basel Banking Committee in December 2009. The main elements of this package are minimizing the fragility in banking sector and forming an international liquidity risk measurement and monitoring mechanism. The studies for reducing the fragility in banking sector focus on increasing the quality and quantity of capital, enhancing the risk scope,

establishing a leverage ratio and forming a reverse cyclic capital frame. Basel-III regulations are foreseen to be implemented within a transition period starting from 2013 to 2019. Our Agency has started preparation studies for a regulation in compliance with Basel-III and transition calendar will be finalized by considering other countries' practices.

After Turkey became a member of Basel Committee and FSB in 2009, in parallel with the best international practices, certain regulations are made by also considering the special requirements of Turkish banking system.

The mentioned regulations are expected to contribute to implementation of corporate management and protection of financial stability. Accordingly, LTV is determined as 75% as regards housing loans to consumers. Another regulation was made to wages paid to bank directors which were a mostly discussed issue during the crisis period. Within this scope, amendment is made to the regulation on corporate management and waging issue was regulated. Furthermore, in August 2011, an amendment was made to interest risk arising from banking accounts in order for following maturity mismatch risk.

Financial Leasing, factoring and Financing Companies Law was put into force on December 13, 2012 considering non-bank financial institutions in the authority field of the Agency. By the law, updated and a more corporate regulatory frame was established for financial leasing, factoring and financing companies.

3.3. High Level Policy Documents

Within the third paragraph of Article 93 of the Banking Law number 5411, it is provisioned that the BRSA shall comply with the principles, strategies and policies taking place within the development plan, programs and government program in all its activities, save for the authorizations stipulated within the Law on Establishment of the BRSA provided for and these are listed below:

Within the scope of Ninth Development Plan (2007–2013), the development of financial sector is set as one of the fundamental strategies to increase the competition power of the country's economy. Within this framework it was predicted that; gold banking shall be supported, an autonome regulatory structure shall be formed for all financial institutions, no empty fields shall be left in regulation and supervision of financial system, accounting and supervision standards shall be developed in financial system, legal infrastructures of factoring and financial leasing sectors shall be developed, risk management shall be established in all financial institutions, accordance to EU regulations shall be provided, loan and corporate governance rating system shall be established, factors corrupting the inter-institutional competition in taxation and access to information shall be removed, transaction and intermediation costs and bureaucracy shall be reduced, principles of corporate governance shall be applied, transparent, fair, and encouraging applications concerning customer rights and consciousness shall be strengthened and Istanbul shall be an international finance center.

Within the scope of Medium-term Program (2013-2015), it is emphasized that financial stability shall be maintained, financial transactions shall be diversified and deepened, and sector's international competition power shall be increased. Within this scope; it is foreseen that financial markets shall be followed in a more effective manner, cooperation with international agencies and institutions shall be enhanced, transparent, fair and encouraging practices protecting the rights of financial consumers and investors shall be strengthened, supervisory and regulatory frame shall be improved by considering the accordance with international standards, IFM Strategy and Action Plan shall be renewed towards the requirements, policies for enhancing the financial system's capacity and the competition power shall be developed, operation and intermediation costs in the sector shall be evaluated regularly, financial transaction diversity shall be encouraged by the regulations to be made in taxation system, financial market and instruments shall be used for increasing domestic savings, financial awareness shall be improved and efforts shall be made for deepening the financial system by developing new market and products.

Within the scope of **2013 Program**, it is stated that a financial system open to new markets and products,

regulation and supervision of which is made in international standards, which can compete in international area as well as having financial depth and instrument diversity to direct the resources to investment is aimed. In order to enhance the reliance and stability in financial markets; more effective monitoring of financial markets, enhancing the scope and efficiency of regulatory structure, maintenance of financial stability, enhancing the cooperation with related authorities abroad are foreseen in the program. Furthermore, it is stated in the program that studies for making Istanbul an international finance center will be continued and the regulatory structure for the protection of financial consumers will be enriched.

Within the scope of **2008 National Program**, it was foreseen that affiliates not qualified as credit institution or financial institution shall be included in the banks' consolidated financial statements, coordination between institutions responsible for the supervision of group companies shall be provided, accordance to Basel II standards shall be provided, Regulation on the Internal Systems of Banks shall be reviewed and the supervision capacity of BRSA shall be increased.

Within the scope of **Istanbul International Financial Center (IFC) Strategy and Action Plan**, it is predicted that; the process for related drafts to become law shall be accelerated, financial services shall be classified within the framework of EU legislation, financial instruments shall be made more elastic so that service packages may be formed to respond to the needs of customers, financial leasing and factoring services shall be developed, private sector borrowing instruments, securitization and housing finance markets shall gain operability, infrastructure concerning the derivative products and finance instruments without interest shall be developed, transaction costs shall be reduced to a competition level, instruments which are not operated within the present state of play shall gain operability or new financial instruments and activities shall be developed, the duties and functions of Systemic Risk Coordination Committee shall be empowered and the productivity and professional equipment of human resources within the field of finance shall be increased.

4. SWOT Analysis

Main risks and uncertainties faced by the Agency for the realization of strategic goals and targets in 2013-2015 period are as follows:

Strengths

- Experience and lessons obtained from crisis,
- The Agency's being the unique comprehensive and authorized authority in its field,
- Young, dynamic and qualified human resources,
- The sector's success in following the global innovations and adapting them to Turkish finance market with its high adaptation ability and young population,
- Capacity of using high technology,
- Participation in working groups of international agency/institutions,
- Follow-up of international standards and practices,
- Position in Financial Stability Committee (FSC).

Weaknesses

- Challenges in establishing corporate culture,
- Negative effect of the recession in financial rights on human resource motivation and qualified manpower employment,

- Not providing the financial autonomy in an adequate manner,
- Diversity and complexity in personnel regime,

Opportunities

- Targets foreseen in high level policy texts,
- Istanbul Finance Center Project,
- Development opportunities of economy and banking sector,
- Sector's potential to develop new products,
- Rapid developments in information Technologies,
- Sector's strong capital structure,
- Positive dissociation from the center of global crisis,
- Global capital's interest in the sector,
- Increasing cooperation with international agency/institutions,
- Practices enabling transparency and accountability,
- Awareness towards increasing financial literacy level,
- Developments towards institutionalizing non-bank financial sector.

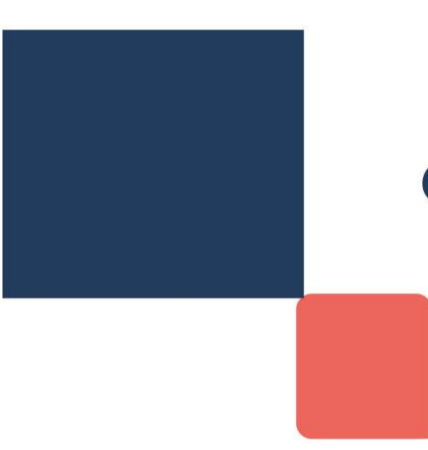
Threats

- Uncertainties occurred by global crisis,
- Inadequate domestic savings,
- Political ambiguities on global and regional level.



GOALS TARGETS STRATEGIES

Strategic goals and targets relating to 2013-2015 period are stated in this section. Strategic goals and targets are determined, under the light of BRSA's mission and vision, by taking into consideration needs of the Agency and the sector, opinions and suggestions of the related parties in the market, necessities of international integration, international best practices and experiences of equivalent authorities.



GOAL GOAL 1



CORPORATE STRUCTURE WILL
BE STRENGTHENED

TARGET

1.1

Administrative efficiency will be enhanced for reaching at corporate goals.

Administrative efficiency signifies the capacity of an institution to obtain the desired results by minimum energy, time, money, personnel and material costs.

Within the frame of new approaches appeared in public administration, concepts such as elasticity, accountability and efficiency as well as corporate capacity and management quality have increasingly become prominent, which lead to the increase of the efforts to use the resources efficiently and effectively in the Turkish public administration. Especially within the last ten years, the adoption of strategic planning approach, definition of work and working processes, establishment of internal control and risk management mechanisms and the removal of the factors preventing elasticity have been the main approaches acquired currency to increase administrative efficiency.

