

**From the Banking Regulation and Supervision Agency:**

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

(Published in Official Gazette dated April 17, 2012, Nr. 28267)

**SECTION ONE**

**Objective, Scope, Basis and Definitions**

**Objective**

**ARTICLE 1-** (1) The objective of this Regulation is to set down the principles and procedures regarding the authorization, cancellation of authorization of rating agencies temporarily or permanently and professional liability insurance that will be conducted within the context of activities and rating activities of agencies.

**Scope**

**ARTICLE 2-** (1) This regulation includes ratings to be conducted in practices based on the Banking Law Nr: 5411 and ratings anticipated in regulations of this Law and the rating agencies that will conduct these ratings.

**Basis**

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

**Definitions**

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

a) Decomposition Ability: A rating methodology's ability of choosing or ranging the customers properly in terms of the risk of becoming overdue and/or creditworthiness in a given time,

b) Bank: Bank defined by the Article 3 of the Law,

c) Cumulative Default Rate: The default rates which are calculated by a rating agency for each rating mark in its main rating mark schedule and the default rates that occur during a given time regarding the customers who have the same rating marks awarded by a rating agency

ç) **(Abolished: RG-2/4/2015-29314)**

d) Rating Methodology: The method or methods that include all the assumptions, definitions, calculations, classifications, rating process etc. which are used by rating agencies in determining the creditworthiness and so the rating marks of the customers,

e) Rating Mark Schedule: The schedule which include the rating marks that may be awarded to customers by using a rating methodology and the meaning of each mark,

f) Rating Mark: The rating mark which represent the creditworthiness of customer as a result of analysis and researches conducted, which is anticipated in the Law and in the regulations of the Law, and which is awarded by the rating agency,

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

ğ) Segment: The part of credit risk which is determined by contract and which is related to one or more risks, and the part of a position in the relevant sector which have more or less credit risk than an equal position in each sector when loan protections of third parties are not considered,

h) Matching: Determination of credit quality levels by the Board, to which the rating marks of authorized rating agencies in the main rating mark schedule correspond,

ı) Financial Institution: Institution defined by the Article 3 of the Law,

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

j) Retrospective Test: Testing the decomposition ability and calibration quality of a rating methodology with actual data,

k) Transition Matrix: The table which shows the distribution of rating marks by percental or decimal that customers who are rated in a given time by using a rating methodology, have in the beginning of this period to the rating marks they have at the end of the period,

l) Accounting period: A calendar year

m) Calibration Quality Measurement: Statistically comparing the long-term default probability which is anticipated for each rating mark in the rating mark schedule used for a rating methodology and the occurred default rate of related rating mark,

n) Public Institution: Provided that they do not operate in trading area, the public agencies which are responsible towards the central administration or regional administration or local authorities; institutions which are subject to public audit and which are managed pursuant to establishment law or which are under the possession and guarantee of the public administration or which are responsible towards regional or local authorities like these public agencies,

o) Law: Banking Law Number 5411

ö) Control: Control defined by the Article 3 of the Law,

p) Credit: Transactions deemed credit under the first sub-clause of the Article 48 of the Law

r) Credit Quality Level: The level which is determined pursuant to matching that express the creditworthiness of the customers and which is used in practices based on the rating in the principles and procedures regarding the capital adequacy rate measurement which is entered into force referring to the Article 45 of the Law,

s) Board: Banking Regulation and Supervision Board,

ş) Agency: Banking Regulation and Supervision Agency,

t) **(Amended:OG-6/7/2018-90470)** Small and Medium Scaled Enterprises (SMEs): SMEs which are defined by the Article 3 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks published in the Official Gazette number 29511 dated October 23, 2015,

u) Securitization: Transaction or plan for security issuance in which the credit risk related to risk exposure or risk pool is separated into segments, in which the payments are based on the performance of risk exposure or risk pool and in which loss distribution is determined by ranging these segments,

ü) Central Administration: Foreign central administration equivalent to Turkish Republic Treasury and Turkish Republic Treasury and Privatization Administration,

v) Customer: Natural persons or legal entities, signing contracts with the rating agencies to cause a rating to be conducted for themselves or their issued debt instruments.

y) Qualified shares: Qualified shares defined by the Article 3 of the Law,

z) Anticipated Rating Implementations: Implementations based on rating in the Law or in the regulations established referring to the Law,

aa) Rating not requested: Awarding of rating marks by the rating agencies by taking as a basis information and financial statements publicly disclosed without the request of counterparties,

bb) Acknowledged Rating Mark: Rating mark accepted by the Turkey Representation of an international rating agency, among those rating marks awarded by this international rating agency or other rating agencies which are controlled by this agency directly or indirectly or the rating mark accepted by the rating agency in Turkey among those rating marks awarded by rating agencies abroad which are controlled by rating agencies in Turkey directly or indirectly,

cc) Turkey Representation of International Rating Agency: The rating agency which is operated as joint company in Turkey and which is under the control of an international rating agency authorized by its country for rating activities,

çç) Adjusted Debt Instruments: Debt instruments which depend on the structure and performance of transaction rather than the borrower and which based on equity, stock market index, commodity, exchange rate, another debt instrument etc. or which are derived from them,

dd) Authorized rating agency: Agency authorized by the Board to conduct rating as per this Regulation,

ee) Manager: Persons serving in positions of general manager or assistant general manager in an authorized rating agency, as well as persons not having these titles but of which authorities and duties are equivalent or superior to these positions.

## **SECTION TWO**

### **Fundamental Concepts**

#### **Scope of Rating Activity**

**ARTICLE 5-** (1) The rating activity involves the process of determining the creditworthiness and so the rating mark of the customers who are in the scope of main and sub-asset class in the third clause of this article, by depending on the results of studies and analysis to be made.

(2) Determining the creditworthiness is the activity of independent, impartial and fair assessment and classification of;

a) Customer's capability of repaying credits to be used or

b) Customer's risks of being able to meet obligations such as principal, interest and the like concerning the capital market instruments which represent their indebtedness and the activity of awarding the appropriate rating mark. In the event that the customer is of the nature of a parent company partnership, such operations also cover examination and analysis of creditworthiness of the partnership covered by consolidation provided that this is limited to the purpose of forming an opinion for credit rating. However, rating marks awarded in this case relates to the parent subsidiary only and it is not valid for other partnerships attached to the group.

(3) Rating activities are conducted based on the following main asset class and its sub-asset classes.

a) Central administrations, public institutions, international organizations and multilateral development banks:

1) Rating of central administrations of countries,

2) Rating of debt instruments exported by the central administrations of countries,

3) Rating of public institutions,

4) Rating of debt instruments exported by public institutions,

5) Rating of international organizations and multilateral development banks,

6) Rating of debt instruments exported by international organizations and multilateral development banks,

b) Companies and Projects:

1) Rating of banks,

2) Rating of debt instruments exported by banks,

3) Rating of financial institutions apart from banks,

4) Rating of debt instruments exported by non-bank financial institutions,

5) Rating of corporate companies which are out of the scope of Small and Medium-scaled Enterprises,

6) Rating of debt instruments exported by corporate companies which are out of the scope of Small-and Medium-scaled Enterprises,

7) Rating of Small and Medium-scaled Enterprises and other enterprises,

8) Rating of debt instruments exported by Small-and Medium-scaled Enterprises and other enterprises,

9) Rating of project financing,

c) Adjusted debt instruments:

1) Rating of securitizations,

2) Rating of other adjusted debt instruments,

d) The main and sub-asset classes that will be determined by the Board.

