Basel Committee
on Banking Supervision

Regulatory Consistency Assessment Programme (RCAP)

Assessment of Basel large exposures regulations – Türkiye

April 2025

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Contents

Glossary

BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BRSA	Banking Regulation and Supervision Agency
C	Compliant (grade)
D-SIB	Domestic systemically important bank
G-SIB	Global systemically important bank
LC	Largely compliant (grade)
LEX	Large exposures
MNC	Materially non-compliant (grade)
NC	Non-compliant (grade)
RCAP	Regulatory Consistency Assessment Programme
TRY	Turkish lira

Preface

The Basel Committee on Banking Supervision (Basel Committee) places a high priority on the implementation of regulatory standards underpinning the Basel III framework. The prudential benefits from adopting Basel standards can only fully accrue if these are implemented in a full, timely and consistent manner by all member jurisdictions. The Committee established the Regulatory Consistency Assessment Programme (RCAP) to monitor, assess and evaluate its members' implementation of the Basel III framework.

This report presents the findings of an RCAP Assessment Team (Assessment Team) on the adoption of the Basel large exposures (LEX) framework in Türkiye as of 15 January 2025. The assessment focused on the completeness and consistency of the Turkish LEX regulations with the Basel LEX framework and relied on the information provided by the Turkish authorities.

The Assessment Team was led by Mr Claude Wampach, Director of the Commission de Surveillance du Secteur Financier (CSSF) and comprised technical experts from the Australian Prudential Regulation Authority (APRA), the European Central Bank (ECB), the People's Bank of China (PBoC) and the Saudi Central Bank (SAMA) (see Annex 1). The main counterpart for the assessment was the Banking Regulation and Supervision Agency (BRSA). The work was coordinated by the Basel Committee Secretariat with support from CSSF staff.

The assessment began in March 2024 and comprised: (i) a self-assessment by the BRSA (March to August 2024); (ii) an assessment phase (September 2024 to January 2025); and (iii) a review phase (February to March 2025) including a technical review of the Assessment Team's findings by a separate RCAP Review Team and the Basel Committee. The assessment report ultimately reflects the view of the Basel Committee.

The RCAP Assessment Team acknowledges the cooperation received from the BRSA throughout the assessment process.

Executive summary

In Türkiye, the Basel LEX framework was implemented in December 2023 through the adoption of the "Regulation on determination of group of connected clients and loan limits", which became effective on 1 January 2024. The LEX requirements are applicable to all banks in Türkiye, with the exception of a subcategory of non-internationally active banks ("development and investment banks"), which are only subject to some parts of the LEX regulations. Overall, as of 15 January 2025, the LEX regulations in Türkiye are assessed as compliant with the Basel LEX framework; this is the highest possible grade.

The three components of the Basel LEX framework (scope and definitions; minimum requirements and transitional arrangements; and value of exposures) are all assessed as compliant.

The Assessment Team identified two non-material findings. The first regards the scope and definitions component, as one of the criteria for identifying connected counterparties is omitted in the Turkish rules; the second relates to the extension of a transitional arrangement for three non-internationally active banks by up to one year, until end-2025. The Assessment Team noted that, in two areas, the Turkish regulations go beyond the minimum Basel requirements (see Annex 4). In accordance with the methodology and guidance provided in the RCAP Handbook for jurisdictional assessments, the stricter rules have not been taken into account as mitigants for the overall or component-level assessment of compliance.

Response from the Turkish authorities (BRSA)

The BRSA welcomes the opportunity to respond to the findings and comments of the RCAP Assessment Team on the implementation of the Basel LEX standard in Türkiye. We would like to express our sincere thanks to the Assessment Team, led by Mr Claude Wampach, for conducting a comprehensive and thorough review with their expertise and professionalism. We also extend our appreciation to the Basel Committee Secretariat for coordinating an efficient and constructive RCAP assessment process.

We are pleased that Türkiye has received an overall "compliant" rating from this comprehensive and thorough assessment process. This process has provided our authority with an opportunity to assess the extent to which our local regulations are aligned with the Basel standards.