When the international studies for increasing administrative efficiency are analyzed, it is observed that productivity and performances of the institutions to realize their defined targets and goals institutions have increased by appropriate division of labor and specialization. It is generally accepted that a structure to provide this shall be designed in accordance with the current situation of the institution (including its targets, labor force, technology, environmental conditions), that the performance might decrease due to structural deficiencies, and that this situation might be improved by analysis and restructuring. At this point it might be said that the internal control has a

coordination duty to provide that different efforts of individuals and units to overlap.

Considering that within the literature, internal control is defined as an independent and objective assurance system and consulting activity aiming to develop and enrich an institution's activities, it is important to employ a sufficient number of internal auditors. Establishing internal control and thus an internal control culture to define work streams of agencies and institutions, detect the risks they may be exposed to and establish and/or review and improve control mechanisms to meet these risks has become a requirement to empower corporate efficiency.

Another generally accepted application to increase administrative efficiency is satisfaction surveys. Surveys formed to see if the activities of agencies and institutions from both public sector and private sector are conducted in accordance with their purpose and to evaluate positive/negative effects created within this process shall be answered by related parties and the information obtained by these surveys is very important in planning and realization of future policies and activities. Furthermore, these feedbacks are also evaluated as a measurement instrument used during institutions' service quality development processes. When the examples in our country are analyzed, it is observed that many public agencies and institutions as well as many private sector companies realize satisfaction surveys with both their employees and parties they are in relations with.



In the Article 91 of the Banking Law Nbr. 5411 entitled *Agency's service units*, it is provisioned that the Agency's service units are composed of main service, advisory and support service units organized in the form of departments, the number of departments shall not be more than ten but that the Board may form new departments upon the approval of the related Minister and on condition that the number of such departments shall not be more than the half of this number. In the same article, it is determined that the Agency's service units shall be set out in a regulation to be put in force upon the proposal of the Agency and the approval of the Council of Ministers, taking into consideration the fields of activity, duties and functions laid down in this Law.

Regulation on the Organization of the Banking Regulation and Supervision Agency prepared based on this article has entered into force upon the Council of Ministers Decree number 9859. Pursuant to the article 14 of the Regulation entitled *Service units*, main service units were determined as Department of Regulation, Department of Audit I, II, III, IV, Department of Enforcement I, II, III, Department of Strategy Development, Department of Risk Management, Department of Information Management, Department of Foreign Relations; while the advisory unit was determined as Department of Legal Affairs; and the support service unit as Department of Support Services. As is, there are 14 Departments in our Agency. These units are operating under three Vice-chairmanships.

When the current version of the Regulation on Organization and the studies realized by Departments are analyzed, it is seen that there are some repetitions causing resource losses in work streams. Accordingly, within the aim of using effectively the Agency's resources and especially the human resource and decreasing the time cost, a legal framework will be put in the Regulation on Organization to bring the Agency's units to their most appropriate level by analyzing working processes, to prepare work stream schemes by determining the job descriptions of units and personnel, to form horizontal dynamic structures (working groups) for periods requiring to get fast results and to work result-oriented.

Internal audit activities of the BRSA are being conducted within the scope of the Principles and Procedures Concerning Internal Audit pursuant to the article 101 of the Banking Law number 5411 and preparation and enforcement of a plan aiming to develop internal audit processes is foreseen.

Strategies:

- In order to strengthen administrative capacity, Banking Law number 5411 will be reviewed and a law amendment proposal will be made if deemed necessary.
- In order to strengthen administrative capacity, the Regulation on Organization of the Banking Regulation and Supervision Agency will be reviewed.
- Risk and crisis management systems will be developed.
- In order to develop working processes and to ensure that service units conduct their duties uninterruptedly and efficiently, job descriptions and flow plans will be composed.
- A plan aiming to develop internal audit processes will be prepared and put into force.
- A satisfaction survey will be realized.

TARGET
1.2

Human, financial and physical resources
will be enhanced.

Human, financial and physical resources composing the main entries of organizations shall be sufficient quantitatively but also qualitatively for organizational success. Especially the human resource composing creative and reformist capacity and using the knowledge plays a critical role by ensuring that other resources are also used effectively.

Requirements in the field of human resources are changing considerably. Working processes getting complex are bringing new job descriptions, which require naturally new skills. Accordingly, specialization but also knowledge and skills are gaining value. On the other hand, workers with gradually increasing education levels are demanding to take responsibilities appropriate for their knowledges and skills. These developments are requiring the human resources to be managed within the frame of middle and long-term strategies. Human resource strategies include factors such as employing the right person, forming a common management approach, developing appropriate

systems and applications, supporting and rewarding workers, investing on workers and giving them the chance to develop themselves.

On the other hand, in the dynamic and innovator finance sector, having a more qualified human resource compared to many other sectors, the regulatory and supervisory authorities require a human resource at an appropriate level and of quality and variability to follow efficiently complex and risky products and services. Thus, employing, developing and maintaining competent human resources with high motivations are among strategic priorities for most institutions. As a matter of fact, when compared with the examples of other countries, it is seen that the institutions equivalent to our Agency are making middle and long-termed human resource planning, considering also the demographic structure of human resources and numbers of personnel to be retired or to be transferred to private sector.



An entrance examination is held to meet the Agency's career personnel requirement and this examination is announced in the Official Gazette, in papers distributed throughout Turkey and on the official website of the Agency. As a result of the evaluation made by the Agency, the candidates who won the right to participate to the entrance examination by their Public Personnel Selection Examination (PPSE) points and other general and special requirements are made subject to written and oral examinations. Candidates who succeeded in written and oral examinations are announced in the official website of the Agency and their assigning operations are realized. Other personnel requirements of the Agency are met by assignment within the framework of provisions of the related legislation.

To ensure that Agency services are conducted by an efficient, productive and sufficient number of personnel and considering the changes in Agency duties, technologic novelties affecting employment, qualitative developments in human resources and budget possibilities, a "Human Resources Plan" including the distribution of Agency positions by units, distribution of additional personnel required to be employed in the Agency by position titles and how this requirement will be met will be prepared. The process concerning the preparation of the plan shall be conducted together with the process of forming job descriptions and working flows.

In the in-service trainings realized in our Agency; a pool of training subjects is composed primarily by collecting training requests. These training subjects are evaluated by the Training Commission and an "In-Service Training Plan" is prepared by determining the training subjects deemed appropriate. Then the "In-Service Training Plan" is presented to the Human Resources Committee. Once the Plan is approved by the Committee, it is presented to the Approval of the Chairmanship and put into application following its approval.

“In-Service Training Plan” approved by the Chairmanship is executed by the Directorate of Training and Communication. For participation to seminars and conferences abroad, the initiative belongs to the heads of units and the foreign appointments are realized in the direction of requests coming from units. On the other hand, sending personnel to post graduate programs and internships abroad by our Agency is made within the scope of quotas determined pursuant to the Council of Ministers Decrees.

During the preparation process of the “In-Service Training Plan” which is annually prepared and implemented within the framework of the Agency’s Human Resources Regulation, primarily the intra-Agency job descriptions will be made and working streams will be formed to increase efficiency and transparency in training activities for the Agency’s personnel, but also, to specify training requirements, intra-Agency surveys will be realized and the results of these surveys will be evaluated by the Training Commission.

Within the scope of Istanbul International Finance Center (IFC) Project, pursuant to the amendment made in the Banking Law number 5411 with the Law number 6111 published in the (Repeated) Official Gazette dated February 25, 2011 number 27857, the headquarters of the Agency was determined as Istanbul and it was provisioned that the administrative center of the Agency will be Ankara until the processes and procedures concerning relocation are finalized. Within this framework, preparations works to build a contemporary and modern service building appropriate to the Agency’s image in the field which was purchased in Istanbul Ataşehir in 2009.

Strategies:

- **In order to employ human resources having the equipment, motivation and instruments required by the activities, Banking Law number 5411 will be reviewed and a law amendment proposal will be made if deemed necessary.**
- **An annual human resources plan reflecting different goals and targets will be prepared and implemented.**
- **Intra-Agency surveys will be organized to specify training requirements.**
- **Agency Promotion Committee composed of carrier personnel will be formed.**
- **A service building in accordance with requirements will be built in Istanbul.**

TARGET 1.3

Structures towards efficient and safe usage of information will be enhanced.

Analyzing data, converting it to knowledge and using this knowledge in activity fields is important. A significantly important point for producing knowledge is making the data analyzable and examinable. To obtain analyzable data, transformation and improvements shall be realized in database management systems.