### **Professional Code of Conduct**

**ARTICLE 6 – (1) (Amended:OG-20/1/2016-29599)<sup>1</sup>** The authorized rating agencies or the rating agencies to be authorized, their executive board members responsible for quality assurance system pursuant to the Article 12 of the Regulation, members of rating committee and rating specialists have to act in compliance with the following principles.

a) Objectivity: Assessment methodologies used in the rating of customers shall be approved by various verifications tests based on past rating experiences. Verification tests and methodology assessment shall be reviewed regularly and methodologies shall be made sensible to changes in financial conditions. Verification tests shall be carried out at least once a year. Rating methodology should be consistent in the manner that a customer or two customers who have similar risks and who are in the same asset category should have similar rating marks awarded by different rating committees or different rating specialists.

b) Independence/Impartiality: It is obligatory that the rating of a rating agency should be carried out far from all kinds of pressures including the economic pressure. The process of rating must be independent such that it could not be affected by the partnership structures of the authorized rating agencies and/or potential conflicts of interest on the Executive Board.

c) International Accessibility /Transparency: All the local and foreign natural persons and legal entities should have free access to all the rating marks of customers rated by the authorized rating agency and to significant issues considered during rating through the website of rating agency. The general procedures, methodologies and basic assumptions used by the rating agency in its rating mark assessment should also be freely accessible.

ç) Obligation of Disclosure: The information and documents which are anticipated to be disclosed to the public in this regulation and other information to be considered necessary by the Agency should be prepared in the manner that they can be easily understood by the users and should be disclosed to the public.

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

e) Honoring in the Market/Prestige: Rating agency should be preferable in the market and should have quality assurance systems which prevent misuse of hidden information. Third persons and institutions should rely on the ratings of authorized rating agency and the marks granted by the rating agency should be used by third parties.

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<sup>1</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

(2) Shareholders of authorized rating agencies, executive board chairman and members, **(Abolished statement:OG-2/4/2015-29314)** (...) managers, rating committee members and rating specialists can not make a commitment about the results of rating activities which they maintain or did before, by the authorization of the Board.

### **Professional Competence**

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

a) Have bachelor degree at least 4 years,

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

(2) It is essential that at least two third of the members taking part on the rating committee which must be set up and composed of minimum three persons as per paragraph (d) of the first sub-clause of Article 23;

a) Are resident in Turkey,

b) Have had previous employment as general managers or assistant general managers in charge of credits or members of the credit committees in banks or chairman or a member in the Board, Deputy Chairman or Head of Department in the Agency or on condition that having at least seven years experience in relevant area; have had previous employment as risk management personnel in banks, rating specialists in rating agencies or banking specialist or sworn bank auditor in the Agency including the period of being assistant.

(3) It is essential that the other rating committee members hold the qualifications required of rating specialists specified within the first sub-clause

### **Independence**

**ARTICLE 8** – (1) Independence is a whole of behaviors and understandings which will ensure that rating agencies, their partners, chairmen and members of their executive board as well as **(Abolished statement:OG-2/4/2015-29314)** (...) their auditors, managers, rating committee members and rating specialists conduct and maintain the operations covered by this Regulation in strict correctness and impartiality.

(2) **(Amended:OG-3/12/2019-30967)** The authorised rating agencies' partners, chairmen and members of their executive board as well as their managers, members of rating committee and rating specialists shall; have to keep away from any conflicts of interest that may arise during their activities, not to allow any interventions that may affect their integrity and impartiality and to disclose in their reports any opinions reached as a result of rating operations without considering their own or other parties' direct or indirect interests. Apart from the legal entity shareholders whose shares directly or indirectly are equal to or less than 10% and Turkey Wealth Fund established by the law number 6741 dated 19/08/2016, its companies and sub-funds and their companies; the authorised rating agencies' partners, chairmen and members of their executive board as well as their managers, members of rating committee and rating specialists;

a) may not take part in the decision making processes of the management of partnerships directly or indirectly controlled by their customers and them, may not provide managerial or consulting services in this process apart from in developing, recording and testing rating models.

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

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

(3) **(Amended:OG-3/12/2019-30967)** Apart from the legal entity shareholders whose shares directly or indirectly are equal to or less than 10% and Turkey Wealth Fund established by the law number 6741 dated 19/08/2016, its companies and sub-funds and their companies; the authorised rating agencies' partners, chairmen and members of their executive board as well as their managers, members of rating committee, rating specialists and their relatives by blood or by marriage including degree two and degree three, as well as the rating agencies inside or outside the country having legal relationships with these institutions;

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

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

(4) **(Amended:OG-20/1/2016-29599)**<sup>2</sup> Shareholders, chairmen and members of executive board, managers, members of rating committee and rating specialists of an authorized rating agency may not take positions as chairman or member of executive board, manager or shareholder in another rating agency or in institutions procuring independent audit or valuation services. They cannot be employed as independent auditor or rating specialist or valuation specialist.

### **Cessation of Independence**

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

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<sup>2</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

- a) When there is a contradiction to the second, third and fourth sub-clauses of the Article 8.
- b) If the shareholders, chairmen and members of executive board, **(Abolished statement:OG-2/4/2015-29314)** (...) managers, members of rating committee or rating specialist of and authorized rating agency as well as their relatives by blood or by marriage including degree three and degree two respectively or their spouses take advantage directly or indirectly from the customer other than predicted within the rating contract or if they are offered or promised any direct or indirect advantages and this situation is not informed by the related persons to the members of quality assurance system to ensure that it is notified urgently to the Agency.
- c) If it is found out that the fees for the rating services for past periods have not been paid by the customer without any justifiable reasons or that no legal action has been filed to recover such sums payable or that payment has been made to the rating agency later in excess of the sum agreed on by the contract.
- ç) If the rating services fees are tied to the conditions related to the results of rating or a pre-determined rating estimate or determined after completion of rating services.
- d) If it is established that the rating of creditworthiness of a customer has been made by a method different from the definition of default, accounting period and estimated default ratios related to the rating category notified to the Agency and disclosed to the public.
- e) If revenues obtained from a customer from the third accounting period after authorization exceeds fifteen percent of the period revenues obtained at the end of that year without justification.

### **Honoring in the Market**

#### **ARTICLE 10- (Amended:OG-20/1/2016-29599)<sup>3</sup> (Amended:OG-6/7/2018-30470)**

Assessment on honoring in the market is carried out based on each asset category. This assessment should be made considering the principles such as; market shares of rating agencies, their financial resources especially the incomes they made in the market, number of rating activities disclosed to the Risk Center established by the additional article 1 of the Law or to public, documentation showing that the rating markets they have granted were used by at least two banks for credit allocation, pricing, security issuance and similar fields, written commitment that the rating marks they have granted will be used by numerous banks in predicted rating practices and rating agencies to be authorized are conducting rating activities for at least three years within the scope of the rating license granted from related domestic or foreign authorities. In exceptional situations, this time may be shortened by the Agency, on condition that a sufficient number of ratings have been performed as to enable the Agency and market participants to evaluate the credibility and reliance of the rating marks granted by the rating agency. The Agency is authorized to decide the rating agencies provide the conditions of honoring in the market or not.

(2) Authorized rating agencies should maintain their compliance with the criteria of honoring in the market indicated in this article for each accounting period. In case these criteria were maintained before but they became incompliant afterwards, the Board may prevent the use of

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<sup>3</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.



rating marks within the market until the criteria on honoring in the market are ensured again. If they are not complied with in time given by the Board, the authorization of the rating agency is cancelled by the Board.

