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Turkey Amends Methods for Banks to Rate and Evaluate Capital Adequacy

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Turkey's Banking Regulation and Supervision Agency ("**Agency**") has amended regulations regarding how banks rate and evaluate capital adequacy. The Agency's Board now has the power to set the threshold for an entity to qualify as an SME, as well as the maximum total debt amount which will apply in order to qualify as retail receivables.

The Regulation regarding the changes on the Regulation on Measurement and Evaluation of Capital Adequacy of Banks ("**Regulation**") was published in Official Gazette number 29913 on 9 December 2016, entering into effect on the same date.

Notable changes introduced by the Regulation include:

- The definition of Small and Medium Enterprises ("**SME**") is amended so that businesses whose turnovers are under an amount determined by the Banking Regulation and Supervision Board ("**Board**") now qualify as SMEs.
- The Board now will now set the debt threshold for risk to be classified as retail receivables. Previously, the total maximum debt amount was set as 2.75 million TRY.
- The calculation method for acceptable security amounts for immovable properties is now explained in a more detailed way.
- Credit Rating Agencies assigned to determine risk weights applied by banks will no longer be notified to the Risk Centre. Instead, they will now be notified to the Agency.

Please see this link for full text of the Regulation (only available in Turkish).

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