Users use office applications, work intelligence instruments and purposive software during the phase of producing information. Choosing accurate instruments, training users about these instruments and efficient usage will accelerate information-producing and decision-making processes.

In realizing corporate activities, increasing savings, efficiency and productivity by using modern and technologic instruments and methods is not just a managerial approach, but also a requirement for the formation of corporate culture. Within this framework, it is significantly important to implement the systems ensuring that the document flows inside the Agency as well as information and document sharing inside and outside the Agency are conducted and managed electronically, to

establish a more efficient control mechanism upon Agency processes in which document formation processes are followed-up, to minimize the requirement for physical archive, to use implementations ensuring fast access to archived documents, and ensuring accurate and actual information flow to the top management.

On the other hand, the increase of technology usage in conducting corporate activities makes the dependence on information systems also increase; institutions are exposed to more risks in this area and become more sensitive towards these risks. Institutions and agencies are exposed to cyber attacks using the security weaknesses sheltered by these risks. This situation makes the institutional information assets open to threats and affects negatively the reputations of institutions. To reduce risks to minimum, to prevent the attacks, to make users know their rights, authorizations and responsibilities while using institutional informatics resources, to take technical measures for making predictability and corporate culture approaches in written a security policy binding parties inside the corporate structure is needed.



Since its foundation, our Agency has been carried on efficient studies in the fields of collecting information, using this information within the processes of supervision, enforcement, producing reports and announcing to public. On the other hand, the report producing process is an intense one at present and manual phases which cause the personnel to spend many work hours shall be reduced and thus more time may be allowed to evaluation and interpretation phases. Within this framework, it is considered that the steps of these studies shall be conducting regular studies for efficient usage of technologic products, making data suitable to analysis, conducting improvement studies in the database, reviewing office applications and work intelligence instruments used for producing report and defining a working process about producing regular reports. It is expected that as a result of these studies, the report producing process will be accelerated and its quality will be increased.

Just like information collecting and operating processes, document management processes require also a dynamic review in line with the developing technology and requirements, in order to provide efficient usage of the information. The fact that only printed versions of most documents are filed and that enforcements concerning banks are only known by the persons who conducted these operations causes the corporate memory to harm when these persons leave these units, which may lead to the lack of continuousness in some subjects and to inconsistencies, so, in order to prevent this kind of malfunctions, an Enforcement Follow-Up System (EFS) was established to follow-up the Agency's enforcements concerning banks in electronic environment. With the EFS, it is aimed to strengthen corporate memory,

to increase the efficiency of working processes and internal control system, providing a standard in operations conducted by the Agency, to minimize possible mistakes as possible, procure healthy statistical information in some subjects, to increase the efficiency and functions of the Agency's database and to make the information within the Agency's database usable in a more efficient way. It is expected that with the EFS aimed to be developed within the framework of archive and information processing in line with the Agency's data and information accumulation and management, a continuity and consistency will be ensured in information management.

Another study for the improvement of information usage is the transfer to eDMS (Electronic Document Management System). Pursuant to the TS 13298 Information and Documentation-Electronic Document Management Standard and in compliance with the Prime Ministry's Circular on Electronic Document Standards number 2008-16, electronic information and documents to be produced, registered, transmitted to other units or institutions, preserved or annihilated when necessary in electronic environment shall be registered, archived, shared, annihilated and reported by electronic signature in accordance with the Electronic Signature Law number 5070. The tender for the eDMS to procure the equipment ensuring the integrated running of the components of the electronic signature as well as the components of software having TS 13298 standards was realized and studies to activate eDMS in the Agency will be completed within the projected agenda.

eDMS is not just a software project, but it will bring a radical change in the Agency's document and information management policy. In consequence of this project, all official correspondings (and their annexes) of the Agency will be realized in electronic environment, official correspondings coming from outside the Agency will also be transferred to electronic environment and transmitted to their addressees in this manner. Thus, many advantages of electronic document management systems will be provided such as decreasing the Agency's stationery expenses, providing fast access to the documents searched for by authorized persons, archiving official correspondences also in electronic environment, following all traces concerning official correspondences in order to investigate who accesses to which document on what date.

Strategies:

- **Information management system based on electronic signature will be implemented.**
- **Principles concerning classified document and materials will be determined and put into force.**
- **Information security policies will be determined and put into force.**
- **Enforcement Follow-Up System (EFS) will be developed and within this scope, the measurability of permission operations by factors such as type, number, time based on institution, group and system will be provided.**
- **Work intelligence instruments and office applications used for access to database will be reviewed, updated and a method will be determined for their efficient use.**
- **A working process will be specified for regular reports.**

TARGET 1.4

Research and analysis capacity will be developed.

Research and development capacity are the most important instruments for sustainable development and competitive advantage. Accordingly, there are units to conduct research activities to support main activities and processes in private sector institutions but also in many public institutions. On the other hand, it is observed that generally in our country, research units in public institutions are not working efficient enough, they are not producing data which is qualitatively and quantitatively sufficient and that in some institutions, they are considered as passive duty spots.

In other countries, the research function is specially appreciated in regulatory and supervisory institutions operating in financial sector. It is seen that most authorities are conducting empiric researches to specify risks in the fields of economy and regulation, define behavior models

and to evaluate the applications within the sector; encouraging the discussion environment between academicians, enforcers and policy-makers, providing support for PhD students, providing scholarship for students working in determined research subjects and fund for researches outside the institution, evaluating data demands coming from independent researchers and conducting strong relationships with universities and research institutes.

Within this framework, establishing a closer cooperation with related institutions inside and outside the country and especially with professional associations within the sector and universities, developing common research projects, supporting intellectual efforts of the employees in every field will contribute remarkably to the corporate capacity.



Since its foundation, research activities of the Agency have been conducted mostly by more than one unit and due to the weight of other functions of these units and the lack of personnel caused the research function not to be conducted efficiently. On the other hand, high-quality researches and analytical works are needed to support the Agency's principles processes such as regulation, supervision and enforcement and to constitute basis for strategies and policies to be formed. Requests coming time to time from service units and Agency personnel are confirming this need. It is expected that the high-quality research studies to be released to public by the Agency will increase the efficiency of decision and enforcement mechanisms, contribute to the Agency's awareness and prestige in national and international platforms, encourage innovativeness in the Agency and create positive effects on the personnel's motivation. Seminars, symposiums, collaborations with universities are planned for future periods.

Strategies:

- The requests of Agency units taken into consideration, Annual program will be prepared for research subjects.
- The personnel will be encouraged to realize academic publications.
- Seminar programs will be put into practice.
- Common research projects will be realized in collaboration with universities, research and consultation institutions and professional associations inside and outside the country.
- Academic research projects, congresses, symposiums and similar activities will be organized.
- Academic studies relating to the sector will be encouraged by prize competitions etc.

TARGET 1.5

Communication capacity will be enhanced.

Finance sector's sensitive, dynamic structure which becomes more and more complex day by day, increasing expectations of stakeholders, developing technologies and the special care given to accountability and transparency in public administration require the authorities responsible from surveillance to develop more effective communication with the external environment. Comments and expectations of stakeholders shall be followed closely, but also institutions shall be able to express themselves appropriately and accurate messages shall be delivered to related parties at the right time; so the corporate communication process becomes one of the main functions, especially for financial sector in which perceptions and expectations are remarkably important.

Carrying out the corporate communication process within the frame of a consistent and integrated policy and benefiting from new technologies in maximum will facilitate the efficiency. Within this framework, it will be useful to get professional consultancy service about corporate communication, to design effective speeches and presentations for senior management, to improve the contents and visuality of publications, to use internet efficiently, to strengthen the Agency's image and to design crisis communication.



Within the framework of the Agency's communication activities, the daily national and international printed and visual media, as well as internet news are scanned on a weekly basis and a bulletin is prepared and put at the disposal of the Agency's personnel. Moreover, news regarding the Agency, finance and economy are scanned and archived on a daily basis. The studies conducted by the Agency are announced via press releases on the website of the Agency. Questions regarding the Agency's activities coming from the press are answered by the related units. Participations are provided as speaker to conferences, symposiums and panels organized by different agencies and institutions especially from finance sector.

In addition to existing activities, it is planned that the Agency will realize press conferences to inform public about its activities regarding the sector. Furthermore, by getting professional consulting service for determining and implementing an efficient and inclusive corporate communication policy, it is foreseen that the speeches and presentations regarding the sector will be designed efficiently, contents and visuality of publications will be enriched and the internet will be used effectively.

