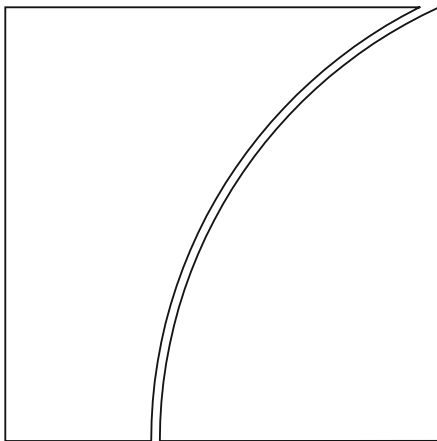


BIS Committee on  
Payments and Market  
Infrastructures

Board of the International  
Organization of Securities  
Commissions



Implementation  
monitoring of PFMI: Level 2  
assessment report for  
Turkey

July 2022



BANK FOR INTERNATIONAL SETTLEMENTS



**IOSCO**

INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

This publication is available on the BIS website ([www.bis.org](http://www.bis.org)) and the IOSCO website ([www.iosco.org](http://www.iosco.org)).

© *Bank for International Settlements and International Organization of Securities Commissions 2022. All rights reserved. Brief excerpts may be reproduced or translated provided the source is stated.*

ISBN 978-92-9259-572-2 (online)

## Contents

1. Executive summary .....	5
1.1 Legal and regulatory framework.....	6
1.2 Key findings of the assessment.....	7
1.3 Summary response from the assessed jurisdiction’s authorities.....	7
2. Introduction.....	8
2.1 Broader context of the Level 2 assessment.....	8
2.2 Objective and rating .....	9
2.3 Scope .....	10
3. Overview of the regulatory, supervisory and oversight framework.....	11
3.1 CBRT framework for PSs and SSSs.....	11
3.2 CMB framework for CCPs, CSDs and TRs .....	13
3.2.1 CCPs.....	14
3.2.2 CSDs.....	14
3.2.3 TRs.....	16
3.3 Process .....	16
4. Assessment and recommendations.....	17
4.1 Summary assessment of completeness and consistency with the Principles.....	17
4.1.1 Overview and general observations.....	17
4.1.2 Payment systems .....	18
4.1.3 SSSs.....	20
4.1.4 CCPs.....	21
4.1.5 CSDs.....	22
4.1.6 TRs.....	24
4.2 Assessment of completeness and consistency with the Principles – observations and recommendations.....	26
4.2.1 Payment systems .....	26
4.2.2 SSSs.....	32
4.2.3 CCPs.....	34
4.2.4 CSDs.....	42
4.2.5 TRs.....	51
Annex A: List of abbreviations.....	60
Annex B: Reference documents.....	61
Annex C: Detailed responses from the Turkish authorities .....	62

a. Response from the CBRT .....	62
b. Response from the CMB .....	63
Annex D: FMIs subject to the Principles in Turkey .....	64
Annex E: Members of the IMSG.....	65

## 1. Executive summary

In April 2012, the BIS Committee on Payments and Market Infrastructures (BIS CPMI)<sup>1</sup> and the International Organization of Securities Commissions (IOSCO) issued the *Principles for financial market infrastructures* (PFMI).<sup>2</sup> The Principles within the PFMI (“the Principles”) set expectations for the design and operation of key financial market infrastructures to enhance their safety and efficiency and, more broadly, to limit systemic risk and foster transparency and financial stability. The Principles apply to all systemically important payment systems (PSs), central securities depositories (CSDs), securities settlement systems (SSSs), central counterparties (CCPs) and trade repositories (TRs), collectively referred to as financial market infrastructures (FMIs). These FMIs collectively clear, settle and record transactions in financial markets. In line with the G20’s expectations, BIS CPMI and IOSCO members have committed to implementing and applying the PFMI in their jurisdictions.

Following the publication of the PFMI, the BIS CPMI and IOSCO agreed to monitor the implementation of the PFMI in 28 jurisdictions that are members of the Financial Stability Board (FSB), the BIS CPMI or IOSCO.<sup>3</sup> To that end, the BIS CPMI-IOSCO Steering Group<sup>4</sup> established the Implementation Monitoring Standing Group (IMSG)<sup>5</sup> to design, organise and conduct the implementation monitoring assessments. The implementation monitoring programme has proceeded at three levels: a Level 1 self-assessment on jurisdictions’ progress in completing the process of adopting the legislation, regulations and other policies (“implementation measures”) that will enable them to implement the PFMI; a Level 2 peer assessment of the completeness of the implemented framework and its consistency with the PFMI; and a Level 3 peer assessment of the consistency in outcomes of such frameworks.<sup>6</sup>

This report presents the BIS CPMI and IOSCO conclusions of a Level 2 assessment of whether, and to what degree, the content of the legal, regulatory and oversight framework – including rules and regulations, any relevant policy statements or other forms of implementation – applied to systemically important PSs, CSDs/SSSs, CCPs and TRs in Turkey are complete and consistent with the Principles.

The assessment reflects the status of the Turkish legal, regulatory and oversight framework as of 31 May 2019, except for the CCP implementation measures which consider the Capital Markets Board’s General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (“CMB CCP General Bylaw”) published on 5 December 2019. Accordingly, assessment ratings, recommendations and key conclusions reflect the implementation measures in place as of 31 May 2019 for PSs, CSDs, SSSs and TRs, and as of 5 December 2019 for CCPs.

<sup>1</sup> The Committee on Payment and Settlement Systems (CPSS) changed its name to the Committee on Payments and Market Infrastructures (CPMI) on 1 September 2014. References to reports published before that date use the Committee’s old name.

<sup>2</sup> CPSS-IOSCO (2012) is available at [www.bis.org/cpmi/publ/d101.htm](http://www.bis.org/cpmi/publ/d101.htm) and [www.iosco.org/library/pubdocs/pdf/IOSCOPD377-PFMI.pdf](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD377-PFMI.pdf).

<sup>3</sup> The 28 jurisdictions participating in the PFMI implementation monitoring programme are Argentina, Australia, Belgium, Brazil, Canada, Chile, China, the European Union, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Mexico, the Netherlands, Russia (until February 2022), Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

<sup>4</sup> The Steering Group comprises a subset of the members of the BIS CPMI and the IOSCO Board, and is responsible for providing operational guidance on behalf of the “parent committees” (ie the BIS CPMI and the BIS CPMI Global Economy Meeting (GEM), and the IOSCO Board) on joint BIS CPMI-IOSCO work.

<sup>5</sup> The IMSG comprises representatives from BIS CPMI and IOSCO members that reflect a balance between the two standard-setting bodies and geographical dispersion.

<sup>6</sup> See the BIS and IOSCO websites for a list of completed Level 1, Level 2 and Level 3 assessments.

## 1.1 Legal and regulatory framework

There are two authorities for the regulation and oversight of FMIs in Turkey. The Central Bank of the Republic of Türkiye (CBRT) regulates and oversees PSs<sup>7</sup> and SSSs.<sup>8</sup> The Capital Markets Board (CMB) regulates and supervises CSDs<sup>9</sup>, CCPs<sup>10</sup> and TRs<sup>11</sup>.

The CBRT and CMB have powers to make regulations for FMIs and supervise and enforce such regulations. The CBRT has adopted implementation measures for PSs and SSSs mainly through the Law on the Central Bank of the Republic of Türkiye, No 1211 (“the CBRT Law”) and the Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, No 6493 (“the Payment Systems Law”), both of which give the CBRT powers to ensure the smooth functioning of payments and securities settlement systems, and effect change. Based on these laws the CBRT can prepare secondary regulation, designate payment and securities settlement systems that are subject to the provisions of settlement finality, license payment and securities settlement systems, monitor and revoke licences, and impose administrative fines on the system operators that violate the provisions of the Payment Systems Law and secondary regulations.

The CBRT’s implementation measures also include secondary regulations, such as the Regulation on Oversight of Payment and Securities Settlement Systems; and the Regulation on Operations of Payment and Securities Settlement Systems, among others. The CBRT has also issued an *Oversight framework for payment and securities settlement systems* (“Oversight Framework”) and the *Objectives and policies of the CBRT regarding payment systems* (which also apply to securities settlement systems, thus also referred to as “Policies for PSs and SSSs” or “Objectives and policies for payment systems and securities settlement systems”) – which derive from Article 5(5) of the Regulation on Oversight of Payment and Securities Settlement Systems mentioned above – they are collectively considered to be a policy statement (“the CBRT Policy Statement”), which is enforceable by the CBRT based on its legal framework. The CBRT Policy Statement is legally binding, and it states that one of the central bank’s objectives and policies regarding PSs and SSSs is to ensure that they operate in compliance with the PFMI.<sup>12</sup> To this end, the CBRT Policy Statement provides a detailed list of the Principles and Key Considerations (KCs) to be applied to PSs and SSSs.

The CMB has adopted different measures to implement the PFMI including, among others, the Capital Market Law, No 6362 and regulations such as the new Capital Markets Board’s General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (CMB CCP General Bylaw), the Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository, and the Capital Markets Board Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation). The CMB has also adopted the Capital Markets

<sup>7</sup> The payment systems and securities settlement systems *operated* by the CBRT, and the payment systems and securities settlement systems *licensed* by the CBRT are listed in Annex D of this report. The former includes, among others, the *Electronic Securities Transfer System (ESTS)*; and the latter includes, among others, the *Central Registry Agency (MKK) - Central Registry System*.

<sup>8</sup> However, there is one SSS that is owned and operated by the CBRT (the Electronic Securities Transfer System (ESTS)) which also performs some CSD functions, but given the circumstances and legal exception explained in section 3.2.2 of this report, the CSD functions performed by ESTS falls under the exclusive regulatory and supervisory perimeter of the CBRT (not under the CMB’s regulation and supervision). It should be noted that ESTS is exclusively dedicated to government debt securities and central bank bills.

<sup>9</sup> The Merkezi Kayit Kurulusu (MKK) is the only CSD regulated and supervised by the CMB.

<sup>10</sup> There is one CCP in Turkey: the Istanbul Clearing, Settlement and Custody Bank Inc (Takasbank).

<sup>11</sup> There is one TR in Turkey: the Merkezi Kayit Kurulusu (MKK).

<sup>12</sup> The *Oversight framework for PSs and SSSs* states the following: “One of the CBRT’s objectives and policies regarding the payment and securities settlement systems is to ensure that the systems operate in compliance with the “Principles for Financial Market Infrastructures” issued jointly by the CPSS and IOSCO”. Accordingly, the CBRT expects the [PSs and SSSs] systems to comply with these principles and will take these principles into account for the assessments which will be made during oversight activities.”

Board Decision No 10/328 (“CMB Policy Statement 10/328”),<sup>13</sup> which is applicable to CCPs, TRs and CSDs; as it is a CMB Board decision, it is legally binding for CCPs, TRs and CSDs and can be enforced through the provisions of the Capital Markets Law (remedies include monetary fines). CMB Policy Statement 10/328 explicitly refers to the PFMI, but it is not granular at the Principle or Key Consideration level as is the case in the CBRT Policy Statement. For CCPs, the CMB Policy Statement interplays with other implementation measures that provide more granularity or are aligned with the text of the respective Principles or KCs (such as the CMB CCP General Bylaw), whereas for TRs and CSDs, CMB Policy Statement 10/328 interplays with other implementation measures that in some cases are not granular enough or not comprehensive, or for some Key Considerations CMB Policy Statement 10/328 is the only implementation measure. Thus, the scope of the gaps to be filled through the CMB Policy Statement differs depending on the granularity or alignment of the other implementation measures with the PFMI.

In relation to CCPs, CSDs and TRs, there are few cases in which a Principle and/or a KC is not applicable given the characteristics of the FMI or the current situation in Turkey (for example, KC 5 of Principle 1 for TRs and CCPs, given that the TR and the CCP do not provide services in multiple jurisdictions, but only in Turkey; or Principle 10 for CSDs, given that capital market instruments are issued in the dematerialised form in principle and the CSD is responsible for the custody of dematerialised capital market instruments in Turkey).

## 1.2 Key findings of the assessment

The Assessment Team (AT) concluded that Turkey has adopted measures applicable to systemically important PSs and SSSs that are complete and consistent with the Principles (although the AT found Principle 10 for SSSs to be Not Applicable), while for CCPs, CSDs and TRs there are some gaps in relation to the Principles.

For CCPs (Takasbank), the AT has found the implementation measures to be complete and consistent with the Principles and Key Considerations in the majority of cases (with some minor gaps under Principles 1, 2, 13 and 16 – please see Table 1 for the methodological description of the ratings), except for Principles 3, 4, 5, 7 and 15, which are Broadly Consistent; and Principles 9, and 19, which are Partly Consistent.

For CSDs (MKK) one implementation measure was found to be Consistent (Principle 18), two were Broadly Consistent (Principles 1 and 2), and most of them were Partly Consistent (Principles 3, 11, 15, 16, 17, 19, 20, 21, 22 and 23). The AT found two Principles (Principles 10 and 13) and one Key Consideration (KC 20.6) to be Not Applicable.

For TRs (MKK), five Principles were found to be complete and consistent (Principles 1, 2, 18, 22 and 24), while the others were found either Broadly Consistent (Principles 17, 21 and 23) or Partly Consistent (Principles 3, 15, 19 and 20).

## 1.3 Summary response from the assessed jurisdiction’s authorities

The Turkish authorities (the CBRT and CMB) appreciate the AT’s valuable efforts and welcome the attentive evaluation of the PFMI Implementation Monitoring Level 2 assessment conducted by the BIS CPMI-IOSCO Implementation Monitoring Standing Group.

The Level 2 assessment is considered a supportive exercise in both self-evaluation and examining how the PFMI is integrated into the local regulatory framework.

As the competent authority of PSs and SSSs, the CBRT welcomes the AT’s conclusion that important PSs and SSSs are complete and consistent with the Principles. Although, as mentioned in the report, the regulatory framework in Turkey ensures the implementation of applicable Principles and KCs in detail for

<sup>13</sup> Article 18-(2) of the CML states that: “The [CMB] Board shall use its authorities by enacting regulations and taking special decisions. The Board may decide to publish its decisions [Board Decisions] in the *Official Gazette* or by convenient means, including the internet.”

PSs and SSSs, the CBRT will take the recommendations of the AT into consideration and will assess the PSs and SSSs ecosystem for potentially necessary regulatory changes.

CMB also appreciates the work and the cooperation of the AT for its valuable contributions relating to CCP, CSD and TR. The AT's on-site visit and information exchanged during the Level 2 evaluation process gave CMB an invaluable perspective on implementing and supervising FMIs in line with PFMI. CMB, in line with the findings of the AT, has been working on an update of Policy Statement No 10/328, detailing the requirements for each type of FMI on the application of PFMI at the KC level to address the findings of the AT regarding national regulations. A draft amendment to the CMB CCP General Bylaw which currently amends some of the articles has been prepared.

Within the scope of the "catalyst role" of the CBRT and the CMB with respect to FMIs, innovative business models, best practices, international developments and regulations are followed in close cooperation with national and international public and private sector stakeholders. All FMI types are being well informed about the PFMI, with which they must comply.

We will reflect further upon the observations of the AT, as our goal is to continuously improve our regulatory framework in accordance with internationally recognised best practices.

## 2. Introduction

This report presents the BIS CPMI and IOSCO's conclusions on the Level 2 assessment of the Principles across all FMI types in Turkey. The assessment reflects the status of the Turkish legal, regulatory and oversight framework as of 31 May 2019 for PSs, SSSs, CSDs and TRs, and as of 5 December 2019 for CCPs.<sup>14</sup> The assessment was conducted as a peer review from 1 July 2019 to November 2021. The time needed for this assessment was longer than expected, mostly due to the Covid-19 situation.

The relevant Turkish authorities for the assessment were the CBRT and CMB which are responsible for the regulation, supervision and oversight of FMIs in Turkey.

### 2.1 Broader context of the Level 2 assessment

In line with the G20's expectations, BIS CPMI and IOSCO members have undertaken to incorporate the Principles and the Responsibilities included in the PFMI in their legal and regulatory frameworks. The BIS CPMI and IOSCO regard full, timely and consistent implementation of the PFMI as fundamental to ensuring the safety and soundness of FMIs, avoiding regulatory arbitrage and supporting the resilience of the global financial system.

To that end, the BIS CPMI and IOSCO have been actively monitoring the implementation of the PFMI based on a framework comprising three levels:

- (i) Level 1 assesses whether jurisdictions have completed the process of adopting the legislation, regulations and other policies (implementation measures) that will enable them to implement the Principles and Responsibilities;
- (ii) Level 2 assesses completeness and consistency of the content of legislation, regulations and policies (implementation measures) with the Principles and the Responsibilities; and

<sup>14</sup> This difference in the cutoff date for CCPs and the other FMI types was approved by the Steering Group (SG) and the IMSG as an exception to allow the Level 2 assessment to capture the new CCP General Bylaw that entered into force on 5 December 2019 ([www.resmigazete.gov.tr/eskiler/2019/12/20191205-1.htm](http://www.resmigazete.gov.tr/eskiler/2019/12/20191205-1.htm)). This decision was also made in view of the fact that not including the new General Bylaw could result in an assessment and a rating for CCPs that is obsolete and that does not give practical guidance to the CMB. Moreover, the drafting of the new CCP Bylaw started well before (ie in 2017) the cutoff date of the assessment.



(iii) Level 3 assesses consistency in the outcomes of implementation of the Principles and Responsibilities.

The Level 1 exercise reflects each jurisdiction's self-assessment on their progress in completing the process of adopting the legislation, regulations and other policies that will enable them to implement the PFMI.<sup>15</sup> The Level 2 and Level 3 assessments, in contrast, are designed to reflect the assessment by BIS CPMI and IOSCO, via peer reviews.

The assessments related to the Principles are ongoing and are being considered separately at Level 2 and Level 3.<sup>16</sup> Overall, the 28 participating jurisdictions have made further progress in completing the adoption of legislation, regulations and/or policies to support implementation of the PFMI. The Level 1 assessments also showed that jurisdictions have implemented, or are in the process of implementing, the PFMI in different ways. Depending on the national legal and regulatory or oversight framework, some jurisdictions use a policy-based approach (ie rely on a policy statement as the primary tool for adopting the PFMI), some use a rules-based approach (ie rely on rules and/or regulations corresponding to the PFMI) and others combine these two approaches.

In this respect, the Turkish authorities can be described as having adopted a mixture of policy-based and rules-based approaches for implementing the Principles for FMIs.

The BIS CPMI and IOSCO will continue to monitor jurisdictions' progress in implementing the Principles and Responsibilities in future assessments.

## 2.2 Objective and rating

The Level 2 assessment aims to determine whether, and to what degree, the content of the legal and regulatory or oversight framework, including any relevant policy statements or other forms of implementation measures, is complete and consistent with the Principles. The focus of the Level 2 assessment is on the relevant framework itself (implementation measures), not on the application of this framework (implementation measures) by the authorities, nor is it on the FMIs' observance.