### **Professional care and Meticulousness**

**ARTICLE 11** – (1) Authorized rating agencies may not accept any rating activities where knowledge and skills of their members of executive board responsible for quality assurance system, members of rating committee and their rating specialists are not adequate.

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

### **Quality Assurance System**

**ARTICLE 12-** (1) Authorized rating agencies are responsible for the implementation of a quality assurance system to confirm that the rating agency, its shareholders, chairmen and members of its executive board, **(Abolished statement:OG-2/4/2015-29314)** (...) its managers, member of rating committee and rating specialists possess the professional competence and sufficiency and in accordance with the related regulations and that the ratings conducted are correct. The quality assurance system shall have sufficient financial resources and shall be established in a structure independent from the rating process.

(2) Two members to be elected from among the members of the executive board not having executive functions of the authorized rating agency are assigned with responsibilities for operation of the quality assurance system. The members of executive board responsible for quality assurance system shall be graduated from a four-years under-graduate programme at least and they shall have professional adequacy certificates granted from authorized institutions within the field of rating inside and outside the country and they shall have an experience for at least five years within the fields of banking, independent audit or valuation or they shall have an experience for at least seven years within the fields of banking, independent audit or rating. When they are aware of the contradiction to the provisions of this Regulation, shareholders, chairmen and members of the executive board, managers, **(Abolished statement:OG-2/4/2015-29314)** (...) rating committee members or rating specialists of the authorized rating agency shall notify this situation to the members of executive board members responsible for quality assurance system to ensure that they notify immediately to the Agency.

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

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

a) Professional Competence: The members of executive board responsible for quality assurance system, members of rating committee and rating specialists shall carry the qualifications specified within the Article 7.

b) Professional requirements:

1) The shareholders, chairmen and members of executive board (**Abolished statement:OG-2/4/2015-29314**) (...) and managers, members of rating committee and rating specialists of the authorized rating agency shall act in compliance with the provisions of Articles 8, 9 and 24,

2) Authorized rating agency, its executive board members responsible for quality assurance system, rating committee members and rating specialists shall act in compliance with the provisions of Articles 6, 11 and 23.

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

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

d) Consultation: Where necessary, provided that the provisions of Article 24 remain hidden, persons having experience and knowledge on the matter must be consulted.

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

f) Performing retrospective tests: The processes that enable to adjust and to discover the systematic rating errors in rating activities through retrospective tests should be established.

g) Monitoring rating marks: Rating marks should be reviewed at least annually and at any rate in the event that being significant changes stated in the seventh and eighth clauses and a detailed report about how this review is conducted including the aspect of relationship between the rated customers and senior management, should be prepared.

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

(5) Authorized rating agency continually makes the following information and documents available for the audit of the Agency:

a) Methodology documents approved by executive board, which are prepared in consistent with the Article 15(8),

b) Rating marks awarded to the customers, the data that is based on in establishing these marks, reports submitted to rating committee, rating committee decisions, rating reports whose minimum qualities are stated in the Article 23(2),

c) Retrospective test results prepared on the basis of accounting periods for each methodology used in determining the creditworthiness and instructions about how these results are obtained, and the reasons of going into default of customers in this analysis,

ç) Transition matrixes since adequate data has been obtained,

d) Information and documents requested by the Agency during the authority application or after being authorized and the changes in these information and documents.

(6) Authorized rating agencies have to keep the originals of working sheets organized within the context of rating activity and information and documents which are the additional of these, if unavailable, the copies of them which do not cause any doubt, for the following ten years after they organized; they have to keep the ones which are subject to legal controversy until the end of this controversy.

(7) When the authorized rating agency makes a change in any of the rating methodologies or a significant change happened, rating agency informs the Agency about this change and its results within the following thirty days after the change. With the aim of determining whether this change is significant or not, for the authorized and changed methodology the rating marks awarded by using the same methodology in the last three accounting periods as of the date of change are reassessed. As a result of assessment, the difference between the rating marks before the change and the new rating marks awarded by using the changed rating methodology is determined on the basis of customer by using the main rating mark schedule. If the rate of the total absolute value of this differences to the total number of rating marks awarded to customers in the same period, is over the one-tenth, the mentioned change is considered significant. In the event that these assessments are not done or it is impossible to do them, all the changes are reported to the Agency.

(8) The related rating agency also assesses whether the issues such as changing the weight of questions and variables in question sets or equations used in determining the rating mark by a rating methodology on rating mark and making changes in equation or question sets like adding or removing variable or question, have importance or not and if considered significant, these are reported to the Agency.

(9) Regardless of its importance, it is essential that the changes and if available the analysis in a rating methodology should be recorded systematically and in detail and they should be entered in the minute book.

(10) Rating agencies assesses their methodologies through stress tests and scenario analysis in terms of recession, depression in sector, changes in market risk factors, liquidity squeezes etc. at least annually, and keeps the results that shows the effects of these tests and analysis on rating marks available for audit pursuant to quality assurance system.

### **SECTION THREE**

#### **Authorization of Rating Agencies**

##### **Conditions to be met by Rating Agencies for Authorization**

**ARTICLE 13-** (1) Rating agencies to be authorized;

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

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

c) must include the phrase "rating" in their commercial titles,

ç) must have a managerial organization of an adequate size, an adequate number of rating specialists with required qualifications, information systems infrastructure with adequate level and flexibility which can establish the information and documents to be requested by the Agency in asked format and which may help rating specialists in rating activities, communication channels, documentation and registration system and must establish a quality assurance system, if unavailable, must submit plans for establishment of a quality assurance system,

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

e) must have suffered no cancellation of their rating authorizations locally or internationally on the basis of main- or/and sub-asset class that they wanted to be authorized,

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

g) **(Additional:OG-20/1/2016-29599)** <sup>4</sup> must be authorized by the Capital Markets Board or related banking authorities abroad on determining the credit worthiness,

ğ) **(Additional:OG-20/1/2016-29599)** <sup>5</sup> must comply with the provisions stated in section two.

**Conditions to be searched for shareholders, executive board members responsible for quality assurance system, rating committee members and rating specialists of the rating agency to be authorized**

**ARTICLE 14** – (1) The shareholders, executive board members responsible for quality assurance system, rating committee members and rating specialists of the rating agency to be authorized must;

a) Not have partnerships in another rating, independent audit or valuation institution or must not take position in those as chairman or member of executive board, **(Abolished statement:OG-2/4/2015-29314)** (...) manager or must not work as rating committee member or rating specialist, independent auditor or valuation expert,

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

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

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<sup>4</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

<sup>5</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

ç) **(Amended:OG-3/12/2019-30967)** Apart from the legal entity shareholders whose shares directly or indirectly are equal to or less than 10% and Turkey Wealth Fund established by the law number 6741 dated 19/08/2016, its companies and sub-funds and their companies; shall not be involved in any commercial activities apart from rating activity and other activities allowed to be done in this regulation.

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

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

(4) In case there are any cases on trial about the partners, executive board members responsible for quality insurance system, rating committee members and rating specialists of the rating agency to be authorized, this should be notified to be Agency, even if these trials are not completed or finalized.

**Minimum features that rating methodologies for which the rating agency to be authorized applied and its documents on these methodologies should have**

**ARTICLE 15** -(1) Rating agencies to be authorized shall have various rating methodology for customers in main-asset class and sub-asset classes based on them within the third clause of Article 5 and shall apply to the Agency so as to be authorized on the basis of asset classes.