Strategies:

- Press conferences will be organized to inform public about the activities regarding the sector.
- Professional consultancy service will be taken to determine and implement an effective and inclusive corporate communication policy.
- Reports shared with the public will be announced by press.
- The website will be reviewed in direction with the users' requirements and studies will be conducted to ensure a more effective use.

TARGET 1.6

Corporate culture will be improved.

Corporate culture is defined as a model of common goals and values forming how individuals shall behave and how they shall affect each other inside the Agency and showing how the works shall be done.

Corporate culture appears as abstract forms such as values, beliefs and assumptions, but also as more visual ways such as physical, behavioral and oral ways. When observed physically, elements of corporate culture may be enumerated as buildings and decoration, office organization, equipments and instruments used, operational scheme of the Agency and procedures. Behavioral fields such as ceremonies,

communication forms, dressing styles, promotion and punishment systems, team work and social activities are also reflecting corporate culture. In oral field, corporate culture shows itself in the language spoken, courtesy titles used, slogans and experiences.

A strong corporate culture strengthens the feelings of reliability, relation and solidarity between employees, reduces the distance between persons and increases integrity. Within this framework, it is accepted that the corporate culture has a supportive effect on personal success and corporate performance.



The Agency which was formed in 2000, based on human resources coming from several agencies and institutions and mainly from the related units of the Undersecretariat of Treasury and CBRT has been operating for more than ten years but confronts still difficulties in composing its own original corporate culture. The variety of titles and statuses of the personnel and the different working culture and origins of the personnel were the main reasons of these difficulties. On the other hand, pursuant to the Statutory Decree number 666 put into force in 2011, the new personnel to be employed will be subject to a different payment system, which will affect negatively the peace between the personnel as well as its productivity. This situation will create a "we" feeling in the Agency and will cause the efficiency and communication inside the Agency to interrupt.

Strategies:

- **A Social and Cultural Activities Committee will be formed and activities will be started within the scope of the program to be prepared.**
- **Mechanisms to ease the knowledge and experiences of managers and senior carrier personnel will be implemented.**



GOAL GOAL 2



THE EFFICIENCY OF REGULATION,
SUPERVISION AND IMPLEMENTATION
ACTIVITIES WILL BE ENHANCED

Regulation infrastructure will be strengthened.

As a result of the negative effects created by the last global crisis on financial markets, G-20 countries have realized some studies within the framework of the duties given to Basel Committee. Principal goals of Basel III standards which were prepared within this scope by the Basel Committee and finalized on September 2010 and which is considered as a set of additional regulations completing deficiencies of the Basel II, observed especially during the last financial crisis are determined as; (i) increasing the durability of the banking system against financial and economic shocks, (ii) developing corporate management and risk management applications, (iii) increasing the banks' transparency and the number of announcement to be made to public and (iv) increasing banks' durability individually with micro prudent regulations and financial system's resistance against shocks in total with macro prudent ones. With studies to be made within this scope, it is expected that; standards will be brought concerning the qualitative and quantitative increase of the capital which is important in the existing own funds and capital adequacy calculations, capital protection buffer and cyclic buffer will be formed, standards will be established relating to liquidity adequacy ratio which is considered as the biggest deficiency of Basel II implementations, a leverage ratio not based on risk will be regulated, capital adequacy calculations regarding purchase and sale accounts will be changed and the counterparty risk will be handled more comprehensively.

This financial crisis has shown that Systematically Important Financial Institutions (SIFI) shall also be handled closely because of the measures taken to save them in case they have troubles create serious costs on public resources. Market perception that these institutions are "too big to fail-TBTF" and/or "too interconnected to fail") and supports given to them to prevent their failure on crisis periods have revealed the "moral hazard" about these institutions. While on one hand large financial institutions are becoming more productive due to increasing scale economies, on the other hand, the increase of concerns regarding systemic risk emanating

from large institutions in the sector which is more and more globalized have shown the need for a optimal productivity-risk balance.

Within the aim of clearing these problems relating to SIFIs, several evaluations have been made by study groups under FSB and Basel Committee and some standards have been determined to specify these institutions, limit the risks emanating from them and to compose capital, liquidity and similar regulatory measure suggestions regarding them.

Additionally the set of rules concerning the methodology of evaluation of global systematically important banks (global SIFI) published by the Basel Committee on Banking on November 2011 was approved by the leaders of G-20 and the studies of implementation of the framework determined for global SIFI on domestic systematically important banks (domestic SIFI) have been started. The approval of additional policy measures for global SIFIs, inclusion of negative externalities created by SIFIs but which are not within the scope of any regulations at the present to the regulatory framework are for limiting the overseas externalities created by these institutions on the global financial system and economy.

The framework predicted for global SIFIs is a complementary to the global SIFI framework and it's composed by focusing on the effect of banks becoming insolvent on the economy. The framework formed for domestic SIFIs is concentrated on two main factors which are higher indemnification obligation and more concentrated supervision. These standards shall also be projected on the regulation activities of our Agency.

In addition and in parallel, the matters taking place in the "Main Principles for Efficient Banking Supervision" adopted by the Basel Committee on Banking shall be taken into attention in regulatory and supervisory activities of the Agency to increase the efficacy of its activities and sustain the reliability and stability in banking sector. These principles, in which a dual structure entitled "Authorities, responsibilities and functions of supervision authorities" and "Prudent regulation and supervision" is adopted form

a framework concerning the goals of regulatory and supervisory authorities, as well as their powers, responsibilities, independence, collaboration processes, permission processes, all kinds of (off-site /solo/consolidated) audit processes and relating audit instruments and enforcement processes and determine standards concerning the banks' corporate management, risk management processes, capital adequacy, risks such as credit risk, concentration risk, country and transfer risk, market risk, interest rate risk, operational risk, problematic

receivables, relations with risk group, reporting processes, independent audits, public disclosure and processes of fight against financial crimes. Our country has granted to FSB membership in 2009 and accepted to pass from a "Financial Sector Evaluation Program". During this Program, Turkey will be evaluated periodically upon these principles, alongside with other obligations. Accordingly, making the implementations of our Agency compatible to the evaluation criteria taking place in mentioned principles is important for our international credibility.



The Banking Law number 5411 shall be reviewed and necessary amendments shall be suggested, not just to project international implementations to our legislation, but also to activate the Agency's activities by taking into account the best international applications as well as the needs of the. Due to the same needs, review studies shall be carried out to project the principles and procedures of the amendment to be made to the sub-regulations prepared within the frame of the Law. Especially the banking provisions concerning operations subject to permission, corporate management, protective provisions, supervision and sanctions and provisions relating to corporate structure such as the usage of financial resources, regulation of organizational structure, regulation of personnel structure, financial rights and retirement rights shall be reviewed to see the subjects creating problems in enforcement, updated and amended as to reflect other novelties brought by other laws such as the Turkish Commercial Code.

Additionally, sub-regulations which are incompatible with international standards, and especially provisions made by banks and applications regarding the risk groups to which banks are included shall be reviewed and necessary updates shall be made in light of international applications and recommendations.

Regulatory framework concerning consolidated supervision shall also be evaluated sensitively because it is an important issue for the Agency's field of duty. Supervision of banks on a consolidated basis is one of the main requirements for efficient surveillance and supervision in banking. With the last global crisis experienced, the detection of risks emanating from in-group transactions of banks having complex group structures and the supervision of in-group transactions have become more and more important.

It is a principle issue that consolidated supervision applications are in compliance with Basel principles. In this direction and also by pursuing the conditions of our country, a study group was composed of participants from different departments of the Agency to activate the consolidated supervision of institutions subject to Banking Law number 5411. This study group carries out studies under the main titles of (i) main partners of banks and their affiliates, (ii) in-group transactions, (iii) non-financial affiliates of banks and (iv) relations with other supervisory and regulatory authorities. It is expected that the study group will ascertain if any regulations are needed under the titles (i) and (iii) and bring proposals about it, determine a reporting set under the title (i) and make suggestions under title (iv).

For total harmony with Basel-III standards, a series of Drafts Regulations such as Draft Regulation on the Own Funds of Banks, Draft Regulation on Making Amendments to the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks, Draft Regulation on Capital Protection and Cyclic Capital Buffers and Draft Regulation on the Measurement and Evaluation of the Leverage Level of Banks have been prepared by the Agency and shared on the website. On the other hand, studies for the preparation of legislation about the measurement and evaluation of liquidity risk are still continuing, as well as the studies to project the changes regarding counterparty risk appeared in Basel standards on the related legislation.