The rating framework used in Level 2 assessments (Table 1) is an adaptation of the approach described in the PFMI Assessment Methodology (AM).<sup>17</sup> The rating levels are: "Consistent", "Broadly consistent", "Partly consistent", "Not consistent" and "Not applicable". The ratings reflect conditions at the time of the assessment and are built on key conclusions that reflect the BIS CPMI and IOSCO's collective expert judgment regarding the impact of identified gaps and/or shortcomings. Ratings are determined for each Principle after the jurisdiction's legislative and regulatory framework – including policy statements, as relevant – was compared against the corresponding content of the PFMI.

<sup>15</sup> The Level 1 assessments are available at [www.bis.org/cpmi/info\\_mios.htm](http://www.bis.org/cpmi/info_mios.htm) and [www.iosco.org/about/?subsection=cpmi\\_iosco](http://www.iosco.org/about/?subsection=cpmi_iosco).

<sup>16</sup> For the Responsibilities, the IMISG combined the Level 2 and Level 3 assessments into a single exercise, whereby the IMISG focused on both the measures taken by the relevant authority to fulfil the Responsibilities, including its powers and the framework and processes in place to meet the requirements under the Responsibilities (Level 2), and how these measures translated into observed outcomes (Level 3). This report is available at [www.bis.org/cpmi/publ/d139.htm](http://www.bis.org/cpmi/publ/d139.htm) and [www.iosco.org/library/pubdocs/pdf/IOSCOPD514.pdf](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD514.pdf).

<sup>17</sup> Available at [www.bis.org/cpmi/publ/d106.htm](http://www.bis.org/cpmi/publ/d106.htm) and [www.iosco.org/library/pubdocs/pdf/IOSCOPD396.pdf](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD396.pdf).

Status rating of the Level 2 assessment		Table 1
<b>Consistent</b>	The jurisdiction's regulatory framework is consistent with the Principle. The assessment has identified no gaps or shortcomings, or only a few gaps and/or shortcomings that have no material impact on completeness and/or consistency.	
<b>Broadly consistent</b>	The jurisdiction's regulatory framework is broadly consistent with the Principle. The assessment has identified gaps and/or shortcomings that have a minor impact on completeness and/or consistency.	
<b>Partly consistent</b>	The jurisdiction's regulatory framework is partly consistent with the Principle. The assessment has identified gaps and/or shortcomings that have a significant impact on completeness and/or consistency.	
<b>Not consistent</b>	The jurisdiction's regulatory framework is not consistent with the Principle. The assessment has identified gaps and/or shortcomings that have a major impact on completeness and/or consistency.	
<b>NA – No implementation measures needed (ie not applicable)</b>	This status corresponds to the case where no relevant FMI exists that is within the scope of the Principle. A rating of "NA" will be indicated only if no relevant regulatory measures are being taken and no such FMI is expected to develop within the jurisdiction.	

## 2.3 Scope

This report covers the implementation measures in Turkey for all FMI types (PSs, CSDs, SSSs, CCPs, and TRs). The main implementation measures assessed include:

- Law on the Central Bank of the Republic of Türkiye, No 1211
- Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, No 6493
- Regulation on Operations of Payment and Securities Settlement Systems, (issued under the Payment Systems Law, Articles 4/3, 5/5, 22/4, 25/6 and 26/3)
- Regulation on Oversight of Payment and Securities Settlement Systems, (issued under the Law on the CBRT, Article 43, and Payment Systems Law, Articles 8/3 and 26/3)
- The CBRT Policy Statement comprised the Oversight framework for payment and securities settlement systems and the Objectives and policies of the CBRT regarding payment systems, issued under Article 4/I(f) of the CBRT Law; Articles 4/3 and 8/1 of the Payment Systems Law; and read with Article 5/5 of the Regulation on Oversight of Payment and Securities Settlement Systems)
- Communiqué on Information Systems used in Payment and Securities Settlement Systems (issued under Payment Systems Law Article 4/3, and Articles 24/9 and 30/1 of the Regulation on Operations of Payment and Securities Settlement Systems)
- General Application Principles for Collateral, Guarantee and Credit Mechanisms to be used in Payment and Securities Settlement Systems (issued under Article 23 of the Regulation on Operations of Payment and Securities Settlement Systems)
- Capital Market Law No 6362

- Capital Markets Board’s Decision No 10/328 (“CMB Policy Statement 10/328”), 18 issued under Article 128/2 of the CML<sup>19</sup>
- Capital Markets Board General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (“CMB CCP General Bylaw”) of 5 December 2019
- Capital Markets Board Bylaw on Istanbul Clearing, Settlement and Custody Bank Inc Central Clearing and Settlement Regulation (“CMB Bylaw on Takasbank Clearing Services”)
- Capital Markets Board Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc (“CMB Bylaw on Takasbank CCP Services”)
- Capital Markets Board Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (“CMB MKK Regulation”)
- CMB Communiqué on the Procedures and Principals for the Book-Keeping of Dematerialized Capital Market Instruments (“CMB Dematerialization Communiqué”)
- Capital Markets Board Communiqué on Corporate Governance, (issued under CML, Article 17);
- Capital Markets Board Communiqué on Management of Information Systems, (issued under CML Article 128/1(h))
- Capital Markets Board Communiqué on Independent Audit of Information Systems (issued under CML Articles 62/2, 72/3, 128/1)
- Capital Markets Board Communiqué on Principles regarding reporting to Trade Repository; and
- Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository.

The assessed legal, regulatory and oversight frameworks are described further in Section 3.

### 3. Overview of the regulatory, supervisory and oversight framework

The CBRT and CMB are responsible for the regulatory, supervisory and oversight framework implementing the PFMI in Turkey. The CBRT regulates and oversees PSs and SSSs through laws, regulations and a Policy Statement. The CMB regulates and supervises CCPs, CSDs and TRs through laws and regulations. As provided in the Capital Markets Law, these take the following forms: “bylaws”, “communiqués” and “Board special decisions”. The CBRT and CMB have powers to make regulations for FMIs, and to supervise and enforce such regulations. The Turkish authorities have indicated that there is no regulatory overlap between the CBRT and CMB, as explained further below.

#### 3.1 CBRT framework for PSs and SSSs

The CBRT implements the PFMI through different laws and regulations which include oversight and enforcement powers. The Law on the CBRT and the Payment Systems Law form the CBRT’s broad regulatory powers with respect to PSs and SSSs. Under powers delegated by this primary legislation, the CBRT issues more detailed regulations and communiqués to complete its PFMI implementation framework. This includes the CBRT Policy Statement (which includes the *Oversight framework for payment*

<sup>18</sup> Article 18-(2) of the CML states that “The [CMB] Board shall use its authorities by enacting regulations and taking special decisions. The [CMB] Board may decide to publish its decisions [Board Decisions] in the *Official Gazette* or by convenient means, including the internet.”

<sup>19</sup> This regulation of the CMB states “the acceptance of CPMI-IOSCO PFMI applicable to FMIs operating in Turkish capital markets and to assume the responsibilities given to itself by the PFMI for the purposes of protecting the rights of market participants and the stability in the markets and fulfilling its oversight function towards all FMIs operating in Turkish capital markets.”

and securities settlement systems and the *Objectives and policies of the CBRT regarding payment systems* (which also apply to securities settlement systems) that details the Principles and Key Considerations to be applied to the “critically important” (ie systemically important) PSs and SSSs (all SSSs are considered as “critically important”, ie systemically important).

The CBRT regulatory and oversight powers for PSs and SSSs are set out in the Law on the CBRT and in the Payment Systems Law. The CBRT has the following responsibilities regarding the regulation and oversight of systemically important PSs and SSSs:

Establish payment, securities transfer and settlement systems to ensure the uninterrupted operation and oversight of the systems established and to be established, and to make necessary regulations to determine the methods and instruments including the electronic environment that shall be used for payments.

Take decisions on the establishment of payment, securities transfer and settlement systems under conditions that shall promote their soundness and effectiveness, to determine the procedures and principles of payment methods and instruments, to make the regulations regarding the oversight of clearing houses.

Make the necessary regulations to ensure the smooth and uninterrupted operation of the systems.

Oversee the systems established or to be established in order to ensure their uninterrupted operation.

Oblige the system operator to submit all kinds of records, information and documents, even if they are confidential, to the CBRT with respect to the procedures and principles that it determines, and make the system ready for the CBRT’s oversight.

Set procedures and principles regarding the oversight of the system in the regulations.

The Payment Systems Law gives the CBRT broad authorities and responsibilities for Turkey’s payment and securities settlement systems. Specifically, it gives the CBRT responsibility to:

- (i) prepare secondary regulation regarding establishment, operations, acquisition and transfers of shares, and oversight of payment and securities settlement systems within a year;
- (ii) designate payment and securities settlement systems that are subject to the provisions of settlement finality;
- (iii) licence payment and securities settlement systems;
- (iv) monitor licences and revocation of licences in certain situations defined by the Payment Systems Law;
- (v) oversee all payment and securities settlement systems that operate in Turkey; and
- (vi) impose administrative fines on the system operators that violate the provisions of the Payment Systems Law and secondary regulations.

In addition to the above-mentioned elements, it should be noted that the CBRT’s *Oversight framework for payment and securities settlement systems* allows for the classification of PSs and SSSs as “critically important” (or “systemically important” in the PFMI terminology):<sup>20</sup>

It classifies the payment systems into “critically important” (ie systemically important), “important”, and “important on a limited scale”. FMIs are informed of their class by official letter and public announcement on the CBRT website. PSs that are classified as critically important are subject to all relevant Principles and KCs. PSs categorised under the other classifications are subject to some Principles and KCs only.

It classifies all SSSs as “critically important systems” regardless of any other properties, and therefore all SSSs are subject to all the relevant Principles and KCs.

<sup>20</sup> While this Level 2 report focuses on systemically important PSs only, these requirements would also apply to all Turkish payment systems that are not considered systemically important.

The CBRT also operates or grants licences to different PSs and SSSs. In the first case (PSSs and SSSs operated by the CBRT) this includes, among other systems, the Electronic Securities Transfer System (ESTS), which is owned and operated by the CBRT. In relation to the SSS “ESTS”, there is one particularity that is described in Section 3.2.2.

### 3.2 CMB framework for CCPs, CSDs and TRs

Under the CML, the CMB regulates, supervises and oversees CCPs, TRs and CSDs. The CMB has the following responsibilities with regard to the regulation and supervision of FMIs:<sup>21</sup>

- regulate and supervise the capital markets, capital market instruments and institutions within the scope of the CML;
- in primary markets, the CMB registers the securities offered to the public and is responsible for the regulation and supervision of this entire process; and
- in the secondary markets, the CMB has the authority and the responsibility to regulate and supervise the clearing, settlement and custody systems.

The CMB implements the PFMI through different laws and regulations which include oversight and enforcement powers. In the Turkish legal framework (for instance, in the CML) the regulations are referred to as “bylaws”, “communiqués” and “Board special decisions” (ie decisions taken by the Board of the CMB), all of which are binding and enforceable.<sup>22</sup> The CML also directs the process for creating regulations and for enforcing the applicable provisions in the event of non-compliance.

In this regard, based on Article 128/2 of the CML, the CMB issued a Board special decision titled CMB Board Decision 10/328 (also referred to in this report as “CMB Policy Statement 10/328”) which requires all FMIs within the CMB’s jurisdiction (ie CCPs, CSDs and TRs) to apply the PFMI. This Board Decision or Policy Statement is legally binding for FMIs and is enforceable by the CMB.

It should be noted that CMB Policy Statement 10/328 does not provide the same level of granularity on the application of the Principles and KCs (for CCPs, CSDs and TRs) as the CBRT Policy Statement does (for PSs and SSSs).<sup>23</sup> The CMB explained to the assessment team (AT) that the reason for this broad reference to, as opposed to a granular description of, the application of the PFMI was made on purpose in order to avoid having to amend the Board special decision in a situation in which the PFMI is updated or revised by the BIS CPMI-IOSCO in the future.

Notwithstanding the above, the Bylaws and communiqués provide further detail on the regulatory requirements that apply in line with the Principles and KCs. The bylaws and communiqués are approved by the CMB and are published in the *Official Gazette*.<sup>24</sup> The CMB has stated that the process for setting Bylaws and communiqués typically involves industry consultation. The Turkish constitution characterises Bylaws by public authorities as a means by which to ensure the application of the respective laws and

<sup>21</sup> [www.cmb.gov.tr/Sayfa/Index/0/0](http://www.cmb.gov.tr/Sayfa/Index/0/0)

<sup>22</sup> Article 128/2 of the CML gives the CMB authority to create bylaws, communiqués or special decisions (CMB Board decisions).

<sup>23</sup> The CMB Policy Statement 10/328 states that: “The Board of CMB Turkey [decided] at its meeting on March 23, 2016 [to] declare the acceptance of CPMI-IOSCO PFMI applicable to FMIs operating in Turkish capital markets and to assume the responsibilities given to itself by the PFMI for the purposes of protecting the rights of market participants and the stability in the markets and fulfilling its oversight function towards all FMIs operating in Turkish capital markets. [...] By the above mentioned Board Decision all FMIs operating in Turkish capital markets either currently or in the future are obliged to pay due care and diligence in complying with CPMI-IOSCO PFMI and the [CMB] Board assumes the responsibility to oversee such compliance.”

<sup>24</sup> Article 128/2 of the CML says: “The [CMB] Board shall use its authorities by enacting regulations and taking special decisions. The Board may decide to publish its decisions in the *Official Gazette* or by convenient means, including the internet. Regulations enacted in the form of the bylaws and communiqués having the attribute of rulemaking shall enter into force with publication in the *Official Gazette*.”

regulations.<sup>25</sup> Bylaws and communiqués are enforced by the CMB based on Articles 103/1, 96 and 97 of the CML.

### 3.2.1 CCPs

The CMB regulates and supervises CCPs. CML Articles 77, 78 and 128/2 give the CMB powers to approve new CCPs and Central Clearing Institutions (CCI) new entrants, as well as issue regulations pertaining to CCPs and CCIs.<sup>26</sup> Currently, Istanbul Takas ve Saklama Bankası A.S. (Takasbank) is the only CCP operating in Turkey. No other CCP is expected to ask for authorisation to operate in Turkey in the near future.

In addition to CMB Policy Statement 10/328, the CMB implements the PFMI for CCPs through the following Bylaws, in line with CML Articles 77 and 78:

- The CCP General Bylaw - general regulation on the establishment and operating principles of central clearing and settlement institutions (applicable to all CCPs);
- CCP Bylaw - Takasbank CCP services (which applies only to Takasbank); and
- CCI Bylaw - Takasbank Clearing Services (which applies only to Takasbank).

Article 5/5 of the CCP Bylaw gives CMB the authority to require Takasbank to comply with additional requirements.<sup>27</sup> Any new CCP entering Turkey would be subject to CMB approval, the CCP General Bylaw and any specific Bylaws that the CMB may issue, in accordance with the above-mentioned CML Articles 77 and 78.

### 3.2.2 CSDs

The CMB regulates and supervises CSDs. The CML also states that the CMB can authorise CSDs.<sup>28</sup> The CSD, Merkezi Kayit Kurulusu (MKK),<sup>29</sup> has been given a monopoly CSD status for dematerialised securities in Turkey by virtue of Articles 13, 80 and 81 of the CML.<sup>30</sup> As all capital market instruments are dematerialised in Turkey, this means in practice that there is only one CSD in Turkey (MKK) with a very limited exception that is explained in the following paragraphs (ie CSD function performed by the SSS ESTS).

In addition to CMB Policy Statement 10/328, the CMB has issued regulations for the CSDs (based on CML Articles 13, 80, 81 and 128/2), which include the following:

- CMB Dematerialization Communiqué;
- CMB Communiqué on Management of Information Systems (issued under CML Article 128/1(h));

<sup>25</sup> Constitution of the Republic of Turkey, Article 124, [www.refworld.org/docid/3ae6b5be0.html](http://www.refworld.org/docid/3ae6b5be0.html).

<sup>26</sup> CML Article 77/1 states: "The establishment of clearing institutions shall be approved by the related Minister upon the proposal of the [Capital Markets] Board." CML Article 77/2 states: "Regulations concerning membership, guarantees, clearing principles, disciplinary principles, capital, income and other issues with regard to central clearing institutions shall be determined by the Board."

<sup>27</sup> CCP Bylaw 5/5 states: "Any subject matters not determined in this Regulation, which are related to the usage, operation and margining methods of single-position and multiple-position accounts as well as collateral accounts in markets or capital market instruments to which Takasbank provides service as CCP, and related to any special issues regarding markets operated by Takasbank shall be determined in the relevant market directives."

<sup>28</sup> CML Article 80/1 states: "The approval for the establishment of central securities depositories shall be given by the related Minister upon the assent of the [CMB] Board and the commencement of the activities of these institutions is subject to the authorisation of the [Capital Markets] Board."

<sup>29</sup> MKK translates into English as "Central Registry Agency" (CRA).

<sup>30</sup> Article 81/1-2 states: "(1) The Central Registry Agency is a joint stock corporation possessing the status of private law legal entity established in order to realise the operations related to the dematerialisation of capital market instruments, to monitor the records of these dematerialised instruments and the rights associated with them in the electronic environment as of members and right holders and, to provide their central custody. (2) The establishment, activity, membership, operation and auditing principles of CRA as well as its revenues and dividend distribution principles shall be determined with a by-law to be issued by the [CMB] Board."

- CMB Communiqué on Corporate Governance (issued under CML Article 17); and
- CMB Communiqué on Independent Audit of Information Systems (issued under CML Articles 62/2, 72/3, 128/1).

Moreover, there is also another regulation – a Bylaw – that is applicable only to MKK (this is a particular feature of the Turkish legal and regulatory framework): The CMB MKK By-law “Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (“CMB MKK Bylaw”).

Apart from the CSD – “MKK” – there is one SSS (the “Electronic Securities Transfer System” or ESTS) that performs some CSD functions. However, the CSD function performed by the SSS ESTS is not subject to the CMB’s regulations for CSDs. The reason for this exceptional case is that the ESTS is owned and operated by the CBRT and it is therefore exempted from the provisions of the CML by virtue of Article 136 of the CML (which sets out the cases in which the provisions of the CML shall not be applied to the CBRT).<sup>31</sup>

In this regard, it should be noted that the CBRT has an integrated payment and securities settlement system comprising the Electronic Funds Transfer System (EFT) and ESTS. In turn, ESTS is an SSS for book entry transfer and the settlement of government debt securities (in fact, ESTS is exclusively dedicated to government debt securities and central bank bills). In this context, the CBRT self-regulates and supervises the CSD functions performed by the SSS ESTS based on the processes set out in the PS and SSS oversight framework (including the CBRT Policy Statement that requires the application of the PFMI).<sup>32</sup>

Being owned and operated by the CBRT, the CBRT’s oversight division is responsible for the regulation and oversight of the ESTS functions. As the oversight division of the CBRT is seen as a kind of regulatory body for CBRT-operated FMIs (including ESTS), the oversight procedures followed during the assessments could be seen as a kind of internal instruction.<sup>33</sup> The CBRT’s oversight division is also responsible for assessing the application of the CSD Principles in the assessments conducted on ESTS (a single legal entity performing SSS and CSDs functions). Accordingly, in practice the CBRT’s Oversight Division (i) conducts its own assessment of the SSS/CSD ESTS, and (ii) reviews and challenges the self-assessment made by ESTS. Accordingly, while ESTS’ Operations Division carries out self-assessments and shares the findings with the CBRT’s Oversight Division to be used as input, the CBRT’s Oversight Division conducts its own independent assessment regarding ESTS.

