

COMMUNIQUE ON THE DEBT INSTRUMENTS INCLUDED IN THE CALCULATION OF BANKS' TOTAL EQUITY

This Legal Alert seeks to provide information regarding the Communiqué on the Debt Instruments to be included in Calculation of Banks' Equity.

Relying on the Regulation on Equity of Banks (“**Regulation**”), Banking Regulation and Supervision Agency (“**BRSA**”) published a communiqué titled Communiqué on the Debt Instruments to be included in Calculation of Banks' Equity (“**Communiqué**”) in the Official Gazette dated 7 June 2018.

The Regulation basically sets out the rules pertaining to the calculation of Additional Paid-in Capital (*ilave ana sermaye*) and Secondary Capital (*katkı sermaye*) of the Banks, as these amounts get accumulated in the calculation of the Banks' Equity, and the deductions therefrom.

Articles 7 and 8 of the Regulation set out the qualifications of the debt instruments that would be required for them to be included in above-referred capital calculations. Pursuant thereto, such debt instruments' compliance shall be confirmed with a written declaration of the Bank's Board of Directors.

With the newly enacted Communiqué, further set of rules have been presented pertaining to the debt instruments that would be included in Banks' capital calculations. The Communiqué brought new principles pertaining to such debt instruments' removal from the financial tables, devaluation, interim devaluation and their conversion to securities.

Another amendment brought with the Communiqué is that pursuant to Article 4, such debt instruments' compliance with the qualifications as set out under Article 7 and 8 of the Regulation will have to be confirmed with an Independent Auditor Report.

CONTACT

Eryürekli Attorney Partnership

T: +90 212 365 9600

info@eryurekli.com

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