Activities conducted by the Agency within the scope of Basel II Second Structural Block (Pillar II) are composed of 4 phases. The first phase is the preparation of implementation guides and draft regulations concerning risk measurement methods taking place in the Basel II; in this phase, implementation guides revealing the principles and rules to be

considered by banks in managing their risks, regarding the digitalization and management of risks mentioned in Basel II first and second structural blocks as well as alternative risk measurement methods are prepared. In the second phase it is foreseen that the ICAAP process will be started. During this process defined as Internal Capital Adequacy Assessment Process, banks shall consider the risks emanated by their activities and assess and report the minimum capital they need and will need. With this process it is aimed to; (i) raise awareness of banks about their responsibilities regarding the Second Structural Block and the point of view they shall adopt and (ii) make them prepare a report as a result of the ICAAP. In the third phase, the integration of SREP to the supervision cycle is planned; in this phase, during each assessment process conducted by the Agency about the bank, a special CASR will be specified for the bank. In the fourth and last phase, a revision will be provided for supervisory cycle and products. In this phase, it is foreseen that the supervisory cycle will be decided, a road map will be formed for the supervisory cycle and support applications will be developed for on-site supervision.

Strategies:

- Banking Law number 5411 will be reviewed within the aim of increasing the efficiency of the Agency's activities, removing the difficulties in application as well as satisfying the sector's needs, projecting the changes brought by other laws and providing compliance with international standards and law amendment will be suggested if deemed necessary.
- To activate the consolidated supervision of institutions subject to the Law, the related legislation and implementations will be reviewed; amendments will be made to the legislation if deemed necessary and/or implementation principles will be re-determined.
- Sub-regulations including many provisions concerning banks' activities such as limitations put into practice regarding the Banking Law, permission operations, classification of receivables, principles and procedures relating to reserves, will be reviewed considering best international applications and standards, developments in the sector and problems met in implementation and necessary changes will be realized.
- A method to specify systematically important banks will be developed and a plan will be determined for regulation.
- Regulation studies for internal risk measurement approaches to be used in capital adequacy calculation by banks will be completed.
- Principles and procedures concerning the management of risks within the scope of Basel II second structural block will be determined.

TARGET 2.2

Supervision function will be strengthened in light of new approaches and instruments.

Financial transactions volume of which has increasingly expanded as a result of developing technology and globalization caused the product and service demand to



diversify but also made the supply more complex. Due to this situation which also caused the concentration of the competition within the sector, financial institutions needed to diversify and develop their service webs and corporate structures. As a natural consequence, lines between services peculiar to different financial sectors have started to vanish and financial institutions operating in a determined sector preferred to expand their activity fields by owning institutions operating in other financial sectors. It is seen that in many countries, some measures have been taken to regulate and supervise the activities of these institutions called financial holding companies, or studies to take necessary measures are still continuing.

Consolidated supervision foresees that institutions responsible for the supervision of companies operating in different areas of financial sector shall act within the framework of coordination, collaboration and communication principles. Within this scope, roles and responsibilities of the supervisory authority and supervisors shall be determined clearly.

Moreover, as suggested in the provisions relating to consolidated supervision of the “Main Principles for Efficient Banking Supervision” adopted by the Basel Committee of Banking, it is planned to reinforce supervision of groups in which financial and non-financial activities are conducted under the structure of compound activity holding companies.

Additionally, in 2010, the set of suggestions published by the FSB concerning the supervision of systematically important financial institutions was approved in the G-20 Leaders Summit on November 2010 and a more efficient supervisory structure was foreseen the new framework to be formed within this scope. In the new structure, it is predicted that the duty fields of supervisors will be determined clearly, sufficient independence and resources will be ensured for supervisors and that they will be equipped with instruments and powers supporting a proactive supervision process such as regular stress tests and early intervention to take necessary measures by pre-defining risks.



Within the scope of the studies carried out to implement the Basel II Second Structural Block Regulations more efficiently in our country, Internal Capital Adequacy Assessment Process (ICAAP) reports will be received from banks in future periods. In these reports, banks' risk management policies and strategies shall take place and during the Supervisory Review and Evaluation Process (SREP) regarding capital adequacy, the Agency will evaluate these policies and strategies more effectively, also taking into account the stress tests made by banks.

Strategies:

- Within the aim of determining the framework, principles and procedures of consolidated supervision, road map will be formed about the banks' main partners, and their affiliates, in-group transactions, non-financial affiliates of banks, relations with other regulatory and supervisory authorities.
- Agency policy will be determined regarding the supervision of systematically important banks.
- Within the scope of studies carried out within Basel II Second Structural Block, the appropriateness of banks' risk management policies and strategies as well as their risk management process will be made subject to supervision.
- Attempts will be made to sign bilateral agreements with supervisory authorities of foreign countries in which Turkish banks have branches, representative offices and affiliates.
- Within the scope of preventing crime revenues and terrorism financing, studies will be realized regarding the evaluation of potential risks by banks.

TARGET 2.3

Maintenance of efficiency and effectiveness of implementation function will be provided.

In its simplest term, enforcement function refers to the implementation of rules subject to regulation by various instruments and methods. Enforcement process may include a wide range of measures and sanctions from permission and authorization applications of financial institutions to the evaluation of audit results and applying administrative fines for the irregularities detected and to

cancellation of operating and establishment licenses. Many financial crises occurred at systemic level and institutional level revealed that especially the licensing phase shall be designed and implemented appropriately. Accordingly, the perpetuation of the efficacy and activity of enforcement processes are as important as “good regulation” and “efficient supervision”.



Enforcement function of the Agency is composed principally by establishment, authorization and permission operations and evaluation and implementation activities.

Within the scope of establishment, authorization and permission operations, the applications made by institutions within the scope of the Agency's field of duty on issues made subject to permission by the Banking Law and related legislation are evaluated and finalized. Within this framework; banks and financial leasing, factoring and financing companies are granted the permissions for establishment, operating, share transfer, merger, transfer, opening branches and representative offices, operations concerning capital increase requests are perfected, and changes in main contract are evaluated within the framework of the legislation. Furthermore, authorization operations of institutions to provide valuation, rating and independent audit services of banks and applications for establishment and operating permissions of asset management companies are finalized. On the other hand, persons to be employed in abovementioned institutions are evaluated to see if they fulfill the conditions specified in the legislation. Authorization operations of institutions within the scope of Bank Cards and Credit Cards Law are also carried out within this framework.

Within the scope of evaluation and implementation activities; to ensure that institutions operate in compliance with the legislation, information obtained from the results of on-site audit and surveillance is evaluated together with information and documents coming from institutions subject to supervision and independent audit companies and other persons, agencies and institutions. As a result of the evaluation, measures determined are transmitted to the institutions concerned for the establishment of necessary operations, and also taken into consideration in audit and surveillance. Also within the scope of evaluation and implementation activities, denunciations and complaints submitted to the Agency concerning institutions and subjects entering into the scope of the Banking Law are evaluated as well as the settlement of disputes between these institutions and third persons, excluding private legal affairs, and necessary administrative acts are established within the frame of the related legislation.

During the execution of these activities, comprehensive investigations and evaluations are required frequently, uncertainties and situations in which discretionary power shall be used may be confronted, and risky conditions may appear. Accordingly, determining objective standards, criteria and procedures to guide decision-makers and other related persons in the sector, to reduce uncertainties for them and assure consistency and justice in decisions and operations during the implementation processes will contribute significantly to the efficacy and will facilitate the justification of decisions and operations.

Strategies:

- The guide in which the Agency criteria about enforcement processes concerning banks and non-bank financial institutions take place clearly will be developed and updated.
- The guide in which the processes to follow in licensing banks and non-bank financial institutions (establishment and operating licenses, changes on main contract, merger, division, share transfer and voluntary liquidation, rejection of license applications) will be developed and updated within the scope of the changes in the legislation.

RELATIONS WITH FOREIGN SUPERVISION AUTHORITIES

Turkish banking sector is progressing its activities abroad by its financial liabilities besides its foreign branches and representatives spreading approximately to 30 countries, by taking into account the importance of international organization for increasing competition power and market share in parallel with globalisation. On the other hand, beside the increasing competition conditions and globalized world economies, the positive developments experienced in Turkish banking sector increased the intention of foreign banks for Turkish market, they are operating by their branches or subsidiaries in our country.