<sup>31</sup> Article 136 states: (1) “Except for Article 47 [Contracts of guarantee relating to capital market instruments], the provisions of this Law shall not be applied to the CBRT, the transactions of CBRT, the markets within the body of the CBRT as well as payment, security transfer and consensus systems established at the CBRT. (2) Except for Article 13 [Dematerialisation of capital market instruments], provisions of the first and second chapters of the second section of this Law as well as its 31st article and the first paragraph of its 69th article shall not be applied to the capital market instruments issued by the CBRT, the Undersecretariat of Treasury and the asset leasing companies established in the framework of the Law on the Regulation of Public Finance and Debt Management dated 28/3/2002 and numbered 4749. The principles regarding the application of Articles 13 and 80 to the capital market instruments issued by the CBRT, the Undersecretariat of Treasury and the asset leasing companies established in the framework of the Law numbered 4749 shall be designated by the Board, without prejudice to the regulations concerning the monitoring, custody and trading of these instruments before the CBRT. (3) Provisions of the Law on the Central Bank of the Turkish Republic dated 14/1/1970 and numbered 1211 and the provisions of other laws giving tasks and authorities to the CBRT shall be reserved.”

<sup>32</sup> Having in mind that the implementation measures for PSs and SSSs described in Section 3.1 (PSs and SSSs) of this report refer to PSs and SSSs and not to CSDs, the AT reviewed the application of such implementation measures to the CSD function of the SSS ESTS. The CBRT and the AT concluded that all regulations applied to ESTS system cover both the SSS and CSD functions of ESTS, for instance Principles 1, 11, 16 and 17. The CBRT also requires the CSD ESTS to comply with the Principles and KCs that apply to CSDs but not to SSS (ie 11.0, 11.1–11.6).

<sup>33</sup> Moreover, the CBRT has publicly indicated that it considers the CSD-related Principles to be applicable for ESTS. Those Principles are, available at [eftekt.tcmb.gov.tr/odemeSistemleri\\_EN.htm#5](http://eftekt.tcmb.gov.tr/odemeSistemleri_EN.htm#5). The CBRT has also published its self-assessment in which the CBRT assesses the alignment of ESTS to those CSD related Principles, [www.tcmb.gov.tr/wps/wcm/connect/31501641-178e-470b-8888-aa91c2958466/FPAIP\\_ING\\_Beyan\\_Yay%C4%B1m3\\_2019\\_rev.pdf?MOD=AJPERES](http://www.tcmb.gov.tr/wps/wcm/connect/31501641-178e-470b-8888-aa91c2958466/FPAIP_ING_Beyan_Yay%C4%B1m3_2019_rev.pdf?MOD=AJPERES).

Also, the CSD “ESTS” services only the primary issuance of government debt securities<sup>34</sup> and CBRT bills within the ESTS.<sup>35</sup> The legal provision designating the CBRT as the operator, regulator and overseer of CSD for government securities derives from a non-public agreement signed between the Treasury and the CBRT, the relevant parts of which for this L2 assessment were seen by the AT. Hence, the AT has included a recommendation for the CBRT to consider some form of publication of the provision that supports the designation of the CBRT as the operator, regulator and overseer of CSD for government securities, which is part of the implementation measures.

### 3.2.3 TRs

The CMB regulates and supervises TRs. There is only one TR in Turkey (the Merkezi Kayit Kurulusu or MKK), which is also a CSD, as mentioned in the previous section. Consequently, the CMB has stated that some components of the regulations above-mentioned for the CSD function also apply to the TR function. CML Article 87 (in addition to CML Article 128/2) gives the CMB the power to issue regulations to TRs.<sup>36</sup>

In addition to CMB Policy Statement 10/328, the following regulations apply to the TR:

- CMB Regulation on Operation, Conduct and Audit Principles of Trade Repository (“CMB TR Bylaw”);
- CMB Communiqué on Principles Regarding Reporting to Trade Repository (“CMB TR Communiqué”);
- CMB Communiqué on Management of Information Systems (issued under CML Article 128/1(h));
- CMB Communiqué on Corporate Governance (issued under CML Article 17); and
- CMB Communiqué on Independent Audit of Information Systems (issued under CML Articles 62/2, 72/3 and 128/1).

## 3.3 Process

The Level 2 assessment follows an established methodology to ensure consistency across jurisdictions and time. The methodology draws heavily on the PFMI Assessment Methodology, published in December 2012. This Level 2 assessment was conducted as a peer review by an AT composed of technical experts from the BIS CPMI and IOSCO.<sup>37</sup> The assessment was performed in several stages and included:

<sup>34</sup> Article 4-III(a) of Law No. 1211 appoints the CBRT to be the financial and economic advisor, the fiscal agent and the treasurer of the Government, while Article 41(3) states that: “The Bank may be entrusted with carrying out the financial servicing of all types of domestic borrowing notes, the exchange control and the implementation of foreign trade regime or with similar operations in accordance with special laws, Presidential Decrees or decisions based thereon.” On the other hand, according to Article 6 of the Law on the Regulation of Public Financing and Debt Management (No. 4749) the procedures and principles regarding the issuance of government debt securities shall be determined by the fiscal service agreement signed between our Bank and the Ministry of Treasury and Finance. The fiscal service agreement signed between the CBRT and the Ministry regulates the financial service transactions, especially principal and interest payments, regarding the government debt securities traded in ESTS.

<sup>35</sup> In the event that Turkish government debt securities and CBRT bills are traded on the secondary market they are transferred to MKK.

<sup>36</sup> Article 87/1–2 state: “(1) With the purpose of monitoring systemic risk and maintaining financial stability, in what regards capital market transactions, the Board may request from those executing these transactions that information regarding these transactions be notified under the form and content it shall determine directly to itself or to a trade repository that it would authorise. In the context of this Article, those who are obliged to make a notification may not refrain from providing requested information by relying on the secrecy and confidentiality provisions in their special legislation. In the event that the notification is made to a trade repository authorised by the Board, obligations of the related trade repository, the form and media in which information shall be kept as well as principles and procedures concerning activities in relation to their duties under this Article shall be determined with a regulation to be published by the [Capital Markets] Board.”

<sup>37</sup> The Assessment Team was made up by, AT Lead, Daniela Russo (European Central Bank); Ayse Sungur (Netherlands Bank); Ksenia Galkina and Denis Tararyshkin (Central Bank of the Russian Federation, until February 2022); Nilima Ramteke (World Bank); Thomas Carré (Bank of France), Patricia Sáenz de Maturana (IOSCO General Secretariat); Sergio R. S. Schreiner (Securities and Exchange Commission of Brazil); Sudhanshu Prasad (Reserve Bank of India), and Andrée Goldsmith (US Commodity Futures



- (i) gathering and reviewing responses by relevant authorities to Level 2 survey questionnaires;
- (ii) developing an understanding of the jurisdiction's legal, regulatory and oversight framework for FMIs including holding an on-site visit with the CBRT and CMB;
- (iii) analysing the level of completeness and consistency of implementation measures against the Principles and identifying issues that warrant further exploration to follow-up with the jurisdiction;
- (iv) assessing the materiality of identified gaps and shortcomings, determining ratings, and developing key conclusions and recommendations as appropriate; and
- (v) providing the assessed jurisdiction with an opportunity to review the findings.

The AT was in regular contact with the relevant authorities to ensure that the team had a full and clear understanding of the intent and the content of the local regulatory, supervisory and oversight framework. Exchanges between the AT and relevant authorities also provided relevant authorities with an opportunity to provide ongoing feedback on the AT's analysis. The AT's on-site visit with the Turkish authorities was conducted in Ankara (on 11 and 12 February 2020) to better understand the PFMI implementation measures following several rounds of follow-up questions. Finally, discussions with and review by the Implementation Monitoring Standing Group (IMSG) helped to ensure that a consistent approach was applied across all assessed FMI types and with previous Level 2 assessments.

## 4. Assessment and recommendations

### 4.1 Summary assessment of completeness and consistency with the Principles

This section provides a high-level summary of the consistency and completeness of the regimes in Turkey for PSs, SSSs, CCPs, CSDs and TRs with respect to the Principles and Key Considerations. A more detailed assessment, including citations of the relevant legislation, regulation, policy and guidance, and notes explaining the assigned ratings, is provided in the online BIS CPMI-IOSCO PFMI Level 2 implementation database.<sup>38</sup> Identified gaps and recommendations are tabulated in Section 4.2.

#### 4.1.1 Overview and general observations

The AT has found that the legal, regulatory and oversight frameworks in Turkey for PSs and SSSs are complete and consistent with the PFMI, while the frameworks for CCPs, CSDs and TRs have some gaps and shortcomings of different degrees of materiality. The AT also faced a number of challenges in assessing and rating the regulatory and oversight regime in Turkey.

#### *Challenges*

Given the context in which the SSSs, CSDs and TRs operate in Turkey, the AT identified some cases in which the respective Principle and/or KC corresponds to Not Applicable in the ratings described in Table 1 ("Status rating of the Level 2 assessment"), which indicates:

"NA – No implementation measures needed (ie not applicable). This status corresponds to the case where no relevant FMI exists that is within the scope of the Principle. A rating of "NA" will be indicated only if no relevant regulatory measures are being taken and no such FMI is expected to develop within the jurisdiction."

Trading Commission), supported by Amber Wadsworth, Umar Faruqui, Fabio Coimbra, and Jenny Hancock (BIS CPMI Secretariat) and Josafat De Luna-Martinez (IOSCO General Secretariat).

<sup>38</sup> Available at [www.bis.org/pfmi/index.htm](http://www.bis.org/pfmi/index.htm) and [www.iosco.org/about/?subsection=cpmi\\_iosco](http://www.iosco.org/about/?subsection=cpmi_iosco).

In the case of Turkey, the relevant FMI does indeed exist (ie SSS, CCP, CSD and/or TR). However, no implementation measures are necessary for some Principles or KCs for SSSs, CCPs, CSDs and/or TRs in view of some circumstances that are explained under the relevant sections. For example:

- SSSs – Principle 10, given that all securities are dematerialised and processed in book-entry form.
- CCPs – Principle 1, Key Consideration 5, as Takasbank does not provide services in multiple jurisdictions, but only in Turkey.
- CSDs – Principle 10, as MKK is responsible for the custody of dematerialised capital market instruments and all capital market instruments are dematerialised, or Principle 13, as MKK, being the only CSD responsible for the settlement and custody of securities, does not carry any risks related to cash clearing and settlement activities such as credit, liquidity or collateral management.
- TRs – Principle 1, as the TR performs its operations only within the geographical borders of Turkey and does not perform any functions in foreign jurisdictions.

In these cases, the IMSG has agreed to use “Not Applicable” for the respective Principle (or KC), rather than Not Consistent (given that in the cases under discussion there is no implementation measure to be assessed, as the respective Principle or KC does not apply).

On the other hand, in relation to the FMIs that are regulated and supervised by the CMB (ie CCPs, CSDs and TRs) there are some Principles and/or KCs for which the only implementation measure in place is CMB Policy Statement 10/328 which requires “all FMIs operating in Turkish capital markets either currently or in the future [...] to pay due care and diligence in complying with CPMI-IOSCO PFMI”. However, the supervisory evidence and/or examples shared by the CMB with the AT did not show the actual change induced on the respective FMIs (which would help the AT to understand the application of such implementation measures within the scope of the Level 2 approach). The AT and the IMSG agreed to assess such cases as Partly Consistent and provide a general recommendation to ensure implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against the PFMI and induce change supporting PFMI implementation.

#### 4.1.2 Payment systems

Ratings summary<sup>39</sup> for all PSs

Table 2

Assessment category	Principle
Consistent	Principles 1, 2, 3, 4, 5, 7, 8, 9, 12, 13, 15, 16, 17, 18, 19, 21, 22 and 23
Broadly consistent	None
Partly consistent	None
Not consistent	None
Not applicable	None

The AT found that the legal, regulatory and oversight framework for PSs is complete and consistent with the applicable Principles. Table 2 summarises the consistency of the regulatory regime.

The AT also observed some areas where the framework could be further strengthened and has thus provided some recommendations:

- Legal basis, KC 1.4 and KC 1.5 – there is no specific provision in the implementation measures for these FMIs to provide cross-border services. Further, there are no restrictions on providing services for cross-border transactions for the FMIs. In the absence of provisions in the Payments Law, and in the Regulations on Operations of Payments and Securities Settlement Systems, it is recommended

<sup>39</sup> The rating summary lists all Principles that are applicable to different FMI types as defined in paragraphs 1.10 to 1.14 and shown in Table 1 of the PFMI. For further detail on ratings, see Section 4.2.

that the CBRT address any potential gaps pertaining to the provision of legal enforceability of system rules in foreign jurisdictions.

- Governance, KC 2.6 – it is recommended that the CBRT updates the policy document to reflect the specific policy measures taken with regard to the governance and risk management framework.
- Framework for the comprehensive management of risks, KC 3.1 and KC 3.4 – it is recommended that the CBRT implements measures to address any potential gaps pertaining to specifying the frequency of reviews of the risk management framework.

Collateral, KC 5.2, KC 5.3, KC 5.4 and KC 5.5:

- KC 5.2 – it is recommended that the CBRT implements measures to address any potential gaps pertaining to regular testing and consideration of stressed market conditions for haircut rates.
- KC 5.3 – it is recommended that the CBRT implements measures to address any potential gaps pertaining to the application of conservative haircuts and inclusion of periods of stressed market conditions.
- KC 5.4 – it is recommended that the CBRT implements measures to address any potential gaps, as part of its policy to address concentration risk for the avoidance of concentrated holdings of illiquid assets as collateral.
- KC 5.5 – it is recommended that the CBRT implements measures to address any potential gaps pertaining to risks associated with acceptance of cross-border collateral and its usage in a timely manner.
- Liquidity risk, KC 7.7 – it is recommended that the CBRT implements measures to address any potential gaps pertaining to regular testing of FMIs' procedures for accessing their liquid resources from a liquidity provider.
- Settlement finality and exchange-of-value settlement systems, KC 12.1 – it is recommended that the CBRT implements measures to address any potential gaps pertaining to settlement risk arising from two interlinked obligations.
- General business risk, KC 15.5 – although the Regulation on Operations of Payment and Securities Settlement Systems provides for the preparation of a recovery plan by the FMI, it is recommended that the CBRT implements measures to address any potential gaps pertaining to the prescription of broad details about the structure of the recovery plan and/or living will or orderly wind down documents.
- Tiered participation arrangements, KC 19.1, KC 19.2 and KC 19.3 – though the Regulation on Operations of Payment and Securities Settlement Systems provides for the determination of rules of participation in the system, it is recommended that the CBRT implements measures to address any potential gaps pertaining to the participation of indirect members in the system.
- Efficiency and effectiveness, KC 21.1 – though the Regulation on Operations of Payment and Securities Settlement Systems provides for the determination of rules of participation in the system as well as establishing platforms for complaints and suggestions from participants, it is recommended that the CBRT implements measures to address any potential gaps pertaining to putting in place a mechanism by FMIs for fulfilling the needs of their participants and the markets they serve.

Although such areas in which the framework can be further strengthened were assessed to be immaterial and thus did not impact the rating of Consistent for the Principles, the CBRT may consider implementing the recommendations. A more detailed assessment with recommendations is provided in tabular form in Section 4.2.

### 4.1.3 SSSs

Ratings summary <sup>40</sup> for SSSs*		Table 3
Assessment category	Principle	
Consistent	Principles 1, 2, 3, 4, 5, 7, 8, 9, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22 and 23	
Broadly consistent	None	
Partly consistent	None	
Not consistent	None	
Not applicable	Principle 10	

\* As explained in the main body of the report, this table refers to all SSSs in Turkey, including the SSS "ESTS"

The AT found that the legal, regulatory and oversight framework for SSSs is complete and consistent with the applicable Principles. Table 3 summarises the consistency of the regulatory regime.

The AT has found that Principle 10 and KCs 10.1 and 10.2 for all SSSs (and also for the SSS/CSD "ESTS") are Not Applicable, given that all securities are dematerialised and processed in book-entry form. In the case of the SSS/CSD "ESTS", KCs 20.5 and 20.6 are Not Applicable, as ESTS is the issuer CSD.

The AT also observed a few areas where the framework could be further strengthened, and thus provided some recommendations:

Legal basis, KC 1.1, KC 1.2, KC 1.3, KC 1.4 and KC 1.5 – Article 6 of the Public Finance and Debt Management Act empowers the Undersecretary of the Treasury to agree with the CBRT the means and process for dematerialisation and rematerialisation of public debt securities. Based on this, the Undersecretary has taken a decision whereby all government securities are dematerialised.

In this regard, it is recommended that the authorities make public the relevant provisions/agreements under which the CSD function is performed and operated by the CBRT (through the SSS ESTS) in an appropriate form. The CBRT Policy Statement (Objectives and policies of the CBRT regarding payment systems and Oversight framework for payment and securities settlement systems) could be appropriately amended to explicitly cover the CSD function performed by the SSS ESTS under the regulatory and oversight framework of CBRT.

FMI links, KC 20.1, KC 20.2, KC 20.3 and KC 20.4 – in relation to these KCs it is recommended that the authorities make public the relevant provisions/agreements under which the CSD function is performed and operated by the CBRT (through the SSS ESTS) in an appropriate form. The CBRT Policy Statement (Objectives and policies of the CBRT regarding payment systems and Oversight framework for payment and securities settlement systems) could be appropriately amended to explicitly cover the CSD function performed by the SSS ESTS under the regulatory and oversight framework of CBRT.

On the other hand, Principle 11 and its KCs are not applicable to SSSs, but considering that the SSS ESTS performs some CSD functions (for which Principle 11 and its KCs do indeed apply), the AT has noted the following in relation to KC 11.5 and KC 11.6: the securities of the ESTS participants are held in the specific individual accounts of the participants in their own names. The securities of customers of ESTS participants are segregated from the participants' own holdings and kept in a special securities account in ESTS, namely MKK Customer Securities Accounts, owned by the MKK. As an MKK account is maintained on an omnibus basis in ESTS, the AT recommends that the CBRT monitors the ultimate beneficial owners for which the CBRT maintains omnibus accounts.

<sup>40</sup> The rating summary lists all Principles that are applicable to different FMI types as defined in paragraphs 1.10 to 1.14 and shown in Table 1 of the PFMI. For further detail on ratings, see Section 4.2.

Although such areas were assessed to be immaterial and thus did not impact the rating of Consistent for the respective Principles, the CBRT may consider implementing those recommendations. A more detailed assessment with recommendations is provided in tabular form in Section 4.2.

#### 4.1.4 CCPs

Ratings summary <sup>41</sup> for CCPs		Table 4
Assessment category	Principle	
Consistent	Principles 1, 2, 6, 8, 10, 12, 13, 14, 16, 17, 18, 20, 21, 22 and 23	
Broadly consistent	Principles 3, 4, 5, 7 and 15	
Partly consistent	Principles 9 and 19	
Not consistent	None	
Not applicable	None	

The AT found that the legal, regulatory and oversight framework for CCPs is complete and consistent with most of the applicable Principles. Table 5 summarises the consistency of the regulatory regime.