The BRSA supports the global regulatory reform efforts of the BCBS to build a more resilient and sound banking system. In this regard, we support the RCAP process and find it a useful exercise as it promotes a level playing field amongst Basel Committee member jurisdictions, reduces regulatory arbitrage and promotes global financial stability.

The BRSA reaffirms its dedication to ensure the robust application and oversight of the Basel LEX standard in Türkiye. Through our supervisory framework, we will continue to prioritise regulatory compliance and contribute to the stability and integrity of the global financial system.

1 Assessment context

1.1 Regulatory system, structure, enforceability and binding nature of prudential regulations

The Banking Regulation and Supervision Agency (BRSA) is the sole regulatory and supervisory authority for banks in Türkiye. The following table provides an overview of the legal hierarchy of prudential regulations in Türkiye.

Hierarchy of Turkish laws and regulatory instruments — Table 1

Laws that empower the BRSA as banking supervisor	The Banks Act of 1999 (no 4389), enacted by the Turkish Grand National Assembly, establishes the BRSA as the sole supervisor and regulator of Turkish banks and specifies that the BRSA "shall use the powers assigned thereto in this Law and the applicable legislation through regulatory transactions to be made and specific decisions to be taken by the Board". The Banking Law of 2005 (no 5411) grants the BRSA significant powers in issuing regulations, communiqués and Board decisions to regulate the banks.
Supervisory regulatory instruments issued by the BRSA derived from the above-mentioned laws (various)	*Regulations* contain Board decisions for enforcement of the Laws. *Communiqués* can be used for introducing new rules and providing detailed examples regarding the provisions that are given in the regulations. Their legal enforceability is equal to that of the Regulations. *Guidelines* and other Board *Resolutions* are used to define best practices and to inform banks on the evaluation criteria to be considered in audits by the BRSA.

The BRSA's LEX regulation is subject to the same regulatory policymaking process as the risk-based capital regulations. The structure and binding nature of those prudential regulations in Türkiye are outlined in greater detail in the RCAP assessment report on the Turkish risk-based capital requirements for banks.[1] In line with previous RCAPs, the Assessment Team finds that Turkish regulatory instruments, including Regulations, Communiqués, Guidelines and Board Resolutions, meet the RCAP criteria of being enforceable and binding in practice.

1.2 Status of implementation of the large exposures framework

Large exposure requirements were first introduced in Türkiye through the Banking Law published in 2005 (no 5411) and the "Regulation on Loan Operations of Banks" published in 2006. This large exposures framework was amended with a view to aligning it with the Basel LEX framework through the publication of the "Regulation on Determination of Group of Connected Clients and Loan Limits" on 21 December 2023 (the LEX Regulation), which entered into force on 1 January 2024. There is no additional supplementary guidance published by the BRSA regarding LEX requirements.

In Türkiye, the LEX framework applies to all banks, including branches of foreign banks in Türkiye, on both an individual and a consolidated basis. According to the Banking Law, the term "bank"

1 See Section 1.1 and Annex 6 of Basel Committee on Banking Supervision, *Regulatory Consistency Assessment Programme (RCAP) Assessment of Basel III risk-based capital regulations – Türkiye*, March 2016, www.bis.org/bcbs/publ/d359.pdf.

encompasses "deposit banks", "participation banks" [2] and "development and investment banks". Deposit banks and participation banks are subject to the full LEX Regulation; development and investment banks are only subject to some parts of the LEX Regulation, namely the provisions concerning the identification of a group of connected clients.

1.3 Scope of the assessment

The Assessment Team considered the large exposure limits applicable to a sample of internationally active banks in Türkiye as of 15 January 2025. The assessment had two dimensions:

- a comparison of Turkish regulations with the Basel LEX framework to ascertain that all the required provisions have been adopted (*completeness* of the regulations); and
- whether there are any differences in substance between the Turkish regulations and the Basel LEX framework and, if so, their significance (*consistency* of the regulations).