Within the scope of these relations, activities which our banks operate by the mediation of both foreign branches and representatives are affecting the reliability and security of financial structure of both our country as parent country, and host country, closely. Within this scope, it is important to form an international structure for evaluating the structure of activities abroad and their connections between the main institutions, auditing and regulating them, with a view to accessing to accurate information relating to these activities and that will ease the cooperation in audit and surveillance fields between the countries.

In recent years, the increase in integration of financial markets and market infra-structure, the increase in the number of institutions operating cross-border, and the diversified financial operations made the markets more liquid and efficient and increased the flexibility and stability of integrated financial markets against shocks. Increasing integration is requiring the analysis in more efficient manner of financial disorders that may arise in financial markets and cross-border systemic effects of them.

Pursuant to the article 98 of Banking Law nr. 5411 which provides opportunity for cooperation and exchange of information of foreign countries with supervision authorities, signing MoU between foreign authorities and our Agency became important with a view to have access to accurate information relating to activities abroad of banks and finance institutions which are found in both countries, in the direction of the main target of providing financial system's stability, forming an institutional framework that shall ease the cooperation in cross-border supervision and surveillance field and for providing the sharing of institutional experiences and technologies by the mediation of mutual training opportunities.



GOAL GOAL 3



STUDIES WILL BE MADE TOWARDS THE
MAINTANENCE OF RELIANCE AND
STABILITY IN FINANCIAL MARKETS.

TARGET 3.1

The capacity of analyzing the systemic fragilities will be increased.

Macro prudent policy is a policy aiming to provide the financial stability by limiting the systemic risk, decreasing to the least the probable costs on the country economy. Macro prudent policy implementation which is in complementary nature of micro prudent surveillance and supervision made in bank basis, as a result of high association of fragilities in financial institutions is aiming to prevent risks to accumulate in time dimension by determining the respects increasing circularity and to prevent risks accumulate in segment dimension by preventing them to reach systemic dimension.

When country experiences are observed, it is seen that various macro prudency instruments are used in decreasing systemic risk. These instruments are classified in three main groups as loan, liquidity, and capital-leverage. For putting into force of the said instruments following requirement determination, cooperation, accommodation and authorization sharing between the institutions are significantly important. In our country, Financial Stability Committee, of which our agency is a member, is a structure responsible from determining systemic fragilities and taking precautions relating to them. Within this scope, it is really important that duty and responsibilities of BRSA in the said field shall be

determined, developed and monitored in respect of systemic risk, within the cooperation of the other institutions which it share responsibility in respect of systemic risk, pursuant to time and conditions changing.

As it is known, there is not only one method to measure the risks of banks, each bank use different approach models according to the complexity level of their activities, variety of their products and size and type of the risks to which they are exposed. While a “top down” approach is applied for all banks, in an environment in which different implementations are used for each bank, making a series of generalization and assumption implementation became obligatory. On the other hand, a “bottom up” application can be used to each bank in which the results which the banks shall produce of their own by giving pre-determined scenario and assumptions. The said approach can bring the distinctive difficulties and can provide considering the operation styles and the risks exposed in a more accurate manner in bank special and can create positive contributions to deepening the specialization in the subject by developing information exchange established by banks and by carrying this information exchange to a more technical level.



Single or multiple macro prudent policy measures were put into implementation in various times as of the second half of 2006 in Turkey. “ Target Capital Adequacy Ratio” and limitation brought to profit distribution implemented in banking sector as a result of turbulence experienced in arising market economies in May-June of 2006, are the first implementations drawing attention in this field.

Macro prudent measures ,which were brought to agenda relating to add flexibility in 2009 in which global financial crisis had effects on economic activity in the country and protecting the continuity of loan demand was tried by providing opportunity of borrowing in FX denominated to companies. When the current conjuncture in which the global crisis has turned into Europe crisis and the economic activity is in limited expansion is taken into account, it can be observed that it is entered to a controlled economic policy explained as “ soft descend” , depending on the share which emerging economies take from capital movements and their relative export performance.

Banking sector is in a period which a strong performance is maintained profitability and capital adequacy is high and non-performing loans are low. As the fields mainly monitored, domestic and foreign developments relating to maintain short term funds which the banking sector provide from abroad and depending on the increase in household borrowing and loan/deposit rates are underlined.

As other important respects are observed as increasing indebtedness of companies sector in last ten years and FX position.

When these respects are taken into account, for decreasing systemic risk probability and protecting financial stability, it is seen that precautions such as capital regulations, profit distribution limitations and risk weight and provision arrangements are taken. But, in spite of all precautions taken, the fact that loan increases in certain fields are in level to cause risk accumulation is bringing the policy diversity requirement. Within this scope, in addition to activities of Basel-III regulations of the Agency, it is important to maintain a healthy sustainable economic expansion by the selection of high implementation success instruments.

As developed economies experienced in global crisis, "shadow banking" sector composed as a result of financial innovation and/or over-regulation is a resource of important systemic risk or financial instability resource. this definition, expressing the financial sector other than regulation and supervision field, gains depth accordingly to the fact that regulations relating to banking sector increased. within this scope, it is important to pay attention whether the promotions composed in this direction in each step.

Strategies:

- **Macro prudent point of view relating to implementation of limits and rates within the scope of protective regulations.**
- **The surveillance of the effects of instruments used with macro prudent aims shall be provided.**
- **Technical cooperation shall be made by international institutions with a view to develop analysis and regulation capacity relating to macro prudence.**
- **Basel regulations, policies and standards relating to stress tests within the scope of pillar-II and macro prudent policies/standards shall be determined.**

TARGET 3.2

Financial market policies of the institutions with which we are in cooperation will be followed-up.

As the stability of financial system stability is provided by macro prudent policies mainly, other policies should complement thereof. Regulating especially financial services and developing best practices in supervision, announcing them and providing the standardization and providing participation to the studies of institutions

supporting effort and venture relating to fortifying prudent measures, monitoring the policies of them shall be beneficial in removing implementation differences between countries and composing common implementations.



Pursuant to the governing provision of “signing MoU with competent authorities of foreign countries in respects entering to duty field, being member to international financial, economic and professional organizations to which domestic and foreign equivalent agencies participate” included in the Article 93(b) relating to “duties and authorizations of the Agency” of the Banking Law nr.5411, our agency follows closely the studies made by being member to international institutions.

In addition to this, while studies of our Agency's international equivalent authorities are followed up closely, in addition to current protocols signed with various agencies and institutions, in case of a requirement in following periods, signing new protocols relating to cooperation and information exchange by institutions and agencies which are deemed appropriate is planned.

Strategies:

- For monitoring closely the strategies and policies of international organizations operating relating to duty field of the Agency, being member to these institutions and participating actively to studies executed within the scope of current memberships shall be provided.
- Policies and strategies of United Nations, World Bank, OECD and international institutions such as them shall be monitored closely.
- Strategies and policies of Finance Ministry, Ministry of Development, Undersecretariat of Treasury, CMB, Central Bank, Accounting and Auditing Standards Authority, Competition Authority shall be monitored closely.
- With a view that the senior management of the Agency be informed from banks' main strategies and policies, transmitting the strategic plans and the amendment made on the said plans to the Agency shall be provided.

TARGET 3.3

The efficiency of crisis management will be enhanced.

Crisis management, which includes activities as followings and a process displaying different specialties other than ordinary periods, can be defined in wide sense as; perception of crisis indicators and prevention of the institution to fall into crisis, holding in minimum level the losses that shall arise following crisis, implementing the required preparations and activities for restructuring under the light of the lessons taken.

Crisis management can be confused with concepts generally such as emergency state management. While emergency state management references the states requiring mostly urgency, crisis management is a higher level concept and is larger scaled.

An efficient crisis management requires the followings; defining the causes and types of events that can be evaluated as crisis to which the institution can be exposed, in case of revelation, presenting accurate information to decision takers concerning the specialties which the crisis hold and the phase of it, restoring the institution ability of perception, recognizing and evaluation of crisis, developing various techniques relating to compose plans of preventing from crisis and intervention to crisis, restoring in best manner possible the will power to managers for management in crisis.