The AT identified some gaps in the following areas:

- Principle 3, KC 4 – it is not clear how the implementation measures address the KC’s requirement that the CCP maintains a recovery or orderly wind-down plan and to identify scenarios and assess a full range of options for recovery or orderly wind-down.
- Principle 4, KC 4 – there is an obligation to perform stress testing, but it is not clear how the implementation measures address the KC’s requirement in respect of various historic and hypothetical scenarios.
- Principle 4, KC 5 – in relation to the second part of the KC, the implementation measures require the audit committee to have a full review of the stress tests every six months; however, there is no explicit mention that stress tests scenarios are thoroughly reviewed monthly.
- Principle 4, KC 7 – although the new Bylaw provides for an allocation of losses, it is not clear how the KC’s requirements on replenishment are met.
- Principle 5, KC 1 – the implementation measures provide no definition for the terms “low credit, liquidity or market risk” and there is no standardised process of evaluation.
- Principle 5, KC 6 – the implementation measures applying to collateral management systems are not clear about how they address the KC.
- Principle 7, KC 2 – Takasbank may use the central bank facilities for intraday liquidity management. However, no precise elements were provided on Takasbank’s management of intraday liquidity (ie planning, analysis of the possible inflows and outflows etc). The CMB may consider making such planning a requirement for CCPs. The CMB may also consider making it a requirement for the CCP to assess its liquidity position on a near to real time basis. The performance of monthly liquidity stress tests is not enough.
- Principle 7, KC 5 – the CMB may consider specifying the conditions for an asset to be considered liquid as the framework is currently of a very high-level nature. Examples by the CMB show that in practice the authorities require Takasbank to invest cash in "government banks or central bank where credit default rate is zero or almost zero". However, no details were provided about the securities received as collateral.

<sup>41</sup> The rating summary lists all Principles that are applicable to different FMI types as defined in paragraphs 1.10 to 1.14 and shown in Table 1 of the PFMI. For further detail on ratings, see Section 4.2.

- Principle 7, KC 8 – The CMB may consider undertaking an analysis on whether settlement in central bank money would be feasible, in order to ensure complete implementation of this KC. Takasbank has access to the Central Bank, and may use it for liquidity management purposes. However, Takasbank performs settlement in its own accounts.
- Principle 9, KC 2 – the CMB may consider undertaking an analysis on whether settlement in central bank money would be feasible, in order to ensure complete implementation of this KC. Takasbank has access to the central bank and may use it for liquidity management purposes. However, Takasbank performs settlement in its own accounts.
- Principle 15, KC 3 – it is not clear how the implementation measures address the KC’s requirement that the CCP maintains a recovery or orderly wind-down plan, and identifies scenarios and assess a full range of options for recovery or orderly wind-down.
- Principle 15, KC 5 – the CMB may consider requiring CCPs to hold a viable plan for raising equity (approved by their Board).
- Principle 19 and related KCs (19.1–19.4) – the Turkish capital market regulations refer to indirect participants as “trading institutions”. The regulation foresees two types of members: direct members and general members. The direct members of a CCP only clear their own accounts (and their customers’ accounts). General members of a CCP clear their own accounts (and their customers’ accounts) and transactions by “trading institutions”. Currently, Takasbank has no general members (and thus no “trading institutions”). It is recommended that the CMB addresses any gaps, including by having relevant rules to properly address the risks arising from tiered participation. This recommendation would complement CMB Policy Statement 10/328 that is applicable to CCPs, which requires “all FMIs operating in Turkish capital markets either currently or in the future [...] to pay due care and diligence in complying with CPMI-IOSCO PFMI”.

The AT found the following “Not Applicable”:

- Principle 1, KC 5 – Takasbank is not providing services in multiple jurisdictions, only in Turkey.
- Principle 5, KC 5 – Takasbank does not accept any security as collateral which is classified as cross-border collateral, although some examples provided by the authority show that Takasbank may accept foreign collateral.
- Principle 7, KC 6 – there are no other forms of liquid resources (all available assets fall under the scope of PFMI 7.5).

#### 4.1.5 CSDs

Ratings summary <sup>42</sup> for CSDs		Table 5
Assessment category	Principle	
Consistent	Principle 18	
Broadly consistent	Principles 1 and 2	
Partly consistent	Principles 3, 11, 15, 16, 17, 19, 20, 21, 22 and 23	
Not consistent	None	
Not applicable	Principles 10 and 13	

The AT found that the legal, regulatory and oversight framework for CSDs is Partly Consistent with the majority of the applicable Principles. Table 3 summarises the consistency of the regulatory regime.

<sup>42</sup> The rating summary lists all Principles that are applicable to different FMI types as defined in paragraphs 1.10 to 1.14 and shown in Table 1 of the PFMI. For further detail on ratings, see Section 4.2.

The AT observed a number of key areas in which material gaps exist. Largely, these gaps are related to Principles and/or KCs for which CMB Policy Statement 10/328 is the only implementation measure in place (ie there are no other laws or regulations applicable to the respective Principle or KC) and there was a lack of supervisory evidence that would help the AT to understand the application of the implementation measure within the scope of the Level 2 approach. The AT and the IMSG agreed to assess such cases as Partly Consistent and provide a general recommendation to ensure implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation (ie KC 1.4, KC 1.5, Principle 3, KC 3.3, KC 3.4, Principle 11, KC 11.2, KC 11.4, KC 11.6, Principle 15, KC 15.1, KC 15.2, KC 15.3, KC 15.4, KC 15.5, Principle 16, KC 16.1, KC 16.2, KC 16.3, KC 16.4, Principle 17, KC 17.2, KC 17.3, KC 17.4, KC 17.6, KC 17.7, Principle 20, KC 20.1, KC 20.2, KC 20.3, KC 20.4, KC 20.5, Principle 21, KC 21.2, KC 21.3, Principle 22, KC 22.1, Principle 23, KC 23.1, KC 23.2, KC 23.3, KC 23.4 and KC 23.5).

For Principle 17 and KC 17.6 it is recommended that the CMB considers requirements in relation to the resumption of operations within two hours following disruptive events and complete settlement by the end of the day of the disruption, even in the event of a wide-scale or major disruption.

Further, the AT provided recommendations on the cases with a rating of Broadly Consistent (ie, Principle 1, KC 1.1, KC 1.2, Principle 2, KC 2.3) and on one KC with a rating of Consistent (KC 2.2). A more detailed assessment with recommendations is provided in tabular form in Section 4.2.

Regarding Principle 19, the AT has found it to be Partly Consistent. CMB Regulation on the Establishment, Operation, Conduct and Audit Principles of the CSD, Section 4 ("Principles regarding MKK participants"), only determines the essentials of direct participation, and therefore any institution that wants to participate in the CSD should become a member with direct participation in the system. However, although indirect participation is not defined in the Regulation, it is noted that indirect participation is not forbidden under the applicable regulatory framework. It is recommended that the CMB addresses any gap, including by having relevant rules to properly address the risks arising from tiered participation. This would complement CMB Policy Statement 10/328 that is applicable to CSDs, which requires "all FMIs operating in Turkish capital markets either currently or in the future [...] to pay due care and diligence in complying with CPMI-IOSCO PFMI".

The AT has identified that Principles 10 and 13, and KC 20.6 are Not Applicable, in view of the following:

- Physical deliveries (Principle 10) – MKK is responsible for the custody of dematerialised capital market instruments and all capital market instruments are dematerialised.
- Participant-default rules and procedures (Principle 13) – MKK, as a CSD only responsible for the settlement and custody of securities, does not carry any risks related to cash clearing and settlement activities such as credit, liquidity or collateral management. Furthermore, as the failure management mechanism is conducted by Takasbank (CCP), MKK would not be liable in case of a member default or resolution.
- FMI links (KC 20.6) – MKK does not have any indirect links with FMIs.

#### 4.1.6 TRs

Ratings summary <sup>43</sup> for TRs		Table 6
Assessment category	Principle	
Consistent	Principles 1, 2, 18, 22 and 24	
Broadly consistent	Principles 17, 21 and 23	
Partly consistent	Principles 3, 15, 19 and 20	
Not consistent	None	
Not applicable	None	

The AT found the legal, regulatory and oversight framework for TRs to be Broadly Consistent and Partly Consistent with most of the applicable Principles. Table 6 summarises the consistency of the regulatory regime.

The AT identified some gaps in the following areas:

- Principle 2, KC 7 – the implementation measures do not provide any proof or confidence that the interests of direct and indirect participants and other relevant stakeholders are reflected in the TR's design, rules, overall strategy and major decisions.
- Principle 3 – the implementation measures only provide for having risk management systems established by TRs. It does not explicitly focus on the various types of risks TRs should manage, accordingly it lacks the soundness required of risk management systems. It is also lacking incentives for participants to manage risks appropriately. Further, it does not provide for the preparation of a recovery plan or wind-down plan by TRs indicating the potential scenarios which would prevent it continuing as a going concern and the options available for its recovery.
- Principle 3, KC 2 – the implementation measures do not provide for incentives to be provided to TR participants and their customers for containing the risks.
- Principle 3, KC 3 – the implementation measures only provide for establishing a risk management system by the TR. However, they do not explicitly provide for the review of material risks and the development of appropriate risk management tools by the TRs. Nor do they provide for such reviews in respect of risks posed by it to other entities or which arise due to interdependencies.
- Principle 3, KC 4 – the implementation measures do not provide for guidance nor do they require TRs to identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and accordingly formulate a recovery plan and/or wind-down plan or resolution plan by TRs.
- Principle 15 – the implementation measures do not explicitly focus on the types of risks the TRs should identify, monitor and manage, including general business risks, losses arising from the poor execution of business strategy, and unexpected and excessively large operating expenses. The implementation measures do not provide for holding liquid net assets funded by equity for continuing its operations on a going-concern basis, which should also be factored into the preparation of a recovery plan.
- Principle 15, KC 1 – although the implementation measures require TRs to establish internal controls and risk management systems, and ensure its operability, there is no provision requiring the TRs to identify, monitor and manage general business risks, losses from poor execution of business strategy or large operating expenses.
- Principle 15, KC 2 – the implementation measures do not provide any guidance on the holding of liquid net assets funded by equity (such as common stock, disclosed reserves or other retained

<sup>43</sup> The rating summary lists all Principles that are applicable to different FMI types as defined in paragraphs 1.10 to 1.14 and shown in Table 1 of the PFMI. For further detail on ratings, see Section 4.2.



earnings) so that TRs can continue operations and services as a going concern if it incurs general business losses.

- Principle 15, KC 3 – the implementation measures do not provide for putting in place a recovery plan and wind-down plan by the TRs. Nor do they provide for holding sufficient liquid net assets to implement the plan, equivalent to six months of operating expenses, funded by equity.
- Principle 15, KC 4 – the implementation measures do not provide for the TRs holding high quality liquid assets so as to cover general business risks under a range of scenarios including adverse market conditions.
- Principle 15, KC 5 – the implementation measures do not provide for maintaining a viable plan by the TRs for raising additional equity in case of possible reduction in its equity to or below the amount needed.
- Principle 17 – the implementation measures provide for putting in place a risk management system and conducting TR services in an effective, reliable and uninterrupted manner with necessary data processing systems and technological infrastructure established, and with a business continuity plan in place. However, the implementation measures do not specifically focus on the management of operational risk including governance structure for operational risk. Nor do they provide for a high degree of certainty for ensuring the management of risks to its operations posed by the participants of TRs and other FMIs, or those risks posed by the TR to other FMIs.
- Principle 17, KC 1 – the implementation measures only require the establishment of a risk management framework but do not provide for putting in place a robust operational risk management framework by the TRs.
- Principle 17, KC 2 – the implementation measures do not specifically provide for putting in place a robust operational risk management framework by the TRs which clearly defines the roles and responsibilities for addressing operational risk.
- Principle 17, KC 7 – the implementation measures do not provide for a high degree of certainty for ensuring management of risks posed by the participants of TRs and other FMIs to its operations or to those risks posed by the TR to other FMIs.
- Principle 19 – Article 12 of the CMB Regulation on Operation, Conduct and Audit Principles of Trade Repository foresees two types of membership: “general members” and “direct members”. The general members are the institutions authorised to provide reporting services for the trades to which they are a party or for the trades they broker. Such general members also include the institutions who offer reporting services on behalf of third parties, independently of such trades. On the other hand, direct members are the institutions that fulfil their reporting responsibilities regarding the trades to which they are a party or the trades they broker, on behalf of themselves and/or their customers who are parties to such trades. It is recommended that the CMB addresses any gaps, including by having relevant rules to properly address the risks arising from tiered participation. This recommendation would complement CMB Policy Statement 10/328 that is applicable to TRs, which requires “all FMIs operating in Turkish capital markets either currently or in the future [...] to pay due care and diligence in complying with CPMI-IOSCO PFMI”.
- Principle 20 – it is not clear how the implementation measures address the KC’s requirement on the assessment of interlinkages between FMIs and identification and management of link-related risks.
- Principle 20, KC1, KC2 and KC9 – the implementation measures do not provide for any instructions on assessment of interlinkages between FMIs, and identification and management of link-related risks.
- Principle 21 – the implementation measure provides for taking into account the opinions of stakeholders with respect to significant decisions of capital market institutions, but it does not focus on meeting the needs of its participants and the markets it serves so as to ensure its efficiency and effectiveness.

- Principle 21, KC 1 – the implementation measure provides for taking into account the opinions of stakeholders with respect to the significant decisions of capital market institutions, but it does not focus on meeting the needs of its participants and the markets it serves, in particular, with regard to the choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled or recorded; and use of technology and procedures.
- Principle 21, KC 2 – the implementation measures do not address the KC’s requirement pertaining to explicitly defining goals and objectives for TRs.
- Principle 21, KC 3 – the implementation measure provides for taking into account the opinions of stakeholders with respect to the significant decisions of capital market institutions, but it does not focus on meeting the needs of its participants and the markets it serves so as to ensure its efficiency and effectiveness.
- Principle 23 – the implementation measures do not seem to require TRs to publish to the public their rules or system designs, or the rights and responsibilities of its participants.
- Principle 23, KC 1 – the implementation measures do not seem to require TRs to publish their rules or key procedures for the benefit of their members and the general public.
- Principle 23, KC 2 – the implementation measures do not foresee with clarity the applicable requirements for TRs to disclose, for the benefit of participants, a description of the system's design and operations, and participants' rights.
- Principle 23, KC 3 – the implementation measures do not foresee with clarity the requirements for TRs to have appropriate documentation and provide training to its participants to facilitate understanding of its rules and procedures, and risks.

The AT found the following to be “Not Applicable”:

- Principle 1, KCs 4–5 – the TR performs its operations only within the geographical borders of Turkey and does not perform any functions in foreign jurisdictions. It is, however, recommended that the CMB implement measures to address gaps pertaining to the provision of legal enforceability of system rules in foreign jurisdictions, in case any TR is permitted to function in foreign jurisdictions.

## 4.2 Assessment of completeness and consistency with the Principles – observations and recommendations

### 4.2.1 Payment systems

<b>Principle 1: Legal basis</b>	
<b>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</b>	
<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, No 6493</li> <li>• <i>Oversight framework for payment and securities settlement systems</i>, pages 9 and 10</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Key conclusions</b></p> <p>The Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions (Law No 6493) and secondary regulations, such as Regulation on Oversight of Payment and Securities Settlement Systems, Regulation on Operations of Payment and Securities Settlement systems, the Communiqué on Information Systems used in Payment and Securities Settlement Systems and the <i>Oversight framework for payment and securities settlement systems</i> provide a clear legal basis for oversight, regulation and supervision of payment systems by CBRT.</p> <p>The payment systems law provides for various powers of the CBRT to regulate and supervise such institutions, including, among others, the granting of operating licences to the system operator, termination of operating licences, oversight powers of CBRT over such systems, netting of transfer</p>

orders, collateral management, powers to make secondary legislation, the imposition of penalties for violations of directions and regulations etc. The two Regulations broadly cover all the important activities of the payment system operators.

KC 4	<p><b>Key consideration text</b> An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems, Article 7, paragraph 1</li> </ul> <p><b>Key conclusion</b> Currently there are no cross-border operations. The CBRT as regulator and overseer to ensure consistently applying the KC as and when such a decision for cross-border operations is taken.</p>
KC 5	<p><b>Key consideration text</b> An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> </ul> <p><b>Key conclusion</b> Currently there are no cross-border operations. The CBRT as regulator and overseer to ensure consistently applying the KC as and when such decision for cross-border operations is taken.</p>

**Principle 2: Governance**

**An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.**

<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, pages 9 and 10</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Key conclusions</b> The <i>Objectives and policies of the CBRT regarding payment systems</i>, which is the overarching policy document, and the <i>Oversight framework for payment and SSS</i> mandate the payment systems to ensure that the systems are operated in compliance with the PFMI.</p> <p>The <i>Objectives and policies of the CBRT regarding payment systems</i> provides that the CBRT's main objective regarding payment and securities settlement systems and its oversight activities, is to ensure the safe, uninterrupted, efficient and effective functioning of the systems.</p>

KC 6	<p><b>Key consideration text</b> The board should establish a clear, documented risk management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk management and internal control functions have sufficient authority, independence, resources, and access to the board.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems, Article 9, paragraphs 3b and 8b; Article 11, paragraphs 1d and 1h; and Article 22</li> </ul> <p><b>Key conclusion</b> The CBRT may consider implementing measures to address the gaps about inclusion of information relating to the specific contents of policies/guidance issued by CBRT providing detailed information about requirements of a risk management framework, such as providing for risk appetite/risk tolerance policies, roles and responsibilities of the Board and other risk committees and senior management, risk management models, internal audit control functions etc.</p>
------	--

**Principle 3: Framework for the comprehensive management of risks**

**An FMI should have a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.**

<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, pages 9 and 10</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> </ul>