In its assessment, the Assessment Team considered all binding documents that effectively implement the Basel LEX framework in Türkiye. Annex 2 lists the Basel standards used as the basis for the assessment. The assessment did not evaluate the resilience of the banking system in Türkiye or the supervisory effectiveness of the Turkish authorities.

The Assessment Team evaluated the materiality and potential materiality of identified deviations between the Basel LEX framework and the Turkish regulations. The evaluation was made using a sample of seven internationally active Turkish banks. Together, these banks comprise around 71% of the total assets of the Turkish banking system. In addition, the Assessment Team reviewed the non-quantifiable impact of identified deviations and applied expert judgment as to whether the Turkish regulations meet the Basel LEX framework in letter and in spirit. The materiality assessment is summarised in Annex 3, which also lists the sample of banks.

The Assessment Team noted that, in a few areas, the Turkish rules go beyond the minimum Basel standards. Although these elements (listed in Annex 4) provide for a more rigorous implementation of the Basel Framework, they have not been taken into account for the assessment of compliance.

The outcome of the assessment is summarised using a four-grade scale, both for each of the three key components of the Basel LEX framework and for the overall assessment of compliance. The four grades are compliant (C), largely compliant (LC), materially non-compliant (MNC) and non-compliant (NC).

2 Assessment findings

2.1 Assessment grades and summary of findings

Overall, the Assessment Team finds the implementation of the LEX framework in Türkiye to be compliant with the Basel LEX framework. This grade is based on the materiality assessment as summarised in Annex 3.

[2] Participation banks are "Islamic Banks" that operate under the principles and standards of interest-free banking. The word "participation" refers to banking activity that is based on the principle of participating in profit and loss. The main feature of participation banking is that the contracts on which its products and services are based do not contain interest or other prohibited elements according to Islamic Law.

Assessment grades	Table 2
Component of the Basel large exposures framework	Grade
Overall grade	C
Scope and definitions	C
Minimum requirements and transitional arrangements	C
Value of exposures	C

Assessment scale: C (compliant), LC (largely compliant), NC (materially non-compliant) and NC (non-compliant).

2.1.1 Scope and definitions

This component is assessed as compliant with the Basel standard. The Assessment Team identified one finding that is considered not material. The finding concerns the identification of connected counterparties, where the definition of control in the Turkish LEX regulation does not require banks to consider the Basel LEX criterion of significant influence on senior management. There is one observation regarding the exclusion of development and investment banks from the scope of the LEX framework. These banks are excluded on the basis that they do not take deposits, represent a small part of the Turkish banking system, and are not internationally active.

2.1.2 Minimum requirements and transitional arrangements

This component is assessed as compliant with the Basel standard. The Assessment Team identified one finding that is assessed as not material. The finding concerns the extension of a transitional arrangement for three non-internationally active banks by up to one year, until end-2025.

There are six observations, which relate to: (i) the reference in the Turkish regulation to "loans" rather than "exposures"; (ii) the definition of a large exposure, which is based on both the size relative to Tier 1 capital and the size relative to own funds (the Basel LEX regulation is based only on the former); (iii) the omission of the requirement that the large exposure limits must be respected "at all times"; (iv) the omission – except in cases caused by a decrease of capital – of the rapid rectification requirement for a breach of the LEX limit; (v) the lack of stricter large exposures rules for systemically important banks; and (vi) the long delay regarding the implementation of the Turkish LEX regulation, ie five years after the date set out in the Basel LEX standard.

2.1.3 Value of exposures

This component is assessed as compliant with the Basel standard, with no findings. There is one observation relating to a clarification in the Turkish LEX regulation aimed at avoiding double counting of exposures when guarantees are provided within a group of connected counterparties.