(2) Rating methodologies used for each main asset class must be different from each other. However, the rating agencies to be authorized can establish rating methodology separately for each sub-asset class in the same main asset class or a mutual rating methodology for several or all sub-asset class. In the event of establishing a mutual rating methodology, rating agency to be authorized must prove to the Agency that the different features of customers in sub-asset class of this methodology are integrated into the methodology adequately.

(3) Rating agencies to be authorized can establish one or more rating methodology for any of the sub-asset class. The rating agency to be authorized is responsible for convincing the Agency about that the customers to be rated in any cases by the methodologies or a methodology established for a sub-asset class constitute a significant amount of all the customers in the scope of related sub-asset class .In the event of establishing several rating methodologies in a sub-asset class, the principles about separating and identifying the customer groups in the sub-asset class should be clearly documented in advance and the necessary measures to ensure the rating of any customers with only one methodology should be taken.

(4) The rating agencies to be authorized should verify the rating methodologies that they apply to Agency as stated in the Article 18.

(5) It is essential that the rating methodologies should reflect the creditworthiness of the customer in determining the customer's rating mark and this issue should be planned by using qualitative and quantitative factors proved by scientific methods as far as possible and should be appropriate to the Article 23 (1) (c). Apart from short-dated rating marks, the rating marks

to be used by banks in measuring the capital adequacy rate must represent the creditworthiness of customer for minimum one-year period as of the date of mark awarded.

(6) **(Amended:OG-20/1/2016-29599)**<sup>6</sup>Rating agencies to be authorized can use different rating mark schedules for their different methodologies. However, in any case rating agencies to be authorized should match their rating mark schedules which include rating marks that will be used in the measurement of capital adequacy rate to a main rating mark schedule and should document this matching period. Main rating mark schedule should include at least seven different rating marks on non-defaulting customers and at least one different rating mark on defaulting customers.

(7) In the event that rating agencies to be authorized give short-dated rating mark, the agency should establish a second main rating mark schedule which include these short-dated rating marks and the matching table showing the matching of rating marks in this main rating mark schedule with those in the main rating mark schedule in the sixth clause and should submit them to the Agency.

(8) It is essential that rating agencies to be authorized should establish the methodology documents including the following matters about their methodologies, and the board of directors should approve and record these documents to the minute book. Rating agencies to be authorized should prepare different methodology documents for methodologies established about each main-asset class in the Article 5(3). Provided that they are under the same main-asset class, a mutual methodology document should be established for different methodologies about several or all of the sub-asset classes. However, in the event of establishing a mutual methodology document, the document must include the different features of each methodology at an adequate level. Methodology document should include the followings as a minimum:

- a) information about establishing and using of a methodology or methodologies which are included in the methodology document,
- b) how these methodologies are established, the mathematical and statistical infrastructure used in establishment, analysis which show that the qualitative and quantitative data used in determining the rating mark reflects the creditworthiness of customers, verification studies during establishment,
- c) the running of methodologies, how financial and nonfinancial factors are considered, how the definite rating mark is achieved and time interval of used data,
- ç) default definition,
- d) how the economic cycle is considered in determining the rating mark,
- e) if available, the rating mark schedules anticipated to use in line with methodologies,
- f) the validity period of awarded rating mark.

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<sup>6</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

(9) (Abolished:OG-20/1/2016-29599)<sup>7</sup>

### **Information and Documents Requested during Application for Authorization**

**ARTICLE 16 - (Amended:OG-20/1/2016-29599)<sup>8</sup>** Rating agencies requested to be authorized pursuant to this regulation apply to the Agency with a document in which the categories they requested to be authorized based on the main or/and sub-asset classes in the Article 5(3) are stated. It is obligatory to submit the following information and documents to the Agency for the assessment of application;

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

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

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

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

d) Written commitment stated in the article 13(1/f) to be prepared according to the example within the Annex-2,

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

1) Detailed CVs including professional experiences and educations received, to be prepared according to the example in Annex-1, notarized copies or copies approved by the Agency as appropriate to the originals on condition that submitted the originals of ID cards or passports,

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

3) Written declarations to be drawn-up as per the model under Annex-5, certifying that they don't have and will not have any partnerships in any other rating agency or in an institution providing independent audit or valuation services, or they don't take or will not take any positions as chairman or member of the executive board, manager or personnel or valuation specialist involved in rating or independent audit in those institutions, or they didn't have any responsibilities causing the cancellation of authorization in institutions at home and abroad of which licenses to conduct rating, independent audit or valuation have been cancelled,

4) Declarations to be drawn-up as per the model under Annex-6 certifying that they are not involved in any other commercial activities other than professional ones, except for activities permitted by this Regulation,

f) Of their shareholders;

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<sup>7</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

<sup>8</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

1) Written declarations to be drawn-up as per the model under Annex-3, certifying that they are not bankrupt and that they have not declared rescheduling of debts according to the provisions of Code of Execution and Bankruptcy Nr. 2004 dated June 9, 1932,

2) Document to be obtained from Saving Deposit Insurance Fund to be drawn-up as per the model under the Annex 4, certifying that they have not held any qualified shares in or control of the banks for which Article 71 of the Law are applicable or which have been transferred to the Saving Deposit Insurance Fund prior to the entry into force of the Law or brokerage houses forced into liquidation and finance houses/organizations forced into liquidation other than voluntary liquidation, development and investment banks the operating licenses of which have been discontinued, credit organizations for which partnership rights other than dividends and management and control have been transferred to the Saving Deposit Insurance Fund or for which powers and permissions to do banking and receive deposits and participation funds have been discontinued before transfer to the Saving Deposit Insurance Fund or lifting of powers and permissions to do banking and receive deposits and participation funds,

g) Notarized copies or copies approved by the Agency as appropriate to the original on condition that submitted the originals of under-graduate diplomas and certificates received of executive board members responsible for quality assurance, rating committee members and rating specialists,

ğ) Commitment letter of rating specialists to be drawn-up as per the model under Annex-7, certifying that they will withdraw from rating service provided to the customer in case of existence of situations ignoring the independence, determined within the Article 9,

h) Detailed information declaring which executive board members will be responsible for the quality assurance system to be established or will be established according to the principles and procedures determined within the Article 12 and detailed information concerning the structure and running of the quality assurance system prepared and signed by the executive board members responsible for the quality assurance system,

ı) Methodology documents which are prepared in consistent with Article 15(8) and which are planned to be used about each main-or/and sub-asset class that they requested to be authorized stated in Article 5(3),

i) Main rating mark schedules specified in the article 15(6) and (7) and individual rating mark schedules, if any, as well as the documents involving the process of matching them to the main rating mark schedules,

j) A copy of the contract which will be signed with their customers and which have the features stated in Article 21(2),

k) A copy of the rating report to be prepared as a result of the rating activity,

l) Information about the members to be assigned in rating committee,

m) Documents showing the partnership structures of legal entities,

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



o) Detailed information about rating activities carried out by rating agency on the basis of related asset class until the application date,

ö) Other information and documents deemed necessary by the Agency.

(2) For the purpose of ensuring qualification for the principle of objectivity under paragraph (a) of the first sub-clause of Article 6 during evaluation of applications or when considered necessary by the Board, the Agency may request that an information sharing contract be concluded between the rating agencies applying for authorization and a rating agency, which is assigned by the Board or operated internationally subject to the procedures and principles indicated by the Article 17 or that additional information and documents be furnished. Any omissions detected by the Agency or any additional information and documents are notified to the rating agency requesting authorization in writing.