<p>Key conclusions / recommendations</p> <p>KC 1</p>	<ul style="list-style-type: none"> <li>Regulation on Operations of Payment and Securities Settlement Systems</li> </ul> <p><b>Key conclusions</b> The gaps or shortcomings identified have no material impact on completeness or consistency.</p> <p><b>Key consideration text</b> An FMI should have risk management policies, procedures, and systems that enable it to identify, measure, monitor and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li><i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li><i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>Regulation on Operations of Payment and Securities Settlement Systems, Article 22, paragraph 5</li> </ul> <p><b>Key conclusion</b> The CBRT may consider implementing measures to address gaps pertaining to specifying the frequency of review of the risk management framework.</p>
<p>KC 4</p>	<p><b>Key consideration text</b> An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li><i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li><i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>Regulation on Operations of Payment and Securities Settlement Systems, Article 11, paragraph 1.</li> </ul> <p><b>Key conclusion</b> Though the critical payment systems are presently being operated by CBRT, the CBRT may consider the implementing measures in general as part of the policy including addressing gaps in requiring identification by the system operators of scenarios that may potentially prevent them providing their critical operations as a going concern and preparation for an orderly wind-down.</p>
<p><b>Principle 5: Collateral</b> <b>An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.</b></p>	
<p>Principle rating</p> <p>Implementation measures</p>	<p>Consistent</p> <ul style="list-style-type: none"> <li><i>Oversight framework for payment and securities settlement systems</i>, pages 9 and 10</li> <li><i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>Regulation on Operations of Payment and Securities Settlement Systems, Article 23</li> </ul>
<p>Key conclusions / recommendations</p> <p>KC 2</p>	<p><b>Key conclusions</b> The gaps or shortcomings identified have no material impact on completeness or consistency.</p> <p><b>Key consideration text</b> An FMI should establish prudent valuation practices and develop haircuts that are regularly tested and take into account stressed market conditions.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li><i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li><i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>Regulation on Operations of Payment and Securities Settlement Systems, Article 7, paragraph 2o</li> </ul> <p><b>Key conclusion</b> The CBRT may consider implementing measures to address gaps pertaining to regular testing and consideration of stressed market conditions for haircut rates.</p>
<p>KC 3</p>	<p><b>Key consideration text</b> In order to reduce the need for procyclical adjustments, an FMI should establish stable and conservative haircuts that are calibrated to include periods of stressed market conditions, to the extent practicable and prudent.</p> <p><b>Implementation measures</b> As above</p> <p><b>Key conclusion</b> The CBRT may consider implementing measures to address gaps pertaining to the application of conservative haircuts which are calibrated to include periods of stressed market conditions.</p>

KC 4	<p><b>Key consideration text</b> An FMI should avoid concentrated holdings of certain assets where this would significantly impair the ability to liquidate such assets quickly without significant adverse price effects.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems, Article 23, paragraph 12</li> </ul> <p><b>Key conclusion</b> Although the critical payment systems are being operated by the CBRT, as part of forward-looking future scenarios and changes, the CBRT may consider implementing measures to address gaps pertaining to the acceptance of eligible collateral and the avoidance of concentrated holdings of illiquid assets as collateral.</p>
KC 5	<p><b>Key consideration text</b> An FMI that accepts cross-border collateral should mitigate the risks associated with its use and ensure that the collateral can be used in a timely manner.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems, Article 7, paragraph 2o</li> </ul> <p><b>Key conclusion</b> The CBRT may consider addressing the gap in the implementation of measures pertaining to risks associated with the acceptance of cross-border collateral and its usage in a timely manner. This is to plan for any eventuality and circumstances in which cross-border collaterals would be accepted.</p>

**Principle 7: Liquidity risk**

**An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.**

<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, pages 9 and 10</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems, Article 22, paragraph 3</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Key conclusions</b> The gaps or shortcomings identified have no material impact on completeness or consistency.</p>

KC 7	<p><b>Key consideration text</b> An FMI should obtain a high degree of confidence, through rigorous due diligence, that each provider of its minimum required qualifying liquid resources, whether a participant of the FMI or an external party, has sufficient information to understand and to manage its associated liquidity risks, and that it has the capacity to perform as required under its commitment. Where relevant to assessing a liquidity provider's performance reliability with respect to a particular currency, a liquidity provider's potential access to credit from the central bank of issue may be taken into account. An FMI should regularly test its procedures for accessing its liquid resources at a liquidity provider.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> </ul> <p><b>Key conclusion</b> The CBRT may consider implementing measures to address gaps pertaining to regular testing of FMIs' procedures for accessing its liquid resources from a liquidity provider.</p>
------	---

**Principle 8: Settlement finality**

**An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.**

<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions No 6,493, Article 10, paragraphs 1, 2, 3 and 4</li> <li>• <i>Oversight framework for payment and securities settlement systems</i>, pages 9 and 10</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> </ul>

- Regulation on Operations of Payment and Securities Settlement Systems, Article 7, paragraph 2f

Key conclusions /  
recommendations

**Recommendation**

The CBRT may consider implementing measures to address gaps pertaining to the provision of final settlement intraday or in real time.

**Principle 12: Exchange-of-value settlement systems**

**If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.**

Principle rating Consistent

Implementation  
measures

- *Oversight framework for payment and securities settlement systems*, pages 9, 10 and 11
- *Objectives and policies of the CBRT regarding payment systems*

Key conclusions /  
recommendations

**Key conclusions**

The gaps or shortcomings identified have no material impact on completeness or consistency.

**Recommendation**

The CBRT may consider implementing measures to address gaps pertaining to settlement risk arising from two interlinked obligations.

KC 1

**Key consideration text**

An FMI that is an exchange-of-value settlement system should eliminate principal risk by ensuring that the final settlement of one obligation occurs if and only if the final settlement of the linked obligation also occurs, regardless of whether the FMI settles on a gross or net basis and when finality occurs.

**Implementation measures**

- *Oversight framework for payment and securities settlement systems*, page 18
- *Objectives and policies of the CBRT regarding payment systems*

**Key conclusion**

The CBRT may consider implementing measures to address gaps pertaining to settlement risk arising from two interlinked obligations.

**Principle 15: General business risk**

**An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.**

Principle rating Consistent

Implementation  
measures

- *Oversight framework for payment and securities settlement systems*, pages 9, 10 and 11
- *Objectives and policies of the CBRT regarding payment systems*
- Regulation on Operations of Payment and Securities Settlement Systems, Article 17, paragraphs 1, 2, 3, 4 and 5; and Article 22

Key conclusions /  
recommendations

**Key conclusions**

The gaps or shortcomings identified have no material impact on completeness or consistency.

KC 5

**Key consideration text**

An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.

**Implementation measures**

- *Oversight framework for payment and securities settlement systems*, page 18
- *Objectives and policies of the CBRT regarding payment systems*

**Key conclusion**

Though the Regulation on Operations of Payment and Securities Settlement Systems provide for the preparation of a recovery plan by the FMI, the CBRT may consider implementing measures to address gaps pertaining to the prescription of broad details about the structure of recovery plan and/or living will or orderly wind down document.

We advise a forward-looking approach as the area of payments change quickly due to both advancements in technology and policy developments. The current framework applies to CBRT. If/when the situation changes in the future, the framework may not be adequate. That may be relevant as there may be a need to assess other payment systems not managed by the CBRT.

**Principle 19: Tiered participation arrangements****An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.**

<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems, pages 9, 10 and 11</i></li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Recommendation</b></p> <p>Though the Regulation on Operations of Payment and Securities Settlement Systems provide for the determination of rules of participation in the system, the CBRT may consider implementing measures to address gaps pertaining to participation of indirect members in the system.</p>

KC 1	<p><b>Key consideration text</b></p> <p>An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems, page 18</i></li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> </ul> <p><b>Key conclusion</b></p> <p>Though the Regulation on Operations of Payment and Securities Settlement Systems provide for the determination of rules of participation in the system, the CBRT may consider implementing measures to address gaps pertaining to participation of indirect members in the system.</p>
------	---

KC 2	<p><b>Key consideration text</b></p> <p>An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.</p> <p><b>Implementation measures</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>At the moment there are no indirect participants in the system. However, to the extent the payments landscape changes, the CBRT is advised to take into consideration of future requirements of providing access to indirect participants, FMIs, whatsoever. Therefore, the CBRT may consider reviewing and take adequate measures to address this.</p>
------	--

KC 3	<p><b>Key consideration text</b></p> <p>An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.</p> <p><b>Implementation measures</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>As above</p>
------	---

**Principle 21: Efficiency and effectiveness****An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.**

<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems, pages 9, 10 and 12</i></li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• <i>Regulations on Operations of Payment and Securities Settlement Systems, Article 11, paragraph 1ğ</i></li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Key conclusions</b></p> <p>The gaps or shortcomings identified have no material impact on completeness or consistency.</p>

KC 1	<p><b>Key consideration text</b></p> <p>An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems, page 19</i></li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> </ul> <p><b>Key conclusion</b></p> <p>Though the Regulation on Operations of Payment and Securities Settlement Systems provide for determination of rules of participation in the system, the CBRT may consider implementing measures to address gaps pertaining to participation of indirect members in the system.</p>
------	--

<b>Principle 23: Disclosure of rules, key procedures, and market data</b>	
<b>An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.</b>	
<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions No 6,493</li> <li>• <i>Oversight framework for payment and securities settlement systems</i>, pages 9, 10 and 12</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems</li> </ul>
<i>Key conclusions / recommendations</i>	<b>Key conclusions</b> The gaps or shortcomings identified have no material impact on completeness or consistency.
KC 3	<p><b>Key consideration text</b></p> <p>An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 19</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> </ul> <p><b>Key conclusion</b></p> <p>Though the Regulation on Operations of Payment and Securities Settlement Systems provide for disclosure of the related system rules and procedures to the participants before the system contract is concluded between them, the CBRT may consider implementing measures to address gaps pertaining to the provision of training to system participants about the FMI's rules and procedures.</p>
KC 4	<p><b>Key consideration text</b></p> <p>An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 19</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems, Article 20, paragraphs 1, 2 and 3</li> </ul> <p><b>Key conclusion</b></p> <p>Though the Regulation on Operations of Payment and Securities Settlement Systems provide for public disclosure of pricing principles by an FMI, the CBRT may consider implementing measures to address gaps pertaining to disclosure of fees and discounts, if any, at the level of individual services an FMI offers.</p>

#### 4.2.2 SSSs

<b>Principle 1: Legal Basis</b>	
<b>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</b>	
<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, pages 9 and 10</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems</li> </ul>
<i>Key conclusions / recommendations</i>	<b>Key conclusions</b> Article 6 of the Public Finance and Debt Management Act, empowers the undersecretary of the Treasury to conclude with the CBRT, the means and process for dematerialisation and rematerialisation of public debt securities. Accordingly, there has been a decision by the Undersecretary under which all government securities have been dematerialised.
	<b>Recommendations</b> It is recommended that the CBRT appropriately make public the relevant provisions/agreements under which the CSD is operated by the CBRT. The CBRT Policy Statement on <i>Objectives and policies of the CBRT regarding payment systems</i> and <i>Oversight framework for payment and securities settlement systems</i> to be appropriately amended to include the CSD within the regulatory and oversight framework of CBRT.



KC 1	<p><b>Key consideration text</b> The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems, Article 7, paragraph 2</li> </ul> <p><b>Key conclusion</b> The authorities are recommended to appropriately make public the relevant provisions/agreements under which the CSD is operated by the CBRT.</p>
KC 2	<p><b>Key consideration text</b> An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems, Article 6, paragraph 1 and Article 7, paragraph 1</li> </ul> <p><b>Key conclusion</b> As above</p>
KC 3	<p><b>Key consideration text</b> An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems, Article 20, paragraphs 1, 2 and 3</li> </ul> <p><b>Key conclusion</b> As above</p>
KC 4	<p><b>Key consideration text</b> An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> <li>• Regulation on Operations of Payment and Securities Settlement Systems, Article 7, paragraphs 1</li> </ul> <p><b>Key conclusion</b> As above</p>
KC 5	<p><b>Key consideration text</b> An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 17</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> </ul> <p><b>Key conclusion</b> As above</p>

**Principle 20: FMI links**

**An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.**

<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• <i>Oversight framework for payment and securities settlement systems</i>, page 18</li> <li>• <i>Objectives and policies of the CBRT regarding payment systems</i></li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Key conclusions</b> This Principle has been examined as applicable to CSD as per footnote 155 of the PFMI. Article 6 of the Public Finance and Debt Management Act, empowers the Undersecretary of the Treasury to conclude with the CBRT, the means and process for dematerialisation and rematerialisation of public debt securities. There was accordingly a decision by the undersecretary, as a result of which all government securities are dematerialised.</p>

### Recommendations

The authorities are recommended to appropriately make public the relevant provisions/agreements under which the CSD is operated by the CBRT.

The CBRT Policy Statement on *Objectives and policies of the CBRT regarding payment systems and Oversight framework for payment and securities settlement systems* to be appropriately amended to cover the CSD under the regulatory and oversight framework of CBRT.

KC 1	<p><b>Key consideration text</b></p> <p>Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.</p> <p><b>Implementation measures</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>The authorities are recommended to appropriately make public the relevant provisions/agreements under which the CSD is operated by the CBRT.</p>
KC 2	<p><b>Key consideration text</b></p> <p>A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.</p> <p><b>Implementation measures</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>As above</p>
KC 3	<p><b>Key consideration text</b></p> <p>Linked CSDs should measure, monitor, and manage the credit and liquidity risks arising from each other. Any credit extensions between CSDs should be covered fully with high-quality collateral and be subject to limits.</p> <p><b>Implementation measures</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>As above</p>
KC 4	<p><b>Key consideration text</b></p> <p>Provisional transfers of securities between linked CSDs should be prohibited or, at a minimum, the retransfer of provisionally transferred securities should be prohibited prior to the transfer becoming final.</p> <p><b>Implementation measures</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>As above</p>

### 4.2.3 CCPs

<b>Principle 1: Legal basis</b>	
<b>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</b>	
<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"><li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li><li>• CMB Bylaw on Takasbank CCP Services, Article 4/1(r) and Article 5/10.</li><li>• Article 103/1 of Capital Markets Law No 6362 (CML)</li></ul>
<i>Key conclusions / recommendations</i>	<p><b>Key conclusions</b></p> <p>The gaps or shortcomings identified have no material impact on completeness or consistency.</p>
KC 2	<p><b>Key consideration text</b></p> <p>An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"><li>• CMB Policy Statement No 10/328 ("CMB Policy Statement No 10/328")</li><li>• CMB Bylaw on Takasbank CCP Services, Article 5/10</li><li>• Capital Markets Law No 6362, Article 17–(1) and (2), Article 36–(2), Article 73–(2), Article 77–(1)–(6), Article 78–(1)–(7) and Article 79–(1)</li><li>• Takasbank <i>Articles of association</i>, Article 9–(9) and (10)</li></ul>

	<p><b>Key conclusion</b> The CMB may consider making explicit in the law that rules should be clear and understandable.</p>
KC 3	<p><b>Key consideration text</b> An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Policy Statement No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI, Article 10/(1)–(3))</li> </ul> <p><b>Key conclusion</b> The CMB may consider making explicit and publicly disclosing the interplay between the different pieces of regulation. The interplay between the different pieces of regulation (CML, Bylaws and other documents) as well as their approval procedures could be publicly disclosed for all stakeholders to understand them clearly.</p>
<p><b>Principle 2: Governance</b> <b>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</b></p>	
<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Capital Markets Law No 6362</li> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI)</li> <li>• CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc (CMB Bylaw on Takasbank CCP services)</li> <li>• Turkish Commercial Code No 6102</li> <li>• Takasbank Articles of association</li> <li>• Banking Law No 5411 – Part III: Corporate Governance, Section I: Management</li> <li>• Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions No 6493</li> <li>• Regulation on Corporate Governance Principles of Banks (Banking Regulation and Supervision Agency – BRSA/BDDK)</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Key conclusion</b> The gaps or shortcomings identified have no material impact on completeness or consistency.</p>
KC 6	<p><b>Key consideration text</b> The board should establish a clear, documented risk management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk management and internal control functions have sufficient authority, independence, resources, and access to the board.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• Capital Markets Law No 6362, Article 78-(5)</li> <li>• CMB General Bylaw on CCI, Article 16-(1)–(2), Article-16/A(1)–(2), Article 16/C(1)–(7), Article 33(1)–(10)</li> <li>• CMB Bylaw on Takasbank CCP Services, Article 40–(1), Article 41–(1), Article 42–(1)–(2), Article 43–(1)–(3), Article 44–(1), Article 45–(1), Article 46–(1)–(2), Article 47–(1), Article 48– (1)–(4)</li> </ul> <p><b>Key conclusion</b> The CMB may consider establishing a unified high-level risk management framework, that would map all the risks that the CCP is exposed to and applicable policies and procedures (together with those described in the KC). CMB General Bylaw on CCI, Articles 16A and 16C on risk committee and audit committee arrangements fulfil the second part of the KC on authority, independence, resources and access to the board. Regarding the first part of the KC, there is no reference to the establishment of a risk management "framework" in a unified document. Article 16C indicates that "the CCI must have written policies, procedures, and systems in place which will allow for identification, management, quantification, monitoring, and control of all risks that the CCI is exposed to."</p>

**Principle 3: Framework for the comprehensive management of risks**  
**An FMI should have a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.**

<i>Principle rating</i>	Broadly Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)</li> <li>• Capital Markets Law No 6362</li> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New CMB General Bylaw on CCI)</li> <li>• CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc (CMB Bylaw on Takasbank CCP services)</li> <li>• CMB Bylaw on Istanbul Clearing, Settlement and Custody Bank Inc. Central Clearing and Settlement Regulation (CMB Bylaw on Takasbank Clearing Services)</li> <li>• Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions No 6493</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Recommendation</b> The CMB may consider the measure that is mentioned under KC 4.</p>
<i>KC 4</i>	<p><b>Key consideration text</b> An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 35/B - (1), Article 40/A (1)–(4)</li> <li>• Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, No 6493, Article 5 Par 2/ç</li> </ul> <p><b>Key conclusion</b> The CMB may consider the following: legally require CCPs to set up a specific recovery and orderly wind-down plan according to the PFMI and recovery plan (see also KC 15.3).</p>

**Principle 4: Credit risk**  
**An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions.**

<i>Principle rating</i>	Broadly Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• Capital Markets Law No 6362, Article 78–(4)–(5)</li> <li>• CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc. (CMB Bylaw on Takasbank CCP services), Article 40–(1), Article 41–(1), Article 42–(1)–(2), Article 43–(1)–(3), Article 44–(1), Article 45–(1), Article 46–(1)–(2), Article 47 –(1), Article 48–(1)–(4).</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Recommendations</b> The CMB may consider strengthening the applicable legal framework with a view to making it explicit how the PFMI are implemented for Principle 4.</p>
<i>KC 4</i>	<p><b>Key consideration text</b> A CCP should cover its current and potential future exposures to each participant fully with a high degree of confidence using margin and other prefunded financial resources (see Principle 5 on collateral and Principle 6 on margin). In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure for the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure for the CCP in</p>

---

extreme but plausible market conditions. In all cases, a CCP should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount of total financial resources it maintains.

**Implementation measures**

- General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 33, (6)–(7).
- CMB Bylaw on Istanbul Clearing, Settlement and Custody Bank Inc. Central Clearing and Settlement Regulation (CMB Bylaw on Takasbank Clearing Services), Article 5–(10).

**Key conclusion**

The CMB may consider clarifying, in the applicable legal provisions, what a stress testing framework should be, incorporating the need for various historic and hypothetical scenarios.

There is an obligation to perform stress testing, but no details are given, even in the board decisions.

---

KC 5

**Key consideration text**

A CCP should determine the amount and regularly test the sufficiency of its total financial resources available in the event of a default or multiple defaults in extreme but plausible market conditions through rigorous stress testing. A CCP should have clear procedures to report the results of its stress tests to appropriate decision makers at the CCP and to use these results to evaluate the adequacy of and adjust its total financial resources. Stress tests should be performed daily using standard and predetermined parameters and assumptions. On at least a monthly basis, a CCP should perform a comprehensive and thorough analysis of stress testing scenarios, models, and underlying parameters and assumptions used to ensure they are appropriate for determining the CCP's required level of default protection in light of current and evolving market conditions. A CCP should perform this analysis of stress testing more frequently when the products cleared or markets served display high volatility, become less liquid, or when the size or concentration of positions held by a CCP's participants increases significantly. A full validation of a CCP's risk management model should be performed at least annually.