2.2 Detailed assessment findings

2.2.1 Scope and definitions

Section grade	**Compliant**
Basel paragraph number	20, 23 and 26: Definition of connected counterparties
Reference in the domestic regulation	Articles 3 and 49, Banking Law
Finding	In accordance with the Basel LEX framework, counterparties are considered connected if a control relationship or economic interdependence exists. To assess the control relationship, banks must consider the following criteria: (i) voting arrangements; (ii)

	significant influence on the appointment or dismissal of an entity's administrative, management or supervisory body; and (iii) significant influence on senior management. To assess economic interdependence, banks must consider criteria such as whether the insolvency or default of one counterparty is likely to be associated with the insolvency or default of the other(s), whether one counterparty has fully or partly guaranteed the exposure of the other(s), etc. The Turkish Banking Law has a definition of "control" which covers criteria (i) and (ii) of the Basel LEX framework specified above. It also defines risk groups in a way that aligns with the description of economic interdependence in the Basel LEX framework. However, criterion (iii) "significant influence on senior management" is not explicitly included in the Turkish regulations. The BRSA views the definition of risk groups as sufficiently comprehensive, noting that the economic interdependence criterion is broad enough to cover any situation of control, resulting not only from an economic relationship between borrowers, but also from any legal form of control between two entities. Besides, the BRSA claims that in practice, it rarely encounters instances of one firm exerting significant influence on the other without having voting arrangements in place or significant influence on the appointment or dismissal of an entity's administrative, management or supervisory body. The BRSA further claims that, should such a form of control be observed, for example during an on-site examination, powers granted to the BRSA by the Banking Law (in Article 93) are sufficiently large to enable it to impose on banks the inclusion of a borrower in a group of connected clients if there is any form of economic, legal or contractual relationship between borrowers that may have an impact on each other's financial viability. The Assessment Team emphasises that the criterion of significant influence on senior management caters for situations distinct from those of control due to voting arrangements or significant influence on senior appointments or dismissals. However, in view of the supervisory powers granted to the BRSA in the Banking Law and based on the interviews of the Assessment Team with three of the Turkish banks in the sample, the Assessment Team finds that in practice, the banks screen broadly for all kinds of control relationships, beyond voting arrangements and influence on senior appointments/dismissals. The interviewed Turkish banks attested in particular that their risk management procedures when assessing groups of connected counterparties include wider criteria such as significant or controlling influence on senior management. As such, the deviation is assessed as not material.
Materiality	Not material

2.2.2 Minimum requirements and transitional arrangements

Section grade	**Compliant**
Basel paragraph number	Paragraph 93: Implementation date and transitional arrangements
Reference in the domestic regulation	Article 18 and Provisional Article 1, Regulation on Determination of Group of Connected Clients and Loan Limits
Finding	In accordance with Basel LEX standard, all aspects of the LEX framework must be implemented in full by 1 January 2019. The Turkish LEX regulation is effective from 1 January 2024. The Turkish LEX regulation provides a transitional arrangement (Provisional Article 1) authorising the banks that are breaching large exposure limits at the implementation date to eliminate those breaches over a transition period of one year, ie by 31 December 2024 (with the requirement to amortise 50% of these amounts by 30 June 2024). Provisional Article 1 of the Turkish LEX regulation also enables the BRSA to extend the transitional arrangement by up to one year, until end-2025. Out of the eight banks which had large exposures exceeding 25% of the Tier 1 capital as of 31 March 2024, three banks remained with breaches in December 2024. After examination of the three individual cases, the BRSA Board decided to grant an additional transitional period of one year to these three banks.

	As the transitional arrangements are part of the overall Turkish LEX regulation, they are under the scope of this assessment. As the transitional period is extended beyond the cut-off date for this assessment, it is deemed a finding. However, the BRSA explained that these three banks (which are not in the sample) are not internationally active banks and are overall very small in size (their combined share of total assets is less than 1% of the total banking sector); the Assessment Team is thus of the view that the impact of the prolonged transitional period is not material.
Materiality	Not material

2.2.3 Value of exposures

This component is assessed as compliant with the Basel standard. No findings were identified.

2.3 Observations

The following observations highlight certain special features of the regulatory implementation of the Basel LEX framework in Türkiye. These are presented to provide additional context and information. Observations are considered compliant with the Basel standards and do not have a bearing on the assessment outcome.