The crisis can develop so quick that in rapidity which can be sometimes in hours in finance sector, and can create destructive effects in general economy. The fact that economy managements are organized in different institutions by functions requiring specializations currently, (money market, banking- capital-insurance markets, fiscal

policies, etc.) has increased more the importance of coordination and cooperation for efficient crisis management. Determining the existence of a crisis rapidly, choosing rapidly the precautions accordingly to the aim and coherent from a comprehensive preventer/remover measures set which the division of work, context and responsibilities were pre-determined, putting into implementation thereof in coordination, monitoring and evaluating them, explaining the subject to the persons involved primarily to the public are composing the main elements of crisis management.

The importance of crisis management has shown its importance in net manner in the latest global financial crisis in literature in general means. It is seen that, in this period, the importance of developing urgently the resolving regimes for financial institutions failed, without damaging tax payers or without ruining the stability of financial system, appeared. Following the crisis, certain countries made legislation studies relating to fortify resolution regimes under the guidance of principles which FSB defined, and they continue to do that.

In this context, especially concerning resolving the institutions having systemic importance the following subjects are standing out; (i) increasing resolving authorities/instruments which authorities hold, (ii) making cross border cooperation agreements concerning resolving the institutions, evaluating regularly institutions' state of being resolved by resolving authorities and (iv) institutions' preparing amendment and resolving plan, reviewing the said plans regularly and when required and making them obligatory to be updated.



As it is known, Systemic Risk Evaluation Group was found for fortifying coordination, cooperation and exchange of information between the Agency, Turkish Treasury, CMB, SDIF and CBRT. Within the scope of the article 72 of the Banking Law and the Decree Law nr.637 on establishing Financial Stability Committee and the provisions of the article Annex 4 added to the Law on Structures and Duties of the Treasury Undersecretariat and the Foreign Trade Undersecretariat, the group found by Financial Stability Committee SREG Protocol entered into force in October 30, 2012 with a view to determine principles and procedures of cooperation relating to determining in rapid and efficient manner the precautions to be taken on re-establishing the stability and preventing threats ruining the stability of financial system and implementing them, took the place of Systemic Risk Coordination Committee found within the scope of Systemic Risk Coordination Committee composed within the scope of Systemic Risk Cooperation Protocol relating to Financial System dated April 14, 2009. The secretariat of Systemic Risk Evaluation Group is being executed by our Agency.

Meeting regularly or urgent and obligatory states by quarterly periods of the group was foreseen in SREG Protocol. While threats relating to the stability of financial system and precautions to be implemented were determined in probable scenarios, by the Protocol, at least once in a year, reviewing the said scenario and precautions towards the developments in financial markets and in case of requirement, updating thereof by the common decision of parties, was decided.

Strategies:

- **Reviewing periodically the crisis scenarios determined by Systemic Risk Evaluation Group and subjecting the said scenarios to stress tests shall be provided.**
- **Strategy of the Agency relating to resolving the banks having systemic importance shall be determined.**



GOAL GOAL 4



IMPLEMEMENTATIONS TOWARDS THOSE
GETTING BENEFIT FROM FINANCIAL
PRODUCTS AND SERVICES WILL BE
STRENGTHENED.

TARGET 4.1

Administrative capacity and regulatory frame towards protection of those getting benefit from financial products and services will be strengthened.

It is thought that providing awareness relating to protect consumers in public, developing current implementations in this scope and establishing the required legal substructure for monitoring the said implementations has significant priorities. Within this scope, it is quite important to compose a legal framework relating to protect rights of financial consumer in manner that international principles predict and determining responsible institutions that shall realize and monitor the implementations relating to them, for providing the efficient protection of the consumers.

The followings are understood from the protection of financial consumer; presenting all the information required for consumers to take prudent decisions in neutral and complete manner, the consumers' not being exposed to unjust or misleading attitudes by service providers and adequate mechanisms' being accessible for resolving consumer complaints and conflicts concerned. At the same time, consumer rights provide a protection also for the persons who could not receive financial training or the ones who does not want to.

Within this scope, having the mission of protecting the consumer within the scope of each responsible institution and within the scope of this vision, developing units that shall fulfil the functions of monitoring the implementation and realizing the supervision, guiding the supervision is important. During organizational structuring, in case that there shall be any choices other than uniting the said missions in the same unit, it is required to design that in manner not to cause the internal structuring to target conflicts. Nonetheless, providing cooperation and coordination in monitoring the implementation and implementing sanction respects, in respect of both protecting financial consumer and regulating and

supervision of financial system between the responsible institutions, are required.

One of the main requirements for protecting the rights of financial consumers is to compose deterrent preventing crime and conflict policies for preventing the financial institutions attitudes towards consumers. The most effective step to be taken in this point is setting irregularities to certain rules deemed important to rigid administrative sanction in context of protecting the consumer and to implement thereof in stable manner. This is quite important in respect of providing accordance to principles determined in Senior Principles Relating to Protection of Financial Consumer of OECD, in respect of protecting financial consumer.

Administrative sanction is including the sanctions, other than administrative sanction implementation which is the most common implementation manner, declaring off the authorization granted, betrayal of decision, warning. The main sanction of irregularities to administrative order is absolutely is administrative fines. But in certain cases, implementation only of fine shall be inadequate in respect of the aim followed. In this case, in case of the financial consumer protection requirement, other administrative sanctions can be used.

On the other hand, another demand of the conflict is to develop efficient sense of conflict with the crime in respect of users. For that, implementing in decisive manner the regulations foreseen against the crime is required. Besides, the strategic importance of media agencies, which they held in respect of contradiction to provisions which protect financial consumers, should not be disregarded.



The respect that by which responsible institutions shall the duty of protecting financial consumer be realized is requiring a multiple structure in respect of our country. The divided structure, emanating from the fact that regulation and supervision activities of financial markets were shared between BRSA, CMB, TT and CBRT in our country, has a result in direction that responsibilities and the authorization relating to the protection of consumer were divided between these agencies and institutions. Nonetheless, explicit provisions were not included in the legislation of institutions responsible from regulation and supervision of financial institutions. This deficiency creates ambiguities in respect of protecting the financial consumer and authorization problems and making difficult to compose an efficient protection mechanism. By this reason, the respect that BRSA, CMB, TT and CBRT are responsible from the protection of financial consumer is required to be regulated in explicit manner within the scope of the legislation concerned.

By the current state, there are service units responsible from the protection of the consumer exclusively in the responsible institutions. In addition to that, while there is any general and comprehensive regulation relating to protect financial consumer directly, regulations concerning the protection of financial consumer are displaying a partly outlook.

Since the Act Nr.4077 on "Consumer Protection", in general regulation quality relating to protect consumer in our country, regulate general respects relating to protect the consumer, it is far away from meeting the regulation requirement which complicated and special nature of financial products and services require. The articles 10, 10/A and 10/B include special provisions relating to credit cards and housing loans, all provisions included in the Law, primarily trading advertising and advertisement, consumer problems, articles relating to arbitration committees and consumer courts, find implementation field in respect of financial product and services.

On the other hand, primarily the Law nr.5411 and the Act nr. 5464 and sub-regulations concerned, and also the legislation relating to products and services being presented by financial institutions included in the duty field of the responsible institutions include exclusive regulations. This state is creating the result that more than one legislation or the implementation should be in implementation (as in arbitration court), and it is decreasing its efficiency by creating ambiguity and complexity.

Currently, the process of resolving the financial consumer complaints in BRSA are being realized within the scope of the article 16 with a title of Notice, Complaint and Other Analysis of the Regulation on Principles and Procedures relating to the Supervision to be made by BRSA. Within this scope, pursuant to the Act on exercising of the Right of Petition nr.3071, notices and complaints descending to BRSA are resulted by evaluating by Department of Legal Affairs primarily. In case of requirement for resulting other complaints and notices and other analysis, establishing audit teams from audit units or audit teams from other departments who are concerned with the subject separately or together is also possible. Within the scope of information and documents which audit team provided within the scope of principles and procedures relating to audit, the report which they prepared for evaluating the state of the complaint against the legislation, the analysis relating to subject is resulted by transmitting it to the department to which team president is attached.