**Implementation measures**

- Capital Markets Law No 6362, Article 78/5.
- CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc (CMB Bylaw on Takasbank CCP services), Article 5–(10), Article 40–(1).
- General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 33 Par 6 and 7.
- CMB Board Decision 31/1221 (dated 9 October 2017).

**Key conclusion**

It is recommended that the CMB implements the second part of the KC.

Article 16/B, Article 33 of the new Bylaw, and Board Decision 31/1221 (which is read in conjunction with CMB Board Decision (Policy Statement) No 10/328) provide for a consistent implementation of the first part of this KC. The role of the audit committee, as per the examples referred to by the CMB and Article 78/5 of CML 6362, is to have a full review of the stress tests every six months. However, there is no explicit requirement for stress tests scenarios to be thoroughly reviewed on a monthly basis.

---

KC 7

**Key consideration text**

An FMI should establish explicit rules and procedures that address fully any credit losses it may face as a result of any individual or combined default among its participants with respect to any of their obligations to the FMI. These rules and procedures should address how potentially uncovered credit losses would be allocated, including the repayment of any funds an FMI may borrow from liquidity providers. These rules and procedures should also indicate the FMI's process to replenish any financial resources that the FMI may employ during a stress event, so that the FMI can continue to operate in a safe and sound manner.

**Implementation measures**

- General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 31/B-(1)–(7)
- CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc (CMB Bylaw on Takasbank CCP services), Article 5-(10), Article 36–(1)–(6), Article 37 – (1)–(5)

**Key conclusion**

The CMB may consider making explicit the framework for the replenishment of resources.

The General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI) provides for an allocation of losses. On replenishment, the reference to additional contributions is very high level (Art 31/B(1)e).

---

**Principle 5: Collateral**  
**An FMI that requires collateral to manage its or its participants' credit exposure should accept collateral with low credit, liquidity, and market risks. An FMI should also set and enforce appropriately conservative haircuts and concentration limits.**

<i>Principle rating</i>	Broadly Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI)</li> <li>• CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc. (CMB Bylaw on Takasbank CCP services)</li> <li>• Market directives (officially approved by the Board)</li> </ul>
<i>Key conclusions / recommendations</i>	<b>Recommendations</b> The CMB may consider the measures mentioned under KC 1 and KC 6.

<i>KC 1</i>	<p><b>Key consideration text</b> An FMI should generally limit the assets it (routinely) accepts as collateral to those with low credit, liquidity, and market risks.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 25/A – (1)–(2), Article 34/A.</li> <li>• CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc (CMB Bylaw on Takasbank CCP services), Article 19.</li> </ul> <p><b>Key conclusion</b> The CMB may propose in the regulations a definition of "low credit, liquidity and market risk collateral" and revise the list accordingly. The assets accepted as collateral are limited. It seems from the examples provided by the CMB that in practice, collateral accepted in the CCP is stricter than foreseen in the law and subject to strong haircuts when considered not secure enough. Furthermore, there is no definition for the terms "low credit, liquidity or market risk" and no standardised process of evaluation.</p>
-------------	--

<i>KC 6</i>	<p><b>Key consideration text</b> An FMI should use a collateral management system that is well-designed and operationally flexible.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 25/A–(1)–(2)</li> <li>• CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc. (CMB Bylaw on Takasbank CCP services), Article 5–(10).</li> </ul> <p><b>Key conclusion</b> The CMB may consider a more precise definition of the requirements applying to the collateral management systems, in the regulations applying to CCPs.</p>
-------------	--

**Principle 7: Liquidity risk**  
**An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.**

<i>Principle rating</i>	Broadly consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Capital Markets Law No 6362</li> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI)</li> <li>• CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc. (CMB Bylaw on Takasbank CCP services)</li> <li>• Takasbank Borsa Istanbul Debt Securities Market Directive</li> <li>• Takasbank Securities Lending Market Directive</li> <li>• Takasbank Borsa Istanbul Money Market Directive</li> <li>• Takasbank Borsa Istanbul Equity Market Directive</li> <li>• Takasbank Borsa Istanbul Futures and Options Market Directive</li> <li>• Takasbank Swap Market Directive</li> <li>• CMB Board Decision 31/1221</li> <li>• Directive of the Central Bank of the Republic of Türkiye (CBRT) on Turkish Lira Transactions</li> <li>• CMB Bylaw on Istanbul Clearing, Settlement and Custody Bank Inc. Central Clearing and Settlement Regulation (CMB Bylaw on Takasbank Clearing Services)</li> </ul>

Key conclusions / recommendations

### Recommendations

The CMB may consider strengthening and clarifying the framework applying to liquidity stress testing.

Takasbank is a bank with access to the central bank, however having a banking licence is not an explicit requirement for a CCP to operate in Turkey (although the CMB has indicated that there is no possibility of having a new national CCP in the near/medium term).

KC 2

### Key consideration text

An FMI should have effective operational and analytical tools to identify, measure, and monitor its settlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity.

### Implementation measures

- Capital Markets Law No 6362, Article 79(1)–(3)
- General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 22(2), Article 28-(1), Article 33/1, Article 33/6(c), Article 33(9), Article 33(10)
- CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc. (CMB Bylaw on Takasbank CCP services), Article 35(6)–(8)
- CMB Bylaw on Istanbul Clearing, Settlement and Custody Bank Inc. Central Clearing and Settlement Regulation (CMB Bylaw on Takasbank Clearing Services), Article 27–(1)

### Key conclusion

Takasbank may use the central bank facilities for intraday liquidity management. However, no precise elements were given on Takasbank's management of intraday liquidity (ie planning, analysis of the possible inflows and outflows etc). The CMB may consider that such planning becomes a requirement for CCPs. The CMB may also consider making it a requirement for the CCP to assess its liquidity position on a near to real time basis. The performance of monthly liquidity stress tests is not enough.

KC 5

### Key consideration text

For the purpose of meeting its minimum liquid resource requirement, an FMI's qualifying liquid resources in each currency include cash at the central bank of issue and at creditworthy commercial banks, committed lines of credit, committed foreign exchange swaps, and committed repos, as well as highly marketable collateral held in custody and investments that are readily available and convertible into cash with prearranged and highly reliable funding arrangements, even in extreme but plausible market conditions. If an FMI has access to routine credit at the central bank of issue, the FMI may count such access as part of the minimum requirement to the extent it has collateral that is eligible for pledging to (or for conducting other appropriate forms of transactions with) the relevant central bank. All such resources should be available when needed.

### Implementation measure

- General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 34/A (1)–(5)

### Key conclusion

The CMB may consider specifying the conditions for an asset to be considered liquid. The framework remains very high level. Examples by the CMB show that in practice the authorities require Takasbank to invest cash in "government banks or central bank where credit default rate is zero or almost zero". However, no elements were given on the securities received as collateral.

KC 8

### Key consideration text

An FMI with access to central bank accounts, payment services, or securities services should use these services, where practical, to enhance its management of liquidity risk.

### Implementation measure

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328")

### Key conclusion

The CMB may consider undertaking an analysis on whether settlement in central bank money would be feasible, in order to ensure complete implementation of this KC.

Takasbank has access to the central bank and may use it for liquidity management purposes. However, Takasbank performs settlement in its own accounts.

## Principle 9: Money settlements

**An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.**

Principle rating

Partly consistent

Implementation measures

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328")
- General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI)

- CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc (CMB Bylaw on Takasbank CCP services)
- Takasbank Debt Securities Market Directive
- Takasbank Securities Lending Market Directive
- Takasbank Borsa İstanbul Money Market Directive
- Takasbank Borsa İstanbul Inc Equity Market Directive
- Takasbank Borsa İstanbul Futures and Options Market Directive
- Takasbank Borsa İstanbul Swap Market Directive

*Key conclusions / recommendations*

**Recommendation**

The CMB may consider undertaking an analysis on whether settlement in central bank money would be feasible, in order to ensure complete implementation of this KC (although the CMB has explained that there are no plans to have a new national CCP in the near/medium future).

KC 2

**Key consideration text**

If central bank money is not used, an FMI should conduct its money settlements using a settlement asset with little or no credit or liquidity risk.

**Implementation measures**

- General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 33-(9)
- CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc (CMB Bylaw on Takasbank CCP services), Article 19-(1)-(3)
- Takasbank Debt Securities Market Directive, Articles 16-24
- Takasbank Securities Lending Market Directive, Article 11
- Takasbank Borsa İstanbul Money Market Directive, Article 16
- Takasbank Borsa İstanbul Equity Market Directive, Articles 16 and 25
- Takasbank Borsa İstanbul Futures and Options Market Directive, Articles 15-16
- Takasbank Borsa İstanbul Directive on Swap Market, Article 17

**Key conclusion**

The CMB may consider undertaking an analysis on whether settlement in central bank money would be feasible, in order to ensure complete implementation of this KC. Takasbank has access to the central bank and may use it for liquidity management purposes. However, Takasbank performs settlement in its own accounts.

**Principle 13: Participant-default rules and procedures**

**An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.**

*Principle rating  
Implementation  
measures*

Consistent

- Capital Markets Law No 6362
- General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI)
- CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc. (CMB Bylaw on Takasbank CCP services)
- CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)

*Key conclusions / recommendations*

**Key conclusions**

The gaps or shortcomings identified have no material impact on completeness or consistency.

**Recommendation**

The CMB may consider the measure that is mentioned under KC 4.

KC 4

**Key consideration text**

An FMI should involve its participants and other stakeholders in the testing and review of the FMI's default procedures, including any close-out procedures. Such testing and review should be conducted at least annually or following material changes to the rules and procedures to ensure that they are practical and effective.

**Implementation measures**

- General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 16/B(1), Article 16/B(3), Article 33/6, Article 33/7-b and Article 31/B paragraph 7
- CMB Bylaw on Takasbank CCP Services, Article 5(10)

**Key conclusion**

The CMB may ensure that clear requirements are in so that the testing and review of default management procedures is also carried out after material changes of the CCP rules and procedures.



**Principle 15: General business risk**

**An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.**

<i>Principle rating</i>	Broadly consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI)</li> <li>• CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc (CMB Bylaw on Takasbank CCP services)</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Recommendation</b> The CMB may consider the measures that are mentioned under KC 3 and KC 5.</p>
KC 3	<p><b>Key consideration text</b> An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 30-3(b), Article 31/B paragraph 7 and Article 40/A</li> <li>• CMB Bylaw on Takasbank CCP Services, Article 39(1), Article 5(10)</li> </ul> <p><b>Key conclusion</b> The CMB may consider including legal requirements for CCPs to set up a specific recovery and orderly wind-down plan according to the PFMI and recovery plan.</p>
KC 5	<p><b>Key consideration text</b> An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 31/2</li> <li>• CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc (CMB Bylaw on Takasbank CCP services), Article 5, Articles 36/6-7 and 48/1</li> </ul> <p><b>Key conclusion</b> The CMB may consider requiring CCPs to hold a viable plan for raising equity (approved by their Board).</p>

**Principle 16: Custody and investment risks**

**An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.**

<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Capital Markets Law No 6362</li> <li>• General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI)</li> <li>• CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc. (CMB Bylaw on Takasbank CCP services)</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Key conclusion</b> The gaps or shortcomings identified have no material impact on completeness or consistency.</p> <p><b>Recommendation</b> The CMB may consider the measure that is mentioned under KC 1.</p>
KC 1	<p><b>Key consideration text</b> An FMI should hold its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• Capital Markets Law No 6362, Article 73/2</li> </ul>

- General Regulation on the Establishment and Operating Principles of Central Clearing Institutions (New - CMB General Bylaw on CCI), Article 34/A
- CMB Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc. (CMB Bylaw on Takasbank CCP services), Article 5(10)

**Key conclusion**

The CMB may consider including legal requirements for CCPs to extend the requirements of this KC to all relevant assets (in particular to G7 government debt securities and euro-denominated bonds and any potential non-cash foreign assets it may accept in the future).

**Principle 19: Tiered participation arrangements**

**An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.**

*Principle rating* Partly consistent

*Implementation measure* • CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)

*Key conclusions / recommendations* **Recommendation**

It is recommended that the CMB addresses any gaps, including by having relevant rules to properly address the risks arising from tiered participation. This recommendation would complement the CMB Policy Statement that is applicable to CCPs, which requires “all FMIs operating in Turkish capital markets either currently or in the future [...] to pay due care and diligence in complying with CPMI-IOSCO PFMI”.

4.2.4 CSDs

**Principle 1: Legal basis**

**An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.**

*Principle rating* Broadly consistent

*Implementation measures* • CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)  
 • Capital Markets Law (CML) No 6362, Articles 13, 17, 80, 81 and 103/1  
 • Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation), Articles 8, 9, 10, 11, 13, 14, 15, 16, 17, 20, 21, 22, 23, 24, 25, 33 and 35  
 • CMB Communiqué on The Procedures and Principals for The Book-Keeping of Dematerialized Capital Market Instruments (The Dematerialization Communiqué), Articles 5, 6 and 17  
 • CMB Communiqué on Management of Information Systems (VII-128.9), Articles 5, 6, 7, 8, 9 and 26  
 • CMB Communiqué on Corporate Governance (II-17.1), Annex 1, Article 3, paragraphs 3.1.1, 3.1.2, 3.1.3, 3.1.4 and 3.1.5; Article 4, Paragraphs 4.1.1, 4.2.3, 4.2.4, 4.5.1 and 4.5.12

*Key conclusions / recommendations* **Recommendation**

Given that CMB Policy Statement 10/328 is the only implementation measure for certain Principles and/or KCs and the lack of supervisory evidence that would help the AT to understand the application of CMB Policy Statement 10/328, it is recommended that the CMB ensures the implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.

KC 1

**Key consideration text**

The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.

**Implementation measure**

As above

**Key conclusion**

It is recommended that the CMB ensures the implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.

KC 2

**Key consideration text**

An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.

**Implementation measures**

- CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)
- Capital Markets Law (CML) No 6362, Articles 13, 80 and 81

	<ul style="list-style-type: none"> <li>Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation), Article 11</li> <li>CMB Communiqué on The Procedures and Principals for The Book-Keeping of Dematerialized Capital Market Instruments, Articles 5, 6 and 17</li> </ul> <p><b>Key conclusion</b> As above</p>
KC 4	<p><b>Key consideration text</b> An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> </ul> <p><b>Key conclusion</b> As above</p>
KC 5	<p><b>Key consideration text</b> An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.</p> <p><b>Implementation measures</b> As above</p> <p><b>Key conclusion</b> As above</p>
<p><b>Principle 2: Governance</b> <b>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</b></p>	
<i>Principle rating</i>	Broadly consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>Capital Markets Law (CML) No 6362, Article 17</li> <li>Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation), Articles 8, 9, 11, 13, 14, 15, 16, 17 and 35</li> <li>CMB Communiqué on Corporate Governance (II-17.1), Annex 1, Article 3, paragraphs 3.1.1, 3.1.2, 3.1.3, 3.1.4 and 3.1.5; and Article 4</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Recommendations</b></p> <p>It is recommended that a mechanism be adopted for the sharing of governance arrangements with the CMB.</p> <p>It is recommended that the CMB ensures the introduction of implementation measures for the review of the performances of individual Board members, and to identify, address and manage conflicts of interest.</p>
KC 2	<p><b>Key consideration text</b> An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>Capital Markets Law (CML) No 6362, Article 17</li> <li>Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation), Article 35</li> </ul> <p><b>Key conclusion</b> It is recommended that a mechanism be adopted for the sharing of governance arrangements with the CMB.</p>
KC 3	<p><b>Key consideration text</b> The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest. The board should review both its overall performance and the performance of its individual board members regularly.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation), Articles 13, 14 and 15</li> <li>CMB Communiqué on Corporate Governance (II-17.1), Annex 1, Article 4</li> </ul>

---

**Key conclusion**

It is recommended that the CMB ensures the introduction of implementation measures for the review of the performances of individual Board members, and to identify, address, and manage conflicts of interest.

---

**Principle 3: Framework for the comprehensive management of risks**

**An FMI should have a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.**

*Principle rating* Partly consistent

*Implementation measures*

- CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)
- Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation), Articles 9, 10, 21, 24 and 25
- CMB Communiqué on Management of Information Systems (VII-128.9), Articles 8 and 9

*Key conclusions / recommendations*

**Recommendation**

Given that CMB Policy Statement 10/328 is the only implementation measure for certain Principles and/or KCs and the lack of supervisory evidence that would help the AT to understand the application of CMB Policy Statement 10/328, it is recommended that the CMB ensures the implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.

---

KC 3

**Key consideration text**

An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk management tools to address these risks.

**Implementation measures**

- CMB Decision No 10/328 (“CMB Policy Statement No 10/328”).

**Key conclusion**

It is recommended that the CMB ensures the implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.

---

KC 4

**Key consideration text**

An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.

**Implementation measures**

As above

**Key conclusion**

As above

---

**Principle 11: Central securities depositories**

**A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry.**

*Principle rating* Partly consistent

*Implementation measures*

- CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)
- Capital Markets Law (CML) No 6362, Articles 13 and 46
- Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation), Article 9
- CMB Communiqué on The Procedures and Principals for The Book-Keeping of Dematerialized Capital Market Instruments

*Key conclusions / recommendations*

**Recommendation**

Given that CMB Policy Statement 10/328 is the only implementation measure for certain Principles and/or KCs and the lack of supervisory evidence that would help the AT to understand the application of the CMB Policy Statement 10/328, it is recommended that the CMB ensures implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.

---

KC 2

**Key consideration text**

A CSD should prohibit overdrafts and debit balances in securities accounts.