2.3.1 Scope and definitions

Basel paragraph number	Paragraphs 10, 11, 12: Scope and level of application
Reference in the domestic regulation	Article 17, Regulation on Determination of Group of Connected Clients and Loan Limits; Article 3, Banking Law
Observation	The Turkish LEX requirements are applicable to a wider range of financial institutions than just internationally active banks. However, banks that are classified as "development and investment banks" do not have to apply the LEX framework. These banks, which do not take deposits and represent a small part of the Turkish banking system, are not internationally active.

2.3.2 Minimum requirements and transitional arrangements

Basel paragraph number	Paragraph 14: Definition of a large exposure
Reference in the domestic regulation	Article 48, Banking Law Article 7, Regulation on Determination of Group of Connected Clients and Loan Limits
Observation	In accordance with the Basel LEX framework, the sum of all exposure values of a bank to a counterparty or to a group of connected counterparties must be defined as a large exposure if it is equal to or above 10% of the bank's eligible capital base. Article 48 of the Turkish Banking Law uses the term "loans" instead of "all exposure values" and gives a list of what is considered to be a loan. The BRSA confirms, however, that the definition of "loans" in Article 48 of the Banking Law encompasses a large scope of exposures. Moreover, it is stated in Article 48(1) that transactions accepted as loans by the BRSA Board "shall be considered as loans in the implementation of this Law, irrespective of the accounts [in which they are] they are booked". Thus, the Assessment Team assesses that the Banking Law effectively permits the BRSA to enlarge the scope of Article 48 and that the Turkish LEX regulation correctly refers to "all on-balance sheet and off-balance sheet exposures" for the calculation of exposure values for loan limits. Taken together, the Turkish LEX regulation along with the flexible reading of the term "loans" in Article 48 of the Banking Law effectively covers all exposures within the scope of the LEX framework.

Basel paragraph number	Paragraphs 16 and 17: Minimum requirement – the large exposure limit
Reference in the domestic regulation	Article 6, Regulation on Determination of Group of Connected Clients and Loan Limits Article 54, Banking Law Article 4, Regulation on Own Funds of Banks
Observation	The Basel LEX framework prescribes that the eligible capital base for calculating the LEX limit is Tier 1 capital under the risk-based capital framework. The Turkish regulations have two limits in place: (i) 25% of Tier 1 capital, which aligns with the Basel LEX requirement; and (ii) 25% of banks' own funds. Own funds are calculated by the sum of Tier 1 capital and Tier 2 capital, which are subject to some deductions. The BRSA explained that, prior to the implementation of the Basel LEX standard, the Banking Law defined the limit as 25% of own funds. In view of the procedure needed to change the Banking Law, a definition of the limit based on Tier 1 capital was introduced into the Turkish regulations on top of the prior limit based on own funds, rather than replacing it. This sets the limit at "25% of the Tier 1 capital and own funds". The BRSA confirmed that this means that banks are required to calculate and report both limits separately, even though the limit based on own funds will have no practical effect as it will never be more binding than the limit based on Tier 1 capital.

Basel paragraph number	Paragraphs 16 and 17: Minimum requirement – the large exposure limit
Reference in the domestic regulation	Articles 6 and 16, Regulation on Determination of Group of Connected Clients and Loan Limits
Observation	In accordance with the Basel LEX framework, the sum of all the exposure values of a bank to a single counterparty or to a group of connected counterparties must not be higher than 25% of the bank's available eligible capital base, at all times. There is no explicit reference to the fact that large exposure limits must be respected at all times in the Turkish framework. The BRSA stated that, even in the absence of an obligation always to meet this requirement, it is, however, implicit that this obligation must be respected by the banks on a continuous basis. The fact that banks must *immediately* notify the BRSA of a breach and of the remediation measures (under Article 16 of the Regulation on Determination of Group of Connected Clients and Loan Limits) effectively conveys the idea that large exposure limits must be respected on an ongoing basis. Interviews with sample banks confirmed their understanding that the LEX limit should be observed at all times; they also confirmed that they have risk management procedures in place to avoid breaches of the LEX limit on an ongoing basis.