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

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

(5) **(Amended:OG-20/1/2016-29599)**<sup>9</sup>If the rating agencies authorized by the Board on the basis of at least one main-or/and sub-asset class pursuant to this regulation request to be authorized on the basis of other main-or/and sub-asset classes, they should only submit the information and documents in (i), (j), (k), (o), and (ö) paragraphs of first clause of this Article in their application to the Agency, without prejudice to the provisions of articles of the Regulation.

### **Information Sharing Contracts**

**ARTICLE 17-** (1) An information sharing contract which will be concluded between the rating agency applying for authorization and a rating agency stated in Article 16(2) must incorporate provisions regarding;

a) Title and address of the rating agency which will agree to information sharing,

b) Principles regarding information transfer to be made by the rating agency agreeing to information sharing to the entity applying for authorization about procedures and techniques used by it in Turkey or in international rating practices,

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<sup>9</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

- c) Declaration by the entity applying for authorization that it shall maintain its rating operations in line with the procedures and techniques transferred by the rating agency which shall conduct such an information sharing,
- ç) Declaration by the entity applying for authorization if it would quote the title of the rating agency, which would conduct information sharing, as part of disclosure of ratings awarded under its operations,
- d) Remuneration to be paid to the rating agency which would agree to information sharing
- e) Term of the contract and conditions of termination.

## **Verification**

**ARTICLE 18 - (Amended:OG-20/1/2016-29599)<sup>10</sup>**The accuracy of each rating methodology established by rating agencies to be authorized pursuant to Article 15 should be proved scientifically by retrospective tests. The study concerning the verification of each methodology is reported internally by the related rating agency itself or by consulting companies competent about verification or by a committee composed of three competent academicians at least one of whom has PhD. by means of expressing their positive/negative opinions. In the event that the verification is carried out by rating agency internally, the board of directors of rating agency must ensure its independence and verification unit or staff must be different from those who established the methodology. This principle is also applied for those who are in charge with rating agency in the committee composed of academicians.

(2) A verification report should include the followings as a minimum:

- a) Analysis and assessments about quality of data used in establishing the methodology,
- b) Analysis about related methodology's ability of decomposing fair and poor customers,
- c) Analysis about measuring the calibration quality of long-term default probabilities assigned for score or rating marks obtained by using related methodology,
- ç) The appropriateness of related methodology document to the issues in Article 15(8),
- d) The appropriateness of rating process passed from customer's application for rating till disclosure of definite rating mark awarded to customer by rating agency,
- e) The definite opinions of staff or agency prepared the verification report, as "positive" or "negative" about whether the related methodology correctly determined the creditworthiness of customers or not.
- f) If the verification report is prepared by natural persons, the signatures, names, surnames and titles of these persons; if the report is prepared by legal entities, business names of these legal entities and names, surnames, titles and signatures of persons authorized to sign,
- g) Time interval and verification date of data used in these analyses.

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<sup>10</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

(3) The studies of determining the decomposition ability and calibration quality mentioned in (b) and (c) paragraphs of second clause are carried out separately by using both rating marks suggested to rating committee by rating specialists and rating marks awarded to customer after the approval of rating committee even if they are not disclosed to the public.

(4) To be authorized, the rating agency is obliged to evince and document to the Agency that it has applied retrospective tests for methodology or methodologies for which it has applied for authorization, as to include at least one accounting period.

(5) While performing the verification of a rating methodology, requested or non-requested rating marks granted by using this very methodology shall be used, even if they are not disclosed to public, and not the ones already known.

(6) The Agency may request from the rating agency the re-verification of its methodology by a third party determined by the Agency itself.

### **Authorization**

**ARTICLE 19** – (1) The rating agencies approved by the Board as a result of assessment made by the Agency as of the main-or/and sub-asset class for which the rating agency has applied for authorization are authorized about considering of the rating marks they awarded to their customers in main-or/and sub-asset class within the scope of this Regulation, in practices based on Law or the anticipated rating in regulations prepared referring to Law.

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

(3) (**Amended:OG-20/1/2016-29599**)<sup>11</sup> The Board, if deemed necessary, can acknowledge a rating agency authorized by the competent authorities of foreign countries that have equivalent regulating and audit structure, taking into account the qualitative and quantitative assessment criteria within this Regulation.

(4) (**Abolished:OG-20/1/2016-29599**)<sup>12</sup>

## **SECTION FOUR**

### **Activities of Rating Agencies**

#### **Ban on Advertising**

**ARTICLE 20-** (1) Authorized rating agencies may not engage in operations that may be considered direct or indirect advertising in order to obtain jobs. However, they may prepare and distribute brochures containing introductory information about themselves, may place notices to hire staff, may issue scientific publications on professional subjects and organize meetings such as seminars and conferences.

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<sup>11</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

<sup>12</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

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

### **Rating Request and Contract**

**ARTICLE 21-** (1) It is obligatory that authorized rating agencies conclude written contracts with their customers who request rating in order to carry out rating activities within the context of anticipated rating implementations. This obligation is not asked for unrequested ratings. Unless otherwise clearly stated in request form or unless it is not out of the scope of anticipated rating implementations as of its quality, the performed rating is accepted as a rating carried out within the context of anticipated rating implementations.

(2) The contracts organized pursuant to first clause must incorporate the following as a minimum;

- a) Title and head office address of the rating agency,
- b) Title and head office address of the customer benefiting from rating services,
- c) Objectives, subject and particular reasons of the contact, if any,
- ç) Name and surname of the rating specialist to be appointed,
- d) Term of the contract and conditions for termination,
- e) Remuneration to be paid to the rating agency,
- f) Responsibilities and obligations of the parties,
- g) Commitment to take out and maintain professional responsibility insurance,
- ğ) For which objectives the rating mark will be used within the context of anticipated rating implementations.

(3) Although it is a rating that can be used in anticipated rating implementations as of its quality, if the rating to be carried out is one of those which is determined not to be used in implementations based on Law or the anticipated rating in regulations prepared referring to Law in rating request form prepared pursuant to first clause, it is in no way considered in these implementations afterwards.

### **Termination of the Rating Contract**

**ARTICLE 22-** (1) Authorized rating agencies may withdraw at any stages of rating operations if they believe that their rating operations are restricted significantly contrary to the provisions of the contract, that any information and documents requested are not furnished, that there is intentional misrepresentation or that any other similar instances may have occurred.

(2) Withdrawal from rating operations or failure by the rating agency to take out and maintain professional responsibility insurance in line with the procedures and principles indicated by the Article 30 as per paragraph (g) of the second sub-paragraph of Article 21 is deemed the cancellation of the rating contract.

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

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

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

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

### **Rating Operations**

**ARTICLE 23-** (1) Authorized rating agencies perform their operations in line with the principles and procedures indicated below.

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

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

c) Financial sheets which are approved by the independent auditing organizations or by career practitioners licensed as per Certified Public Accountants and Sworn-in Certified Public Accountant Law dated June 1, 1989 Nr. 3568, who are authorized to conduct audits, as compliant with the accounting principles established by the Turkish Accounting Standards Institution must be taken as a basis in evaluation of creditworthiness.