**Implementation measures**

- CMB Decision No 10/328 (“CMB Policy Statement No 10/328”).
-

	<p><b>Key conclusion</b></p> <p>It is recommended that the CMB ensures implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
KC 4	<p><b>Key consideration text</b></p> <p>A CSD should protect assets against custody risk through appropriate rules and procedures consistent with its legal framework.</p> <p><b>Implementation measures</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>As above</p>
KC 6	<p><b>Key consideration text</b></p> <p>A CSD should identify, measure, monitor, and manage its risks from other activities that it may perform; additional tools may be necessary in order to address these risks.</p> <p><b>Implementation measures</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>As above</p>
<p><b>Principle 15: General business risk</b></p> <p><b>An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</b></p>	
<i>Principle rating</i>	Partly consistent
<i>Implementation measure</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)</li> <li>• Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation), Articles 10, 11, 27 and 28</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Recommendation</b></p> <p>Given that CMB Policy Statement 10/328 is the only implementation measure for certain Principles and/or KCs and the lack of supervisory evidence that would help the AT to understand the application of CMB Policy Statement 10/328, it is recommended that the CMB ensures implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
KC 1	<p><b>Key consideration text</b></p> <p>An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)</li> <li>• Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation), Articles 6, 10, 11, 27 and 28</li> </ul> <p><b>Key conclusion</b></p> <p>The provisions of the CMB MKK Regulation that are mentioned for this KC refer to operational risks rather than general business risk and therefore CMB Policy Statement 10/328 would be the only implementation measure for this KC.</p> <p>It is recommended that the CMB ensures implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
KC 2	<p><b>Key consideration text</b></p> <p>An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves, or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement No 10/328”).</li> </ul>

	<p><b>Key conclusion</b> It is recommended that the CMB ensures implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
KC 3	<p><b>Key consideration text</b> An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.</p> <p><b>Implementation measures</b> As above</p> <p><b>Key conclusion</b> As above</p>
KC 4	<p><b>Key consideration text</b> Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.</p> <p><b>Implementation measures</b> As above</p> <p><b>Key conclusion</b> As above</p>
KC 5	<p><b>Key consideration text</b> An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.</p> <p><b>Implementation measures</b> As above</p> <p><b>Key conclusion</b> As above</p>
<p><b>Principle 16: Custody and investment risks</b> <b>An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.</b></p>	
<i>Principle rating</i>	Partly consistent
<i>Implementation measure</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Recommendation</b> Given that CMB Policy Statement 10/328 is the only implementation measure for certain Principles and/or KCs and the lack of supervisory evidence that would help the AT to understand the application of CMB Policy Statement 10/328, it is recommended that the CMB ensures implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
KC 1	<p><b>Key consideration text</b> An FMI should hold its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets.</p> <p><b>Implementation measure</b> As above</p> <p><b>Key conclusion</b> It is recommended that the CMB ensures implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
KC 2	<p><b>Key consideration text</b> An FMI should have prompt access to its assets and the assets provided by participants, when required.</p> <p><b>Implementation measure</b> As above</p> <p><b>Key conclusion</b> As above</p>

KC 3	<p><b>Key consideration text</b> An FMI should evaluate and understand its exposures to its custodian banks, taking into account the full scope of its relationships with each.</p> <p><b>Implementation measure</b> As above</p> <p><b>Key conclusion</b> As above</p>
K.C. 4	<p><b>Key consideration text</b> An FMI's investment strategy should be consistent with its overall risk management strategy and fully disclosed to its participants, and investments should be secured by, or be claims on, high-quality obligors. These investments should allow for quick liquidation with little, if any, adverse price effect.</p> <p><b>Implementation measure</b> As above</p> <p><b>Key conclusion</b> As above</p>
<p><b>Principle 17: Operational risk</b> <b>An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.</b></p>	
<p><i>Principle rating</i> <i>Implementation measures</i></p>	<p>Partly consistent</p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation), Articles 9, 10 and 11</li> <li>• CMB Communiqué on Management of Information Systems (VII-128.9)</li> </ul>
<p><i>Key conclusions / recommendations</i></p>	<p><b>Recommendation</b> Given that CMB Policy Statement 10/328 is the only implementation measure for certain Principles and/or KCs and the lack of supervisory evidence that would help the AT to understand the application of CMB Policy Statement 10/328, it is recommended that the CMB ensures implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p> <p>It is recommended that the CMB considers measures in relation to resumption of operations within two hours following disruptive events and complete settlement by the end of the day of the disruption, even in the event of a wide-scale or major disruption.</p>
KC 2	<p><b>Key consideration text</b> An FMI's board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI's operational risk management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.</p> <p><b>Implementation measures</b> • CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</p> <p><b>Key conclusion</b> It is recommended that the CMB ensures the implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
KC 3	<p><b>Key consideration text</b> An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.</p> <p><b>Implementation measures</b> As above</p> <p><b>Key conclusion</b> As above</p>
KC 4	<p><b>Key consideration text</b> An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.</p> <p><b>Implementation measures</b> As above</p> <p><b>Key conclusion</b></p>

	As above
KC 6	<p><b>Key consideration text</b></p> <p>An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)</li> <li>• CMB Communiqué on Management of Information Systems (VII-128.9), Article 7, paragraph 6 and Article 26</li> </ul> <p><b>Key conclusion</b></p> <p>It is recommended that the CMB considers requirements in relation to the resumption of operations within two hours following disruptive events and to complete settlement by the end of the day of the disruption, even in the event of a wide-scale or major disruption.</p>
KC 7	<p><b>Key consideration text</b></p> <p>An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement 10/328”)</li> </ul> <p><b>Key conclusion</b></p> <p>It is recommended that the CMB ensures the implementation of the CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
<p><b>Principle 19: Tiered participation arrangements</b>  <b>An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.</b></p>	
<i>Principle rating</i>	Partly Consistent
<i>Implementation measure</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Recommendation</b></p> <p>Although indirect participation is not defined in the regulation for CSDs, indirect participation is not forbidden under the applicable regulatory framework. It is recommended that the CMB addresses any gaps, including by having relevant rules to properly address the risks arising from tiered participation. This would complement the CMB Policy Statement that is applicable to CSDs, which requires “all FMIs operating in Turkish capital markets either currently or in the future [...] to pay due care and diligence in complying with CPMI-IOSCO PFMI”.</p>
<p><b>Principle 20: FMI links</b>  <b>An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.</b></p>	
<i>Principle rating</i>	Partly consistent
<i>Implementation measure</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Recommendation</b></p> <p>Given that CMB Policy Statement 10/328 is the only implementation measure for certain Principles and/or KCs and the lack of supervisory evidence that would help the AT to understand the application of the CMB Policy Statement 10/328, it is recommended that the CMB ensures implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
KC 1	<p><b>Key consideration text</b></p> <p>Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.</p> <p><b>Implementation measure</b></p> <p>As above</p> <p><b>Key conclusion</b></p>



	It is recommended that the CMB ensures the implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMIs and induce change supporting PFMI implementation.
KC 2	<p><b>Key consideration text</b></p> <p>A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.</p> <p><b>Implementation measure</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>As above</p>
KC 3	<p><b>Key consideration text</b></p> <p>Linked CSDs should measure, monitor, and manage the credit and liquidity risks arising from each other. Any credit extensions between CSDs should be covered fully with high-quality collateral and be subject to limits.</p> <p><b>Implementation measure</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>As above</p>
KC 4	<p><b>Key consideration text</b></p> <p>Provisional transfers of securities between linked CSDs should be prohibited or, at a minimum, the retransfer of provisionally transferred securities should be prohibited prior to the transfer becoming final.</p> <p><b>Implementation measure</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>As above</p>
KC 5	<p><b>Key consideration text</b></p> <p>An investor CSD should only establish a link with an issuer CSD if the arrangement provides a high level of protection for the rights of the investor CSD's participants.</p> <p><b>Implementation measure</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>As above</p>
<b>Principle 21: Efficiency and effectiveness</b>	
<b>An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.</b>	
<i>Principle rating</i>	Partly consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation), Articles 10 and 11</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Recommendation</b></p> <p>Given that CMB Policy Statement 10/328 is the only implementation measure for certain Principles and/or KCs and the lack of supervisory evidence that would help the AT to understand the application of CMB Policy Statement 10/328, it is recommended that the CMB ensures the implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMIs and induce change supporting PFMI implementation.</p>
KC 2	<p><b>Key consideration text</b></p> <p>An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk management expectations, and business priorities.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement 10/328")</li> </ul> <p><b>Key conclusion</b></p> <p>CMB is recommended to ensure implementation of the CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMIs and induce change supporting PFMI implementation.</p>
KC 3	<p><b>Key consideration text</b></p> <p>An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.</p> <p><b>Implementation measures</b></p> <p>As above</p> <p><b>Key conclusion</b></p> <p>As above</p>

<p><b>Principle 22: Communication procedures and standards</b>  <b>An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.</b></p>	
<p><i>Principle rating</i></p>	<p>Partly consistent</p>
<p><i>Implementation measure</i></p>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> </ul>
<p><i>Key conclusions / recommendations</i></p>	<p><b>Recommendation</b>  Given that CMB Policy Statement 10/328 is the only implementation measure for this Principle and considering the lack of supervisory evidence that would help the AT to understand the application of CMB Policy Statement 10/328 in relation to this principle, it is recommended that the CMB ensures the implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
<p>KC 1</p>	<p><b>Key consideration text</b>  An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.</p> <p><b>Implementation measure</b>  As above</p> <p><b>Key conclusion</b>  CMB is recommended to ensure implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
<p><b>Principle 23: Disclosure of rules, key procedures, and market data</b>  <b>An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.</b></p>	
<p><i>Principle rating</i></p>	<p>Partly consistent</p>
<p><i>Implementation measure</i></p>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> </ul>
<p><i>Key conclusions / recommendations</i></p>	<p><b>Recommendations</b>  Given that CMB Policy Statement 10/328 is the only implementation measure for certain Principles and/or KCs and the lack of supervisory evidence that would help the AT to understand the application of CMB Policy Statement 10/328, it is recommended that the CMB ensures the implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
<p>KC 1</p>	<p><b>Key consideration text</b>  An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.</p> <p><b>Implementation measure</b>  As above</p> <p><b>Key conclusion</b>  CMB is recommended to ensure implementation of CMB Policy Statement 10/328 by developing a clear and comprehensive oversight framework allowing the CMB to assess supervised FMIs against PFMI and induce change supporting PFMI implementation.</p>
<p>KC 2</p>	<p><b>Key consideration text</b>  An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.</p> <p><b>Implementation measure</b>  As above</p> <p><b>Key conclusion</b>  As above</p>
<p>KC 3</p>	<p><b>Key consideration text</b>  An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.</p> <p><b>Implementation measure</b>  As above</p> <p><b>Key conclusion</b>  As above</p>

K.C. 4	<p><b>Key consideration text</b> An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.</p> <p><b>Implementation measure</b> As above</p> <p><b>Key conclusion</b> As above</p>
K.C. 5	<p><b>Key consideration text</b> An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO Disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.</p> <p><b>Implementation measure</b> As above</p> <p><b>Key conclusion</b> As above</p>

#### 4.2.5 TRs

<p><b>Principle 1: Legal basis</b> <b>An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.</b></p>	
<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Capital Markets Law (CML) No 6362</li> <li>• Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository (CMB MKK Regulation)</li> <li>• CMB Communiqué on Principles Regarding Reporting to Trade Repository (CMB TR Communiqué)</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Key conclusions</b> The gaps or shortcomings identified have no material impact on completeness or consistency.</p> <p><b>Recommendation</b> The CMB may consider the measure that is mentioned under KC 2.</p>
KC 2	<p><b>Key consideration text</b> An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Capital Markets Law (CML) No 6362, Article 87</li> <li>• Regulation on the Establishment, Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Articles 5 (1)–(3-a) and Article 7</li> <li>• CMB Communiqué on Principles Regarding Reporting to Trade Repository (CMB TR Communiqué), Article 6</li> <li>• Regulation on Preparing Legislation, Article 4</li> </ul> <p><b>Key conclusion</b> Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under the CMB's supervision to pay due care and diligence in complying with the PFMI, the Capital Markets Board may consider implementing measures to address gaps pertaining to explicit provision of framing and formulation of rules, procedures and contracts that are clear, understandable and consistent with relevant laws and regulations.</p>

<p><b>Principle 2: Governance</b> <b>An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.</b></p>	
<i>Principle rating</i>	Consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Capital Markets Law No. 6362</li> <li>• Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation)</li> <li>• CMB Communiqué on Information Security Management System</li> </ul>

<i>Key conclusions / recommendations</i>	<ul style="list-style-type: none"> <li>Capital Markets Board Communiqué on Corporate Governance (CMB Communiqué on Corporate Governance)</li> </ul> <p><b>Key conclusions</b> The gaps or shortcomings identified have no material impact on completeness or consistency.</p> <p><b>Recommendations</b> The CMB may consider the measure that is mentioned under KC 7.</p>
KC 7	<p><b>Key consideration text</b> The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Article 7</li> <li>Capital Markets Board Communiqué on Corporate Governance (CMB Communiqué on Corporate Governance), Annex 1, 3.2</li> </ul> <p><b>Key conclusion</b> Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under the CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address gaps pertaining to consideration of interests of direct and indirect participants in the TR's design, rules, overall strategy and major decisions.</p>
<p><b>Principle 3: Framework for the comprehensive management of risks</b> <b>An FMI should have a sound risk management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.</b></p>	
<i>Principle rating</i>	Partly consistent
<i>Implementation measures</i>	<ul style="list-style-type: none"> <li>CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation)</li> <li>Capital Markets Board Communiqué on Principles regarding reporting to Trade Repository (CMB TR Communique)</li> <li>CMB Communiqué on Information Systems Management</li> <li>CMB Communiqué on Independent Audit of Information Systems</li> </ul>
<i>Key conclusions / recommendations</i>	<p><b>Key conclusions</b> The implementation measures only provide for having risk management systems established by TRs, but do not seem to cover the review of material risks and the development of appropriate risk management tool by the TRs for risks which they pose to other entities and also which arise due to interdependencies. The implementation measures do not provide for the preparation of a recovery plan or wind-down plan by TRs indicating the potential scenarios preventing them continuing as a going concern and the options available for their recovery.</p> <p><b>Recommendations</b> The CMB may consider implementing measures to address gaps pertaining to review of material risks born by TRs, for risks which they pose to other entities as a result of interdependencies and develop appropriate risk management tools to address these risks. The CMB may also consider requiring TRs to identify scenarios that may potentially prevent them from being able to provide their critical operations and services as a going concern, and accordingly prepare a recovery and resolution plan.</p>
KC 2	<p><b>Key consideration text</b> An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Article 13(1), Article 15 Capital Markets Board Communiqué on Principles regarding reporting to Trade Repository (CMB TR Communique), Article 9</li> </ul> <p><b>Key conclusion</b> Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under the CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address gaps pertaining to providing incentives by TRs to its participants and their customers to manage and contain the risks they pose to the TR.</p>

KC 3	<p><b>Key consideration text</b></p> <p>An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk management tools to address these risks.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)</li> <li>• Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Article 5 (3) (b)</li> </ul> <p><b>Key conclusion</b></p> <p>Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB’s supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address gaps pertaining to review of material risks born by TRs, which it poses to other entities as a result of interdependencies and develop appropriate risk management tools to address these risks.</p>
KC 4	<p><b>Key consideration text</b></p> <p>An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement No 10/328”).</li> </ul> <p><b>Key conclusion</b></p> <p>The implementation measures do not cover the formulation of a recovery plan and/or wind-down plan or a resolution plan by TRs.</p> <p>Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB’s supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address gaps pertaining to mandating TRs to identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and accordingly prepare a recovery and resolution plan.</p>
<p><b>Principle 15: General business risk</b></p> <p><b>An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.</b></p>	
<p><i>Principle rating</i></p> <p><i>Implementation measures</i></p> <p><i>Key conclusions / recommendations</i></p>	<p>Partly consistent</p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)</li> <li>• Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation)</li> </ul> <p><b>Key conclusions</b></p> <p>The implementation measures only provide for having risk management systems established by TRs, but do not explicitly focus on the types of risks that the TRs should identify, monitor and manage – including general business risks, losses arising from poor execution of business strategy, and unexpected and excessively large operating expenses. The implementation measures do not provide for holding liquid net assets funded by equity for continuing its operations on a going-concern basis, which should also be factored into the preparation of a recovery plan.</p> <p><b>Recommendations</b></p> <p>The CMB may consider implementing measures to address gaps pertaining to identification, monitoring and management of various types of risks by the TRs, including general business risks, losses arising from poor execution of business strategy, and unexpected and excessively large operating expenses. The CMB may also consider addressing gaps pertaining to holding liquid net assets funded by equity by TRs for continuing its operations on a going-concern basis, which should also be factored into the preparation of a recovery plan.</p>
KC 1	<p><b>Key consideration text</b></p> <p>An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 (“CMB Policy Statement No 10/328”)</li> <li>• CMB TR Regulation, Article 5(3) and Article 7(1)(a)</li> </ul>

---

**Key conclusion**

Though the CMB TR Regulation requires TRs to establish internal controls and risk management systems and ensure its operability, there is no provision about the requirements of TRs in respect of the identification, monitoring and management of general business risks, losses from poor execution of business strategy or large operating expenses.

Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under the supervision of the CMB to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps pertaining to the management of general business risks.

---

KC 2

**Key consideration text**

An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity that an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.

**Implementation measures**

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328")
- Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Article 5(1) and (3), Article 7

**Key conclusion**

The implementation measures do not require TRs to hold liquid net assets funded by equity (such as common stock, disclosed reserves or other retained earnings) so that they can continue operations and services as a going concern if it incurs general business losses.

Although the CMB Policy Statement No 10/328 provides a general requirement for FMIs under the CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.

---

KC 3

**Key consideration text**

An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.

**Implementation measures**

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328").

**Key conclusion**

The implementation measures do not provide for putting in place a recovery plan and wind-down plan by the TRs and also to hold sufficient liquid net assets equivalent to six months of operating expenses.

Although the CMB Policy Statement No 10/328 provides a general requirement for FMIs under the CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps pertaining to recovery plans and wind-down plans by TRs.

---

KC 4

**Key consideration text**

Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.

**Implementation measures**

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328").

**Key conclusion**

The implementation measures do not require TRs to have high quality liquid assets so as to cover general business risks under a range of scenarios including adverse market conditions.

Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.

---

KC 5

**Key consideration text**

An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.

---

---

**Implementation measures**

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328")

**Key conclusion**

The implementation measures do not provide for maintaining a viable plan by the TRs for raising additional equity in case of possible reduction in its equity to or below the amount needed. Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under the CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.

**Principle 17: Operational risk**

**An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.**

*Principle rating* Broadly consistent

*Implementation measures*

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328")
- Capital Markets Law No 6362 (CML)
- Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation)
- CMB Communiqué on Information Systems Management
- Capital Markets Board Communiqué on Corporate Governance (CMB Communiqué on Corporate Governance)

*Key conclusions / recommendations*

**Key conclusions**

The implementation measures provide for putting in place a risk management system and conducting TR services in an effective, reliable and uninterrupted manner with necessary data processing systems and technological infrastructure established, and with a business continuity plan. However, those measures do not cover management of operational risk, including governance structure for operational risk. Nor do they provide for a high degree of certainty for ensuring management of risks posed by the participants of TRs and other FMIs in their operations, or risks posed by the TR to other FMIs.

**Recommendation**

Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.

---

KC 1

**Key consideration text**

An FMI should establish a robust operational risk management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.

**Implementation measures**

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328")
- Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Article 5(3)(b)

**Key conclusion**

Article 5(3)(b) of CMB TR Regulation only mentions establishing a risk management framework by the TRs. However, the implementation measures do not provide for putting in place a robust operational risk management framework by the TRs.

Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.

---

KC 2

**Key consideration text**

An FMI's board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI's operational risk management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.

**Implementation measures**

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328")
  - Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Article 5(3)(b)
  - Capital Markets Board Communiqué on Corporate Governance (CMB Communiqué on Corporate Governance), Annex 1, Principles 4.2.3, 4.2.4, 4.5.1 and 4.5.12
-

---

**Key conclusion**

The implementation measures do not specifically provide for putting in place a robust operational risk management framework by the TRs, which clearly defines the roles and responsibilities for addressing operational risk.

Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.

---

KC 6

**Key consideration text**

An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.