Basel paragraph number	Paragraphs 16 and 17: Minimum requirement – the large exposure limit
Reference in the domestic regulation	Article 16, Regulation on Determination of Group of Connected Clients and Loan Limits
Observation	The Basel LEX framework requires breaches of the large exposure limit to be communicated immediately to the supervisor and rapidly rectified. The Turkish LEX regulation requires that in case of a breach, banks should immediately notify the BRSA of the reasons together with the measures planned to be taken to rectify the breach. In all cases, banks that breach the limits are not allowed to grant new loans in any form. If the breach is caused by a decrease in Tier 1 capital or own funds, the regulation states that a breach should be rectified within six months; however, for other cases, the regulation does not set a fixed period of rectification. The BRSA confirmed that, in these latter cases, the period allowed to rectify breaches varies on a case by case basis, depending on the reasons for, and extent of, the breach. Apart from the extension arrangement of the transition period granted under Provisional Article 1, the BRSA expects banks to rectify breaches immediately, ie in most cases within one month. Also taking into account interviews with Turkish banks, the Assessment Team assesses that in practice the BRSA's expectation of a rapid rectification of breaches is understood by banks.

Basel paragraph number	Paragraphs 90 and 91: Exposure limits to G-SIBs/D-SIBs
Reference in the domestic regulation	Article 6(5), Regulation on Determination of Group of Connected Clients and Loan Limits
Observation	The Basel LEX framework states that the large exposure limit applied to a G-SIB's exposure to another G-SIB is set at 15% of Tier 1 capital. In addition, the Basel LEX framework encourages member jurisdictions to consider applying stricter limits to exposures between D-SIBs and to exposures of smaller banks to G-SIBs. In the absence of G-SIBs in Türkiye, the BRSA has not set up a stricter limit for a G-SIB's exposure to another G-SIB. Furthermore, while there are eight banks falling under the D-SIB category currently in Türkiye, the BRSA has not set up a tighter limit for the exposure of a Turkish D-SIB to another Turkish D-SIB. The Turkish LEX regulation, however, provides the Banking Regulation and Supervision Board with the power, if needed, to impose a more prudent limit for loans extended by systemically important banks to other systemically important banks or to banks designated as G-SIBs by international competent authorities.
Basel paragraph number	Paragraph 93, Implementation date
Reference in the domestic regulation	Article 18, Regulation on Determination of Group of Connected Clients and Loan Limits
Observation	The Basel LEX framework stipulates that all aspects of the LEX framework must be implemented in full by 1 January 2019. The Assessment Team observes that the implementation date for the Turkish LEX regulation is 1 January 2024, which is a long period after the expected date of implementation, also in comparison to observed implementation dates of the LEX framework in other jurisdictions. The BRSA clarified that the primary reason for the delay in implementing the LEX framework in Türkiye was the August 2018 turmoil, which negatively affected Türkiye's macroeconomic balance, and the Covid-19 pandemic that occurred shortly thereafter.

2.3.3 Value of exposures

Basel paragraph number	Paragraph 13, Scope of counterparties and exemptions
Reference in the domestic regulation	Article 14(4), Regulation on Determination of Group of Connected Clients and Loan Limits
Observation	In accordance with paragraph 13 of the Basel LEX framework, banks must consider exposures to any counterparty; the only counterparties that are exempted from the framework are sovereigns as defined in paragraph 61. According to the Turkish LEX regulation, advances, guarantees and sureties accepted from real or legal persons included in a group of connected clients to constitute the collateral of the loans extended to the same group of connected clients shall not be taken into account in the calculation of the loan limits of the group of connected clients. This exemption is not explicitly specified in the Basel LEX framework. The BRSA explained that this exemption aims to prevent double-counting of exposures. According to the credit risk mitigation framework, a guarantee from a connected counterparty is not eligible for capital requirements purposes; therefore, a guarantee provided within a group of connected counterparties would not reduce the exposure of the bank to the group. However, if a bank were to accept such a non-eligible guarantee for risk management purposes, to avoid double-counting the bank should not take into account the exposure to the protection provider. As such, the exemption prevents banks from including both the full value of a loan granted to a counterparty and the guarantee granted to the bank by a connected client to the counterparty, when calculating the size of the exposure.