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

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

e) **(Amended:OG-6/7/2018-30470)** Results of rating operations and publicly disclosed ratings other than those which are agreed to be reviewed regularly under the contract any macroeconomic or customer basis financial or non-f,nancial developments that may affect the creditworthiness of the customers or information taken as a basis for ratings awarded must be followed continuously and updated, at least once a year; if necessary, rating adjustments must be made and in this case, new ratings and justification for changing the previous ratings must

be disclosed to the the Risk Center. If the rating is announced to public before, the new rating and reason for changing of rating should be announced to public together.

f) (**Amended:OG-6/7/2018-30470**) It is essential that in case of awarding a rating mark about a customer without a request, requested rating is conducted within the last two accounting periods in line with the principles and procedures indicated by this Regulation and that rating marks to be awarded are reviewed and are disclosed to the Risk Center by maximum six month periods. Unrequested rating mark may be awarded to a customer only one-time for each successive two accounting periods of requested rating of this customer.

g) In order to consider the unrequested rating mark to be awarded to a customer in measuring the capital adequacy rate of banks, it is essential that analysis as detailed as awarding a requested rating mark to this customer should be made in determining this rating mark.

ğ) Unrequested rating mark is not awarded to the banks.

(2) Authorized rating agencies submit the rating marks awarded to their customers as a report to related customer. The preparation date of this report is accepted as the date of awarding rating marks to the customer. A rating report includes the followings as a minimum;

a) Business name, address and contact information of rated customer,

b) Time interval of rating operation,

c) The dates of financial tables to be based on during rating operations if available,

ç) Customer-specific factors which affected the rating marks awarded to customer and so the creditworthiness of him, financial data to be based on, and a short assessment about the sector in which the customer operates,

d) Rating marks awarded to customer, validity time and report date,

e) Name, surname, title, signature and contact information of rating committee members who determine the definite rating mark and of rating specialists who carry out the rating operation,

f) The business name of rating agency, address of its center and contact information,

g) Other information requested by the Board.

### **Protection of Secrets**

**ARTICLE 24-** (1) An authorized rating agency's shareholders, executive board chairman and members, (**Abolished statement:OG-2/4/2015-29314**) (...) managers and rating committee members and rating specialists may not disclose any secrets of the banks and customers of the banks including any information deemed a secret to be agreed on by the rating contracts to be concluded, which are learnt by them during rating operations laid down by Article 5, except for any information which must be disclosed to the public as per this Regulation, and neither may they use such information for their own or third parties' benefits. The authorized rating agencies are bound to take any kinds of measures for protection of information deemed a secret.

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

(3) An authorized rating agency's shareholders, executive board chairman and members and **(Abolished statement:OG-2/4/2015-29314)** (...) managers, rating committee members or rating specialists may not make any public disclosures about their opinions concerning the rating activities provided to their customers within the scope of Article 5 (1), or any future potential practices.

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

### **Public Disclosure of Rating Marks and Other Necessary Information**

**ARTICLE 25** – (1) Customers must be informed to prevent any misjudgments before the public disclosure of any rating marks to be awarded by taking as a basis the system of rating marks declared for implementation during an application for authorization made under Article 16 or of any subsequent updates of a rating mark earlier granted.

(2) Ratings belonging to banks and to customers other than banks for which there is an express consent thereof as well as any other information required to be announced to public within the scope of this Regulation shall be published on the web-site of the authorized rating agency within one week at the latest. No written or verbal information may be furnished by the shareholders, executive board chairman and members, **(Abolished statement:OG-2/4/2015-29314)** (...) managers, rating committee members and rating specialists of the authorized rating agency to the public prior to such publications.

(3) In addition to other information and documents anticipated to be disclosed to the public by rating agency within the context of this regulation, the following issues are also disclosed to the public by authorized rating agency;

a) The summary of methodology document which is prepared in consistent with Article 15(8) for each rating methodology, which includes all the issues of same clause except for the paragraph (b) and which is submitted in the manner that potential users can easily understand,

b) **(Amended:OG-20/1/2016-29599)**<sup>13</sup> The main rating mark schedules stated in the Article 15 (6) and (7) to which rating mark schedules are matched, long-term estimated default probability for each rating mark in the schedules stated in the Article 15(6) and cumulative default rates about related rating marks stated in the Article 26(3), meaning of each rate, statistics about shift of each rate to other rates and transition probability matrix among notes,

c) Main contract of rating agency, full opening of its business name, organizational schedule, contact information of its center and its representatives if available,

ç) **(Amended:OG-20/1/2016-29599)** (1) List of banks committing that it will use the marks granted by the rating agency in predicted rating practices or already uses them in credit allocation, pricing and in similar fields,

d) **(Additional:OG-20/1/2016-29599)** (1) The ethical principles text of rating agency,

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<sup>13</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

e) (**Additional:OG-20/1/2016-29599**) (1) The general framework on pricing of rated counterparties,

(4) The Agency discloses to the public through its website the business names of authorized rating agencies, contact information of their centers, their internet address, the main- and sub-asset classes that they are authorized, credit quality levels which the main rating mark schedule is matched with and which will be considered in measuring the capital adequacy rates of banks.

(5) The issues anticipated to be disclosed to the public by authorized rating agencies within the context of this Regulation, are disclosed to the public freely through websites of these agencies. If authorized rating agencies enable their users or members to access the issues which are not obligatory to be disclosed to the public within the context of this regulation, freely or in return for a price, it is essential that all users must access these issues on an equal basis.

(6) (**Abolished:OG-20/1/2016-29599**) <sup>14</sup>

### **Matching**

**ARTICLE 26 - (Amended:OG-20/1/2016-29599)** <sup>15</sup>The Board determines that to which credit quality levels the rating marks awarded by authorized rating agencies correspond in measuring the capital adequacy rate and this is disclosed to the public through the website of the Agency. If deemed necessary or if the authorized rating agency applies, the Board can change the matching it determined in advance.

(2) With the purpose of matching by the Board or reviewing them, the authorized rating agencies convey three-year cumulative default rates of last two years and ten-year average of these three-year cumulative default rates or long-term estimated default probabilities if it is impossible to calculate the ten-year average of these three-year cumulative default rates for each rating mark in their all main rating mark schedules annually to the Board in following January and disclose them through their website. The rating mark of defaulting customers that they have ninety day before their default date are considered in calculating the cumulative default rate. If there is not a rating mark awarded to the customer ninety days before, the first rating mark awarded within these ninety days period is used in calculating the cumulative default rate.

(3) If the rating agency cannot procure the cumulative default rates stated in the third clause for each rating mark in the main rating mark schedule or if they are procured but are not considered adequate and significant by the Agency, this authorized rating agency reports its matching proposal which is supported by scientific facts and which will be the basis of matching determined by the Board, to the Agency. If the Board decides that this proposal is not supported by scientific facts or in any case it is not possible to determine the estimated default rates of the awarded rating marks, the rating marks of rating agency in the main rating mark schedule are

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<sup>14</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

<sup>15</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.



matched by the Board to the credit quality levels which will correspond the risk weight that the mentioned asset category takes if it is not rated.

(4) In measuring the cumulative default rates, the requested or unrequested rating marks awarded as a result of methodologies used by authorized rating agency itself are used, the acknowledged ones are not used.