In criminal laws Both in various special nature and in general nature such as TCC, TCC, LPC and Law on misdemeanour, it is seen that contradiction to rules are subjected to administrative sanction in various weight and degree. Similarly, contradictions to various provisions brought relating to provide banking order in the article 146 and 147 of the banking Law nr.5411 were subjected to administrative sanctions. In the last paragraph of the article 81 of the same Law, it is stipulated that administrative sanction shall be implemented by the Public Bank management boards concerning the members who do not obey accurately and timely to resolutions and precautions which the public banks took. In the article 35 of the Law nr.5464, contradictory implementations of the institutions within the scope of the Law to the order foreseen in the same Law were subjected to administrative sanction. It is provisioned that the implementations contrary to the provisions included in the Law which is stipulated similarly in the article 44 of the Law nr.6361 shall be subjected to the administrative fine.

Strategies:

- By the current regulations, implementations' being compatible with G20 High Level Principles and international best practices on protection of financial consumer shall be provided.
- Audit programs shall be reviewed within the scope of the surveillance of the implementations relating to the protection of financial consumer.
- Incompatibility to regulations relating to the protection of financial consumers shall be subjected to deterrent sanctions.
- Cooperation and exchange of information shall be fortified relating to other equivalent institutions responsible from protection of financial consumer and protection of financial consumer.
- By being member to international agencies and institutions operating relating to the protection of financial consumer, participation to sub working groups shall be provided.
- Studies relating to presentation and education of mechanisms on the protection of financial consumers shall be made.
- Efficiency on resolving the complaints relating to contravention of financial consumers rights shall be increased.

CONCEPTUAL FRAMEWORK FINANCIAL PARTICIPATION, FINANCIAL TRAINING, PROTECTION OF FINANCIAL CONSUMER

While approximately 150 million persons included to the number of financial consumer amount before the global financial crisis experienced in 2008, still new consumers are included to the system together with the fact that increase rate decreased. In respect of following a stable conduct in long period the global economy and for the financial sector to develop in healthy manner, three main title concerning financial consumers are as followings as new working subjects; financial access, training of financial consumer, protection of financial consumer., when the personal and social benefits are taken into account, The education of financial consumer, financial access and protection of financial consumer subjects' being handled within the scope of a strong policy is required. Because, the respect of which subject to handle primarily is signifying a hard decision taking process. As a matter of fact, it is seen that there are differences in country strategies. While certain countries are handling simultaneously these three concepts, others define different strategies for each of them.

Although each of this financial trio represents different concepts, they are titles defining studies parallel to the same aim and having intertwinement. But due to the fact that all these concepts are closely related with financial stability, the importance of in which manner and in which order these studies concerning these subjects are obvious. For example, without an efficient and adequate consumer protection framework, easing to loans quite easily for consumers shall cause negative results. Also, in states when financial access is very limited, increasing financial education shall not make any sense. Or, in a country where the financial sub structure is very weak, presenting new products or services may not make any sense.

When deposit and cash loans per person of banking sector giving widely service in the country and composing the weighted part of our country's financial system and population data per branch office, it is seen that there is regional differences and inadequacies other than a general state of being without a ban, in our country. For this reason, under the light of geographic and demographic banking data, the respect of which subject shall be weighted from the subjects of financial access, education of financial consumer; protection of financial consumer displays regional differences. While protecting the rights of consumer stands out in provinces where banking are used in concentrated and efficient manner, in regions where banking did not become widespread, financial training and financial access stands out. This respect is inevitable to be considered while defining national strategies with financial trio.

TARGET 4.2

Studies will be made for enhancing the financial awareness level concerning the issues needed.

Increasing diversity of financial products and services and their complexity is increasing the concepts included in financial sector and bringing capacity to make adequate risk analysis, financial education in certain level and accumulation and awareness. Here, the respect of the education of financial consumer is standing out. The thing aimed by financial training is providing to understand his/her own value system, to develop his/her ability to decide, evaluate information and alternatives in the market, his/her being satisfied from purchasing transactions and comprehending his/her rights and responsibilities. Especially in emerging countries, depending on the fact that literacy level is low, only a few

amount of consumer is aware of the fact that they have certain rights. In the point of increasing the level of literacy of financial consumer, the usage of media such as internet, TV, radio and publication and advertisement should be increased. Generalizing explanatory booklets and brochures including information relating to risks in financial markets, crimes such as fraud, fraudulent, application for support procedures in locations where financial products and services are served shall be beneficiary for the financial consumers to have access to financial information. Besides, presenting comparative information web-sites relating to products and services presented to the consumer is important.

Strategies:

- In the direction of the results of the public opinion to be made relating to define awareness level and literacy level of the financial consumer, informing guidelines shall be composed in the fields where there exists lack of information.
- Projects relating to awareness rising of financial consumers shall be developed by making cooperation with non governmental organizations operating relating to protect financial consumers and associations.
- Preparing informative booklets and guidelines relating to make the consumers conscious by the cooperation of associations and using visual and print media shall be provided.

TARGET 4.3

Required studies will be made for enhancing the financial access concerning the issues under the Agency's duty and power field.

Fortifying financial access signifies the process of generalizing the utilization of financial products and services by all sectors of the public. Providing cost effective, timely and adequate access to safe and well organized financial market product and services is highly related with economical and social welfare. In measuring financial access, criterions such as having an account in financial institution, having an access

to an account and frequency to use it, making payment, evaluating the savings in a financial institution, loan utilization and access to insurance services are taken into basis generally. For measuring access to financial services, according to the study prepared by the World Bank by using data of 157 countries, the average world macro access is 41% and macro access level of Turkey is 49%.



especially for providing easy access to financial system for low income group and following that, transferring the said persons' little savings to the system are amongst the primarily targets of financial participation. It is known that certain implementations are realized by certain countries bringing more flexible regulations in this subjects which ease opening account processes, which provide to open account by using alternative distribution channels in places where there is any branch offices, for reaching the said goals.

Research studies are made in respect of financial participation in our Agency relating to world implementations. Within this scope, Mexican country implementations were analysed in-site by a team comprised of Sworn Bank Auditors. In Mexico country implementation It is seen that the following respects are standing out in financial participation concept; transferring personal savings of low income group to banking system, providing opportunity to the said persons to make easy money transfer, in places where there is neither bank branch offices nor bank distribution channels; adopting models relating that non-bank distribution channels (banking agents) such as supermarket chains, pharmacies, telecommunication companies shall service financial services, bringing flexible regulations relating to models which especially ease transferring the savings to the financial system; more than access to institutional or personal financial support.

Strategies:

- Field research shall be made relating to requirements of SMEs that can be compensated from financial system and implementations encouraging the projects relating to them shall be developed.
- Studies relating to developing new product-model shall be made within the scope of access to financial services.

Pursuant to the paragraphs (b) and (d) of the article 88 of the Banking Law Nr. 5411, Banking Regulation and Supervision Board is entitled and authorized to establish the performance criteria of the Agency and to approve the reports showing its performance; in the paragraphs (f) and (g) of the article 89 of this Law, it is expressed that the Chairman of the Agency is entitled and authorized to carry out evaluations concerning activities based on goals and targets and performance criteria and to present these evaluations to the Board and to evaluate the strategies, policies and related legislation and performance criteria of the Chairmanship in the fields of duty of the Agency. On the other hand, in the second paragraph of the article 97 of the Law, it is predicted that the Agency shall inform the Cabinet semi-annually about its strategies and the implementation of these strategies.

Within the application period of Strategic Plan, a relationship will be established between the Plan and annual budgets and personnel performance management system and the strategic targets will be concentrated on; monitoring and evaluation of the level of accessibility to strategic goals and targets according to specific criteria will be one of main elements of strategic management approach.

It is predicted that the information obtained as a result of monitoring and evaluation activities shall be used to give feedbacks. After an analysis of activity realizations is made based on timing and compliance with targets; (a) if there aren't any fundamental changes in the Agency's capacity or in the environment where the activities are realized, (b) if the strategies and activities are realizing as planned, (c) if the development expectations on the road to attain the strategic goals and targets are appropriate, the Plan would be approved and will continue to be applied. However, if there are any changes and if unexpected or undesired results appear, the Plan will be reviewed and a re-evaluated and updated version will be put into application. The Plan will be valid until a new plan is put into practice. The monitoring and evaluation process will provide corporate learning and improvement, and in addition it will contribute to the principles of accountability and transparency.

Pursuant to the article 97 of the Banking Law, It is stipulated to make report twice o the government in performance evaluation process. Within this scope, the first reporting shall be made by BRSA Performance Monitoring Report (January-June) which shall be prepared relating to the first semi-annual period of the year and the second reporting shall be made by BRSA annual Performance Report relating to the year general.



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