Annexes

Annex 1: RCAP Assessment Team and Review Team

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Review Team members

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Annex 2: List of Basel standards and implementing regulations issued by the Turkish authorities

The following Basel standards were used as the basis of this RCAP assessment:

- *Supervisory framework for measuring and controlling large exposures*, April 2014
- *Frequently asked questions on the supervisory framework for measuring and controlling large exposures*, September 2016

Table A.1 lists the regulations issued by Turkish authorities to implement the LEX framework in Türkiye. Previous RCAP assessments of Turkish implementation of the Basel standards considered the binding nature of regulatory documents in Türkiye.[3] This RCAP Assessment Team did not repeat that assessment, but instead relied on the previous assessments' findings. Those assessments concluded that the types of instruments described in Table A.1 could be considered as binding on banks and supervisors for the purposes of an RCAP assessment.

Overview of relevant large exposure regulations in Türkiye — Table A.1

Domestic regulations	Type, version and date
Banking Law (no 5411)	Published in the Official Gazette no 25983 dated 1 November 2005
Regulation on Own Funds of Banks	Published in the Official Gazette no 28756 dated 5 September 2013
Regulation on Determination of Group of Connected Clients and Loan Limits (LEX Regulation)	Published in the Official Gazette no 32406 dated 21 December 2023

Source: BRSA.

[3] See Section 1.1 and Annex 6 of Basel Committee on Banking Supervision, *Regulatory Consistency Assessment Programme (RCAP) Assessment of Basel III risk-based capital regulations – Türkiye*, March 2016, www.bis.org/bcbs/publ/d359.pdf.

Annex 3: Materiality assessment

The outcome of the RCAP assessment is based on the materiality of the findings described in Section 2.2 and summarised in Table A.2. Assessment Teams evaluate the materiality of findings quantitatively where possible or using expert judgment when the impact cannot be quantified.

The materiality assessment for quantifiable gaps is based on the cumulative impact of the identified deviations on the reported LEX of banks in the RCAP sample. These banks are listed in Table A.3.

Number of deviations by component

Table A.2

Component	Not material	Potentially material	Material
Scope and definitions	1	0	0
Minimum requirements and transitional arrangements	1	0	0
Value of exposures	0	0	0

RCAP sample banks

Table A.3

Banking group	Share of banks' assets in the total assets of the internationally active banks in the Turkish banking system (in per cent)
T.C. Ziraat Bankası	21.42
Türkiye İş Bankası	14.21
Türkiye Garanti Bankası	12.82
Türkiye Vakıflar Bankası	12.81
Yapı Kredi Bankası	11.81
Türkiye Halk Bankası	10.93
Akbank	9.80

For this purpose, banking assets are based on the measure of total exposures used in the leverage ratio, which includes both on- and off-balance sheet exposures.

Source: BRSA.

Annex 4: Areas where Turkish rules are stricter than Basel standards

In certain areas, the Turkish authorities have adopted a stricter approach than the minimum standards prescribed by the Basel Committee. These are listed below for information. The stricter rules have not been taken into account as mitigants for the overall or component-level assessment of compliance.

- The Basel standard requires the application of the LEX framework to all internationally active banks on a consolidated basis. The BRSA applies the LEX framework at both the solo and consolidated levels and, in addition to the internationally active banks, it applies the LEX framework to a broader set of banks.
- The Basel standard defines a large exposure as an exposure equal to, or above, 10% of the bank's eligible capital base. According to the BRSA's reporting rules, not only large exposures, but any exposure granted to a group of connected counterparties, or a counterparty not included in any group of connected counterparties, must be reported to the BRSA as soon as it is above 1% of the bank's eligible capital.