(5) In case the rating agency did not perform rating activities enough to collect default data for ten years because it is new in the market but still meets the conditions stated in the article 10(1), The Board may decide that all rating marks it granted based on the related asset category may be matched to credit quality level which is equivalent to risk weight that the mentioned asset category will carry in case it is not rated pursuant to the Regulation on Measurement and Assessment of Capital Adequacy of Banks published in the Official Gazette number 29511 dated October 23, 2015 during the time specified by the Board and may take to estimations of the rating agency about ten-years average of three-years cumulative default possibilities for each rate and may set the rating agency responsible for risk weights determined depending on these possibilities hereafter or may take into account the possibility of cumulative default obtained from rating activities relating to the last three years.

#### **Acknowledged Rating Marks of Other Rating Agencies**

**ARTICLE 27 - (Amended including title:OG-20/1/2016-29599)<sup>16</sup>** (1) An authorized rating agency cannot announce a rating mark granted by another rating agency as if it is its own, or give the impression that it is its mark, no matter on what relations it is based.

### **SECTION FIVE**

#### **Cancellation of Authorization and Professional Responsibility Insurance**

##### **Cancellation of Authorization Permanently**

**ARTICLE 28 –** (1) In case it is established by the Agency that one or several of the following instances has or have taken place, the Board decides to lift the authorization of a rating agency permanently:

- a) Apart from 13(1-e), the conditions for authorization laid down within the Article 13(1) are no longer in place,
- b) It is detected that there is no compliance with the professional code of conduct determined within the Article 6 or with the second clause of the Article 20,
- c) It is established that subject to procedures and principles laid down by Article 9, although independence of the rating agency's shareholders, chairmen and member of executive board, **(Abolished statement:OG-2/4/2015-29314)** (...) managers and rating committee members has ceased, the authorized agency did not withdraw from the rating service or it is established that

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<sup>16</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

although the independence of rating specialists has been ceased, they still participate to the process of awarding a rating mark to the customer,

ç) The rating activity is not conducted within the framework of principles and procedures determined within Articles 23 and 24,

d) The rating agency does not carry out the rating operations on the basis of asset class that it is authorized as of two accounting period without any interruption,

e) Failure to take out and maintain professional responsibility insurance in more than one instance, which has to be taken out subject to the principles and procedures indicated by Article 30 pursuant to the Article 36 of the Law,

f) If a false rating mark has been awarded by using incomplete, untrue and misleading data without any reason,

g) If the shareholders lose the conditions laid down within the Article 14 or if it is established that their declarations regarding these conditions are untrue.

ğ) **(Additional: OG-6/7/2018-30470)** In case of any reason causes a conflict to Regulation due to legal entity's direct or indirect shareholders exceed 10%, not presenting of compliance action plan by requesting additional time from Agency until compliance provided or after this case not providing the compliance in time given by Agency.

(2) In case it is established by the Agency that one or several of the following instances has or have taken place, the Board lifts the authorization of the rating agency permanently on the basis of related main- or/and sub-asset class;

a) **(Amended:OG-20/1/2016-29599)**<sup>17</sup> As a result of on-site audits, it is determined that the deficiencies were not corrected in the period given,

b) **(Amended:OG-20/1/2016-29599)** <sup>18</sup>As a result of on-site audits, it is determined that the rating methodology has considerably lost the qualifications set out in the Article 15.

c) **(Abolished:OG-20/1/2016-29599)** <sup>19</sup>

ç) **(Abolished:OG-20/1/2016-29599)** <sup>20</sup>

3) In the event of appearance of a situation in contradiction with the paragraph (e) of the first clause of Article 13, the permanent cancellation of the authorization is assessed by the Board.

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<sup>17</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

<sup>18</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

<sup>19</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

<sup>20</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

(4) The Board is entitled to ban the employment in another rating agency of the rating agency's shareholders, executive board chairmen and members, **(Abolished statement:OG-2/4/2015-29314)** (...) managers, rating committee members and rating specialists, who have been found responsible by the Agency for operations leading to cancellation by the Agency of authorization of the rating agency.

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

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

### **Cancellation of Authorization Temporarily**

**ARTICLE 29** - (1) In case it is established by the Agency that one or several of the following instances has or have taken place, the Board is entitled to cancel the authorization of the rating agency that it is authorized temporarily on the basis of all main- or/and sub-asset class for a period of not more than six months;

a) If the information and documents requested by the Agency are not submitted correctly, completely and in time without any reason,

b) If there are deficiencies in the quality assurance system which is obligated to be established according to the Article 12.

c) If necessary amendments are not made because of a contradiction to the provisions of the Article 14 excluding the paragraph (b) of the first clause, in members of executive board, members of rating committee and rating specialists responsible for quality assurance system,

ç) If it is established that the first clause of the Article 20 is violated,

d) If persons other than notified to the Agency are taking place in the rating committee,

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

f) **(Additional:OG-20/1/2016-29599)**<sup>21</sup> If it is determined that there is non-compliance with the professional care and meticulousness pursuant to the Article 11.

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

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

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<sup>21</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

## **Professional Responsibility Insurance**

**ARTICLE 30** - (1) The rating agencies have to take out and maintain professional responsibility insurance with a coverage not less than two times the value of the contract for rating services subject to general conditions as laid down by the Undersecretariat of Treasury for each rating contract to be signed by them for the purpose of covering damages that may arise out of rating marks to be awarded by the rating agencies as part of their rating operations which are carried out within the context of anticipated rating implementations and which is out of the scope of Article 21(3) no later than seven days after from the date of signature of the contract as per Article 36 of the Law.

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

(3) **(Amended:OG-20/1/2016-29599)**<sup>22</sup> The amount subject to professional liability insurance pursuant to the first clause, is determined based on minimum double the amount of budgeted endorsement of the current year accepted by the board of directors provided that it should not be lower than the past year endorsement of the authorized rating agency. The determined amount is clearly stated in the insurance policy.

(4) It is also obligatory to take out professional responsibility insurance for acknowledged rating marks by authorized rating agency.

## **SECTION SIX**

### **Miscellaneous and Final Provisions**

#### **Notification to the Agency and Risk Center**

**ARTICLE 31- (Amended including Title:OG-20/1/2016-29599)** <sup>23</sup>(1) The authorized rating agencies notify to the Board the changes in their addresses and prime contracts within two weeks; the changes in their shareholders holding qualified shares, board members responsible for quality assurance system, rating committee members and the changes in conditions anticipated in Article 14 within a month at the latest as of the date of change or being employed, with the documents showing that they have the necessary qualifications in the Regulation and with the decision models about their being assigned or being elected. If the Agency does not deliver any negative opinions within a month as a result of its assessment, the changes are deemed valid. The follow-up of shareholders and rating specialists excluded from the scope of the ones required to be notified to Agency pursuant this clause to see if they carry the conditions searched for within the scope of this Regulation is under the responsibility of the rating agency, as well as the maintain and presentation to the Agency is requested of the documents and information within the article 14 about them.

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<sup>22</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

<sup>23</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

(2) **(Amended:OG-6/7/2018-30470)** In order to consider requested or unrequested rating marks as valid according to the rating practices anticipated in the Banking Law Nr. 5411 and sub regulation, it is essential that these rating marks should be disclosed to the Risk Center by the related rating agency.

(3) **(Amended:OG-6/7/2018-30470)** Authorized rating agencies report the information about rating marks including accepted ones and other information determined by the Agency to the Risk Center in order to open to sharing of banks.

(4) The rating agency reports to the Agency until the end of following March the assessment report which is prepared consistent with the Article 18(2) and (3) and which include past test results carried out by year-end for each methodology of main or/and sub asset category that the rating agency is authorized pursuant to the Article 5(3).