**Implementation measures**

- CMB Policy Statement 10/328
- CMB Communiqué on Management of Information Systems (VII-128.9), Article 7, paragraph 6, and Article 26

**Key conclusion**

Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, CMB is recommended to implement measures to address the gaps pertaining to putting in place a secondary site by the TR, which should be designed for the resumption of operations of critical IT systems within two hours of a disruptive event. There should be a mechanism for testing such arrangements.

---

KC 7

**Key consideration text**

An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.

**Implementation measure**

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328")

**Key conclusion**

The implementation measures do not provide for a high degree of certainty for ensuring management of risks posed by the participants of TRs and other FMIs on its operations, as well as relating to those which are posed by the TR to other FMIs.

Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.

---

**Principle 19: Tiered participation arrangements**

**An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.**

*Principle rating* Partly consistent

*Implementation measure*

- CMB Board Decision No 10/328 ("CMB Policy Statement No.10/328")

*Key conclusions / recommendations* **Recommendation**

It is recommended that the CMB addresses any gaps, including by having relevant rules to properly address the risks arising from tiered participation. This would complement the CMB Policy Statement that is applicable to TRs, which requires "all FMIs operating in Turkish capital markets either currently or in the future [...] to pay due care and diligence in complying with CPMI-IOSCO PFMI".

---

**Principle 20: FMI links**

**An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.**

*Principle rating* Partly consistent

*Implementation measure*

- CMB Board Decision No 10/328 ("CMB Policy Statement No10/328")

*Key conclusions / recommendations* **Key conclusions**

The implementation measures do not provide for any instructions on assessment of interlinkages between FMIs and identification and management of link-related risks.

**Recommendation**

Although the CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above-mentioned gaps.

---



KC 1	<p><b>Key consideration text</b> Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.</p> <p><b>Implementation measure</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> </ul> <p><b>Key conclusion</b> The implementation measures do not provide for requirements on the assessment of interlinkages between FMIs and identification and management of link-related risks. Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.</p>
KC 2	<p><b>Key consideration text</b> A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.</p> <p><b>Implementation measure</b></p> <ul style="list-style-type: none"> <li>• CMB Board Decision No 10/328 ("CMB Policy Statement No 10/328")</li> </ul> <p><b>Key conclusion</b> The implementation measures do not provide for requirements on the assessment of interlinkages between FMIs, and the identification and management of link-related risks. Although the CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.</p>
KC 9	<p><b>Key consideration text</b> A TR should carefully assess the additional operational risks related to its links to ensure the scalability and reliability of IT and related resources.</p> <p><b>Implementation measure</b></p> <ul style="list-style-type: none"> <li>• CMB Board Decision No 10/328 ("CMB Policy Statement No 10/328")</li> </ul> <p><b>Key conclusion</b> The implementation measures do not provide for requirements on the assessment of interlinkages between FMIs and identification and management of link-related risks. Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.</p>
<p><b>Principle 21: Efficiency and effectiveness</b> <b>An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.</b></p>	
<p><i>Principle rating</i> <i>Implementation measures</i></p>	<p>Broadly consistent</p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation)</li> <li>• Capital Markets Board Communiqué on Corporate Governance (CMB Communiqué on Corporate Governance)</li> </ul>
<p><i>Key conclusions / recommendations</i></p>	<p><b>Key conclusions</b> The implementation measures provide for taking into account the opinions of stakeholders with respect to the significant decisions of capital market institutions, but it does not focus on meeting the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled or recorded; and use of technology and procedures.</p> <p><b>Recommendations</b> Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above-mentioned gaps.</p>
KC 1	<p><b>Key consideration text</b> An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Articles 6(1) (a–b), 7 (1) (a–b, g–h)</li> </ul>

- Capital Markets Board Communiqué on Corporate Governance (CMB Communiqué on Corporate Governance), Annex 1, Principle 3.2

**Key conclusion**

The implementation measures provide for taking into account the opinions of stakeholders with respect to the significant decisions of capital market institutions, but it does not focus on meeting the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.

Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.

KC 2

**Key consideration text**

An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk management expectations, and business priorities.

**Implementation measures**

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328").
- Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Articles 5(3)(c), 6 and 7.

**Key conclusion**

Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps pertaining to the definition of goals and objectives for TRs.

KC 3

**Key consideration text**

An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.

**Implementation measures**

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328").
- Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Articles 5(3)(b), 5(3)(c) and 7.

**Key conclusion**

Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the gaps relating to putting in place mechanisms by TRs for reviewing their efficiency and effectiveness on a regular basis.

**Principle 23: Disclosure of rules, key procedures, and market data.**  
**An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.**

*Principle rating*  
*Implementation measures*

- Broadly consistent
- CMB Decision No 10/328 ("CMB Policy Statement No 10/328")
  - Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation)

*Key conclusions / recommendations*

**Key conclusions**

The implementation measures require TRs to regularly disclose to the public, through TRs' websites, the prices of trade repository services, and the regulations and principles regarding the provision of services. They also require TRs to publicly disclose data relating to trade transactions. However, the implementation measures do not provide clear requirements about publishing to the public the FMI rules or the system designs, and rights and responsibilities of its participants.

**Recommendations**

Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the gap relating to requirements to publish, by the TRs, the rules, system designs, and rights and responsibilities of its participants to the public.

KC 1

**Key consideration text**

An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.

**Implementation measures**

- CMB Decision No 10/328 ("CMB Policy Statement No 10/328")
- Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Articles 6 and 7

	<p><b>Key conclusion</b></p> <p>Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the gap relating to instructing the TRs to clearly publish the TR rules for the benefit of its members and general public.</p>
KC 2	<p><b>Key consideration text</b></p> <p>An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.</p> <p><b>Implementation measure</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Articles 7 and 15</li> </ul> <p><b>Key conclusion</b></p> <p>The implementation measures do not require TRs to disclose the description of the system's design and operations, or participants' rights, for the benefit of participants.</p> <p>Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under the CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.</p>
KC 3	<p><b>Key consideration text</b></p> <p>An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.</p> <p><b>Implementation measures</b></p> <ul style="list-style-type: none"> <li>• CMB Decision No 10/328 ("CMB Policy Statement No 10/328")</li> <li>• Capital Markets Board Regulation on the Operation, Conduct and Audit Principles of the Trade Repository (CMB TR Regulation), Article 7</li> </ul> <p><b>Key conclusion</b></p> <p>The implementation measures do not require TRs to provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures, and the risks they face from participating in the FMI.</p> <p>Although CMB Policy Statement No 10/328 provides a general requirement for FMIs under CMB's supervision to pay due care and diligence in complying with the PFMI, the CMB may consider implementing measures to address the above gaps.</p>

## Annex A: List of abbreviations

AM	Assessment methodology
AT	Assessment team
BIS CPMI	BIS Committee on Payments and Market Infrastructures
CBRT	Central Bank of the Republic of Türkiye
CCP	Central counterparty
CPSS	Committee on Payment and Settlement Systems
CMB	Capital Markets Board
CRA	Central Registry Agency (translates to MKK in Turkish)
CSD	Central securities depository
EFT	Electronic Fund Transfer System
ESTS	Electronic Securities Transfer System
FMI	Financial market infrastructure
FSB	Financial Stability Board
IMSG	Implementation Monitoring Standing Group
IOSCO	International Organization of Securities Commissions
MKK	Merkezi Kayit Kurulusu (translates to the CRA in English)
PFMI	Principles for financial market infrastructures
PS	Payment system
SSS	Securities settlement system
TR	Trade repository

## Annex B: Reference documents

Capital Markets Board, Bylaw on Central Counterparty Regulation of Istanbul Clearing, Settlement and Custody Bank Inc.

Capital Markets Board, Bylaw on Istanbul Clearing, Settlement and Custody Bank Inc. Central Clearing and Settlement Regulation.

Capital Market Law, No 6362, 2012.

Capital Markets Board, Communiqué on the Procedures and Principals for the Book-Keeping of Dematerialized Capital Market Instruments.

Capital Markets Board, Communiqué on Corporate Governance.

Capital Markets Board, Communiqué on Management of Information Systems.

Capital Markets Board, Communiqué on Independent Audit of Information Systems.

Capital Markets Board, Communiqué on Principles regarding reporting to Trade Repository.

Capital Markets Board, Decision No. 10/328, 23 March 2016.

Capital Markets Board, General Regulation on the Establishment and Operating Principles of Central Clearing Institutions.

Capital Markets Board, Regulation on the Establishment, Operation, Conduct and Audit Principles of the Central Securities Depository.

Capital Markets Board, Regulation on the Operation, Conduct and Audit Principles of the Trade Repository.

Central Bank of the Republic of Türkiye, Communiqué on Information Systems used in Payment and Securities Settlement Systems.

Central Bank of the Republic of Türkiye, *General application principles for collateral, guarantee and credit mechanisms to be used in payment and securities settlement systems.*

Central Bank of the Republic of Türkiye, *Oversight framework for payment and securities settlement systems.*

Central Bank of the Republic of Türkiye, Objectives and policies of the CBRT regarding payment systems (a.k.a *Objectives and policies for payments and securities settlement systems.*

Central Bank of the Republic of Türkiye, Regulation on Operations of Payment and Securities Settlement Systems.

Central Bank of the Republic of Türkiye, Regulation on Oversight of Payment and Securities Settlement Systems.

Committee on Payment and Settlement Systems and Board of the International Organization of Securities Commissions, *Principles for financial market infrastructures*, April 2012.

Committee on Payment and Settlement Systems and Board of the International Organization of Securities Commissions, *Principles for financial market infrastructures: disclosure framework and assessment methodology*, December 2012.

Law on the Central Bank of the Republic of Türkiye, No 1211, 1970.

Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions, No 6493, 2013.

## Annex C: Detailed responses from the Turkish authorities<sup>44</sup>

### a. Response from the CBRT

Secondary regulations entered into force in 2014 and 2016 pursuant to Law No 6493. Since the aforementioned dates, the implementation of the legislation has been smooth, and no critical problems have been identified so far. However, due to the dynamic nature of payment and securities settlement systems ecosystem, a detailed review of the relevant legislation was deemed beneficial and an examination was initiated.

Due to the changing technology, emerging new products and concepts, and the time which has passed since the effective date of the legislation, the need to update the legislation has emerged, in order to meet the needs of the sector, and to sustain smooth and uninterrupted operations.

The Communiqué is being amended to adopt the use of the term “persons responsible for management”, which defines who the persons responsible for the system operator are. With the audit trail registration system in place, the transparency of system operators is sustained. Further, within the scope of secondary regulations regarding the activities of system operators, additions have been made regarding the awareness of the outsourcing service provider about the system operator’s obligations under the information systems continuity plan, and of the risks which may arise in the event of the expiration of an outsourcing contract. This has been done with the aim of minimising the risks that may occur due to the termination of outsourcing services and to avoid disruption to the normal operations of the system.

Since there are participants in the systems who send transactions to the systems through the direct participants, the definition of “indirect participants” has been added to the regulation to eliminate questions of definition coming from system operators regarding the structural changes.

Since it is considered to be beneficial both in surveillance studies and in practice, the ways in which the rules will be applied to participants with special status are included. Since requirements relating to the orderly wind-down of critical operations is included in the PFMI document, it is included in the system rules for harmonisation.

The notification time for structural changes has been shortened to speed up the time taken to give effect to these changes. They are subject to the approval of the CBRT.

If the forms of participation in the system have distinctions such as indirect or direct participation, it has been clarified that the related rules should be clearly stated in the system rules. The information systems independent audit report has been added within the scope of the operating licence as a result of existing practices, some changes have also been made to existing practices. It has been emphasised that responsibilities arising from external services lie with the system operator.

It is aimed to clarify in the reasons of the notifications to be made to the CBRT. Considering the deficiencies encountered in the surveillance processes regarding the nature of the tests to be carried out within the scope of the business continuity plans of the system operators, certainty has been increased.

In the event that it is decided to purchase the shares of listed partners, the use of shares acquired on the stock market – excluding the receipt of dividends – is subject to permission by the CBRT after the acquisition as it is not possible to notify prior to purchase in practice.

It is stipulated that other activities given to system operators are published in the *Official Gazette*. The exemptions of the Interbank Clearing House have been removed due to the termination of its legal personality.

These are the new amendments that are planned to be enacted soon.

<sup>44</sup> A Presidential Circular was signed on 3 December 2021 on the use of “Türkiye” (instead of Turkey) as a brand for export products, all types of activities and correspondence.

The following developments are also worth mentioning. According to the Oversight framework for payment and securities settlement systems all SSS and critically important PS operating in Turkey are obliged to have plans for an orderly wind-down. In this context, the CBRT is taking the provisions of KC 3.4 into consideration during its oversight activities. For instance, in the oversight report of 2017 Takasbank was advised to have orderly wind-down planning in place. In the oversight report it was advised that although there are some articles in various regulations regarding the orderly wind-down of system operators' activities, it would be beneficial to regularly collect the rules and procedures for orderly wind-down activities in a prepared plan document.

In accordance with the legislation on payment and securities settlement systems, system operators can establish collateral, credit and guarantee mechanisms to ensure that the systems continue to operate smoothly and without interruption. These mechanisms must be approved by the CBRT before they are implemented in accordance with Article 23 of the Regulation on Operations of Payment and Securities Settlement Systems. In this context, on 23 May 2017, the CBRT prepared General application principles for collateral, guarantee and credit mechanisms to be used in payment and securities settlement systems which includes the criteria for establishing the relevant mechanisms, and clarifies some provisions of the legislation and international standards on the subject. Accordingly, the document includes the definition of collateral, guarantee and credit mechanisms, the purposes of the use of the aforementioned mechanisms and additional explanations on the subjects such as the amount, type, use, interest and segregation of assets to be purchased.

## b. Response from the CMB

The CMB CCP General Bylaw was updated at the end of 2019 in order to reflect international regulations regarding CCPs.

Since the publication of Policy Statement No 10/328 in 2016, the CMB has the authority to oversee the application of the PFMI by CCPs, CSDs and TRs in Turkey's capital markets.

Within this context, the examinations carried out by the CMB include, but are not limited to, detailed examinations on the basis not only of the regulations and communiqués, but also on the basis of the PFMI. The inclusion of the PFMI in the evaluation and the decision-making processes was also supported by the official letters sent to, for example, to the CCPs that were also shared with the AT.

As declared in Policy Statement No 10/328, all FMIs operating and planning to operate in the capital markets of Turkey, and CMB is committed to apply PFMI. The Policy Statement is a CMB Decision which has the same applicability and regulatory power as Bylaws and communiqués of the CMB. Therefore, violations of a CMB decision are no different to violations of any other secondary regulation, such as Bylaws or communiqués. Board Decision No 10/328 assigns a duty to FMIs in Turkey to fully comply with the PFMI. Therefore, even when there is no exact phrase within the regulations corresponding to a specific Principle and the related KCs, there are no regulatory gaps due to the legal status of the Board Decision and its requirements. However, the CMB understands the concerns of the AT and has been working on necessary regulatory amendments to provide sufficient granularity in the application of the PFMI in Turkey. In this context the CMB, in line with the findings of the AT, has been working on an update to Policy Statement No 10/328, detailing the requirements for each type of FMI on the application of the PFMI at the KC level, to address the differences between the national regulations and the findings of the AT. There is also a draft amendment to the CMB CCP General Bylaw which will amend some of the articles.

CMB strives to regulate and supervise capital markets of Turkey in line with international applications and tries to keep abreast of the changing needs of the financial environment. Therefore, we appreciate the work of CPMI-IOSCO, IMSG and the AT and hope to continue working with the CPMI-IOSCO to achieve its goals.

## Annex D: FMIs subject to the Principles in Turkey

### Systemically important PSs

Central Bank of the Republic of Türkiye – Electronic Fund Transfer System (EFT)

- Turkish Lira Interbank Payment System
- Turkish Lira Customer’s Payment System

### SSSs

Central Bank of the Republic of Türkiye – Electronic Securities Transfer System (ESTS)

Istanbul Clearing, Settlement and Custody Bank Inc. (Takasbank) – Equity Market Clearing System

Istanbul Clearing, Settlement and Custody Bank Inc. (Takasbank) – Debt Securities Market Clearing System

Central Registry Agency (MKK) - Central Registry System

### CCPs

Takasbank

### CSDs

Merkezi Kayit Kurulusu (MKK)

Electronic Securities Transfer System (ESTS)

### TRs

MKK



## Annex E: Members of the IMSG

### IMSG co-chairs

European Central Bank  
Bank of France  
Securities and Exchange Commission, US

Fiona Van Echelpoel (from March 2022)  
Valérie Fasquelle (until July 2021)  
Elizabeth L. Fitzgerald (since December 2021)  
Christian Sabella (until June 2021)

### IMSG members

Reserve Bank of Australia  
Bank of Canada  
  
European Central Bank  
  
European Securities and Markets Authority  
Bank of France  
  
Bundesanstalt für Finanzdienstleistungsaufsicht, Germany  
Hong Kong Monetary Authority  
Securities and Exchange Board of India  
  
Bank of Italy  
Bank of Japan  
Financial Services Agency, Japan  
  
Bank of Korea  
  
Central Bank of the Russian Federation\*  
  
Monetary Authority of Singapore  
  
Sveriges Riksbank  
Capital Markets Board, Turkey  
Bank of England (Prudential Regulation Authority)  
Board of Governors of the Federal Reserve System  
Federal Reserve Bank of New York  
  
Commodity Futures Trading Commission, US  
Securities and Exchange Commission, US  
IOSCO Assessment Committee  
IOSCO Secretariat

Matthew Gibson  
Nikil Chande (since August 2021)  
Wade McMahon (until August 2021)  
Beata Wrobel (since October 2021)  
Tom Kokkola (until October 2021)  
Maud Timon  
Katia Pascarella (since August 2021)  
Thomas Carre (until July 2021)  
Edip Acat (until May 2020)  
Osbert Lam  
Sudeep Mishra (since January 2020)  
Sanjay Puro (until Dec 2019)  
Alessio Abbate  
Takashi Hamano  
Megumi Ota (since January 2022)  
Fumikazu Nishio (until January 2022)  
Young Seok Kin (since January 2022)  
Hyung Koo Lee (until December 2021)  
Ekaterina Peregodova (until February 2022)  
Tze Hon Lau  
Edward Oei (since November 2021)  
Loredana Sinko  
Nalan Sahin Urkan  
James Pople Hoskins  
Dibora Spiegler (since October 2021)  
Kathy Wang (until October 2021)  
Emilie Walgenbach (since May 2021)  
John Rutigliano (until May 2021)  
Andrea Musalem (since February 2021)  
Alicia Lewis (until February 2021)  
Stephanie Kim Park  
Raluca Tircoci-Craciun  
Tajinder Singh  
Josafat De Luna Martínez

BIS CPMI Secretariat

Jenny Hancock (since December 2021)  
Fabio Coimbra (until December 2021)  
Umar Faruqui (until July 2021)  
Amber Wadsworth (until July 2020)

\* The access of the Central Bank of the Russian Federation to all BIS services, meetings and other BIS activities has been suspended.

The IMSG would like to extend its thanks to Daniela Russo (ECB), the team lead for this assessment, and the experts that made up the Assessment Team (see footnote 37). In addition, the IMSG thanks the assessed authorities for their cooperation in the Level 2 assessment process.