(5) It is essential that all the information, documents, reports and all the documents no matter its name prepared by the authorized or to be authorized rating agencies or the third parties about the activities of the agency, should be in Turkish or should be translated to Turkish by certified public translators.

### **Surveillance and Supervision**

**ARTICLE 32-** (1) The Agency may demand for any kinds of information and documents from the authorized rating agencies.

(2) In order to ensure to remain at a high quality of rating marks to be used in measuring the capital adequacy rates of banks, the Agency may assess the appropriateness of authorized rating agency to the Articles (10), (18) and (26) of this regulation at the end of each five years following its authorization or if deemed necessary and may supervise the rating agency in the manner of including other issues it deemed necessary.

(3) In the event of a significant change in financial conditions of rated customers or in macroeconomic conditions and in any case, the Agency can monitor at an acceptable frequency that the authorized rating agency evaluates its own ratings as of accounting periods.

(4) If significant changes happened in methodologies or these changes are assessed as significant by the Agency, the Agency may demand to be carried out the followings;

a) Re-verification for related main-or/and sub-asset class,

b) A new matching supported by scientific facts,

c) A new application for authorization by cancelling the authorization of rating agency on the basis of related main- or/and sub-asset class or,

ç) Another order that deemed appropriate by the Agency.

### **Obligation for Preparing Financial Statements and Independent Audit**

**ARTICLE 33 –** (1) Financial statements of authorized rating agencies, prepared in accordance with the accounting principles determined by the Turkish Accounting Standards Institution, are audited by independent audit institutions authorized pursuant to the “Regulation on Authorization and Activities of Institutions to Realize Independent Audit in Banks”, published in the Official Gazette Nr. 26333 dated November 1, 2006.

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

### **Repealed Regulation**

**ARTICLE 34 -** (1) The "Regulation on Principles Regarding The Authorization and Activities of Rating Agencies" published in Official Gazette dated November 1,2006 No:26333 is hereby repealed

### **Adaptation**

**PROVISIONAL ARTICLE 1 -** (1) Rating agencies authorized pursuant to the regulation which is abolished by this regulation must satisfy all the issues in this regulation till July 1, 2012 to continue their authorization and must apply to the Agency for reauthorization on the basis of main- or/and sub-asset classes in Article 5(3). If the rating agencies apply to the Agency till stated date, their authorization continues until the positive or negative decision of the Board about reauthorization is disclosed to the public. If they do not apply till stated date, their authorization expires as of this date.

(2) All the rating marks awarded to their customers by rating agencies authorized pursuant to the regulation abolished by this regulation during the adaptation period are matched to the fourth credit quality level. In terms of this clause, adaptation period is the disclosure date of the Board's positive or negative decision about reauthorization for rating agencies who apply to the Agency and for those who do not apply to the Agency, is the date of July 1, 2012.

(3) On condition that their contracts have been prepared before the date of July 1, 2012, the authorized rating agencies who do not apply to the Agency continue to carry out rating requests which bound by these contracts and which subject to professional responsibility insurance. In terms of ratings continue in this context, rating agencies who do not apply to the Agency pursuant to first clause and whose authorization expires because of this are considered as authority and the rating marks awarded as a result of these ratings are considered as rating marks awarded within adaptation period in the implementation of second clause.

(4)The authorized rating agencies who apply to the Agency pursuant to first clause until the date of July 1, 2012 continue to carry out rating requests which bound by contracts before the disclosure date of negative decision of the Board for reauthorization of these agencies and which subject to the professional responsibility insurance. In terms of ratings continue in this context, rating agencies are considered as authority and rating marks awarded as a result of these ratings are considered as rating marks awarded within adaptation period in the implementation of second clause.

### **Entry into Force**

**ARTICLE 35-** (1) This Regulation enters into force on the date of publication.

### **Enforcement**

**ARTICLE 36-** (1) The provisions of this Regulation are enforced by the Chairman of the Banking Regulation and Supervision Agency.

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

<b>NAME- SURNAME</b>				:
<b>ADDRESS</b>				:
<b>EDUCATION STATUS (In Details)</b>				:
<b>TITLE AND ADDRESS OF PRESENT EMPLOYER</b>				:
<b>PROFESSION AND POSITION</b>				:
<b>NUMBER OF TR ID/PASSPORT</b>				:
<b>TAX ID NR<sup>24</sup></b>				:
<b>SHARE OF PARTNERSHIP</b>				:
<b>PREVIOUS EMPLOYERS</b>				
	<b>Title of the Employer</b>	<b>Dates of Start and End</b>	<b>Title of Position</b>	
1-				
2-				
<b>INFORMATION ON INSTITUTIONS RATED IN THE LAST FIVE YEARS</b>				
<b>Title of Operation</b>		<b>Audit Period</b>	<b>Title of Position</b>	
<b>TRAININGS AND CERTIFICATES RECEIVED WITH REGARD TO RATING</b>				
<b>Yea</b>	<b>Training Duration</b>	<b>Title of Training</b>	<b>Certificate</b>	
<b>INSTITUTIONS IN WHICH HE/SHE IS EMPLOYED AS PERSONNEL, MANAGER, SHAREHOLDER OR FOUNDER</b>				
<b>Start Year/Month/Day</b>	<b>Name/Address of Company</b>	<b>Activity Field</b>	<b>Position/ Relation Type</b>	<b>Partnership%</b>

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

<sup>24</sup> The tax ID number shall be filled by foreigner natural persons





**ANNEX-2**

**LETTER OF COMMITMENT**

**TO THE BANKING REGULATION AND SUPERVISION AGENCY**

I hereby declare and pledge that, in case of appearance of any situations ceasing the independence determined within the Article 9 the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, published in the Official Gazette Number ..... dated....., of the shareholders, executive board chairman and members, managers or **(Abolished:OG-2/4/2015-29314)** (...) rating committee members of .....A.Ş. during the rating activity conducted within the scope of the same Regulation, ..... A.Ş. will withdraw from the rating service procured to the related customer.

.../.../...

NAME-SURNAME OF

PERSONS

ENTITLED TO REPRESENT AND

SIGN

**DECLARATION**

**TO THE BANKING REGULATION AND SUPERVISION AGENCY**

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

.../.../...

SIGNATURE

NAME-SURNAME

TITLE

**TO THE SAVING DEPOSIT INSURANCE FUND**

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

.../.../...

SIGNATURE

NAME-SURNAME

TITLE

**TR. ID. NUMBER:**

**SURNAME:**

**NAME:**

**FATHER'S NAME:**

**MOTHER'S NAME:**

**PLACE/DATE OF BIRTH:**

**OF BIRTH REGISTRATION**

**CITY:**

**DISTRICT:**

**QUARTER/VILLAGE:**

**VOLUME NUMBER:**

**FAMILY POSITION NUMBER:**

**POSITION NUMBER:**

**ADDRESS:**

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

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

.../.../...

SIGNATURE

NAME-SURNAME

TITLE

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<sup>25</sup> The Regulation amendment published in the Official Gazette dated 20/1/2016 and numbered 29599 enters into force on 31/3/2016.

**LETTER OF COMMITMENT**

**TO THE BANKING REGULATION AND SUPERVISION AGENCY**

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

.../.../...

SIGNATURE

NAME-SURNAME

TITLE

**LETTER OF COMMITMENT**

**TO THE BANKING REGULATION AND SUPERVISION AGENCY**

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

.../.../...

**SIGNATURE**

**NAME-SURNAME**

**TITLE**