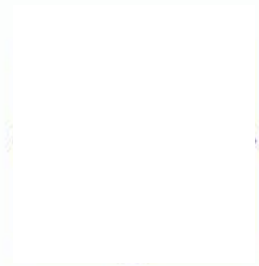




The National Working Committee

IBOR Transition and TLREF Studies

June 2021



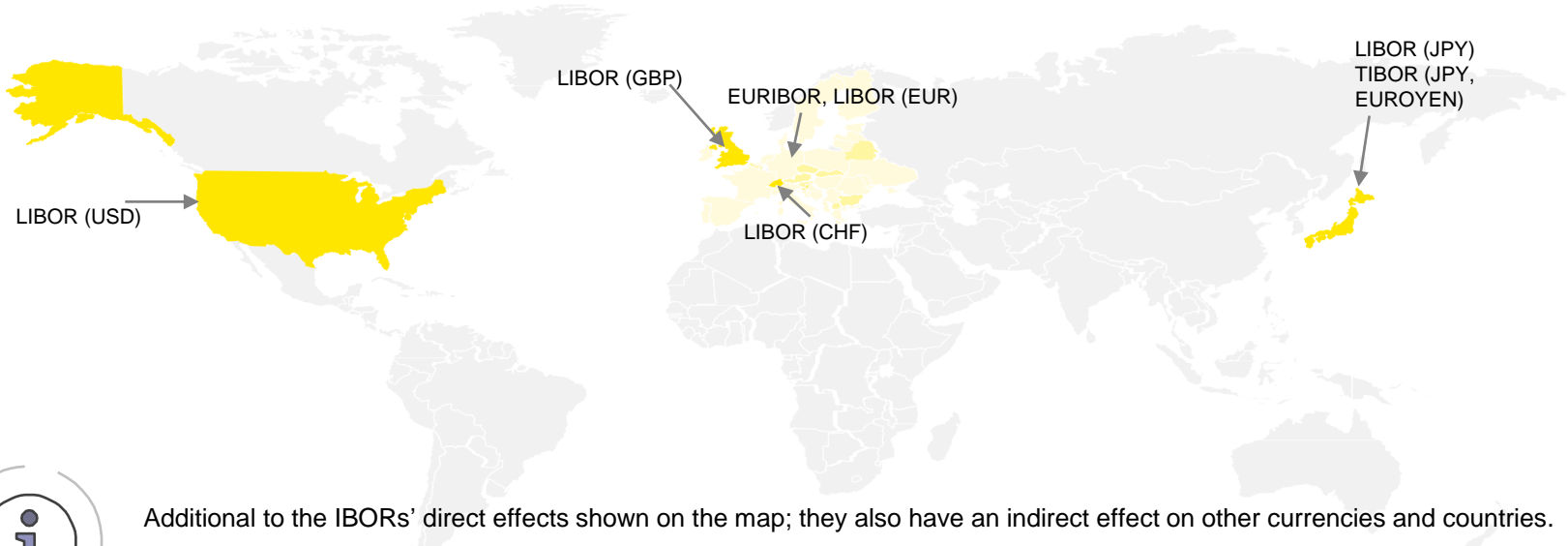


IBOR Transition



IBOR Transition

- ▶ IBORs are interbank offered rates that set the benchmark for lending money in the market.
- ▶ They are financial benchmarks based on calculations. These benchmarks are taken as reference for financial instruments and loans all over the world.



Additional to the IBORs' direct effects shown on the map; they also have an indirect effect on other currencies and countries. For example, Singapore's SOR relies on USD LIBOR as an input.

Current IBOR Issues



Systemic Risk

There is systemic risk concerns due to the lack of continuity and robustness of some important IBORs and, also, the big volume of financial products that are based on these rates.



Liquidity Issues

The liquidity levels are decreasing at the interbank unsecured financial markets. This is weakening the price setting process. Such that the panel banks had to guess the price points due to limited financial activities in the market.



Accusations of Manipulation

Market manipulations and inaccurate reporting in the interbank unsecured funding markets have weakened the trust in the credibility and robustness of the current interbank reference rates.



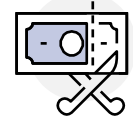
Sustainability

FCA's Executive President has announced an agreement with panel banks that will cover the important nuances to sustain LIBOR criteria and to resume LIBOR until the end of 2021.



Quotation Unwillingness

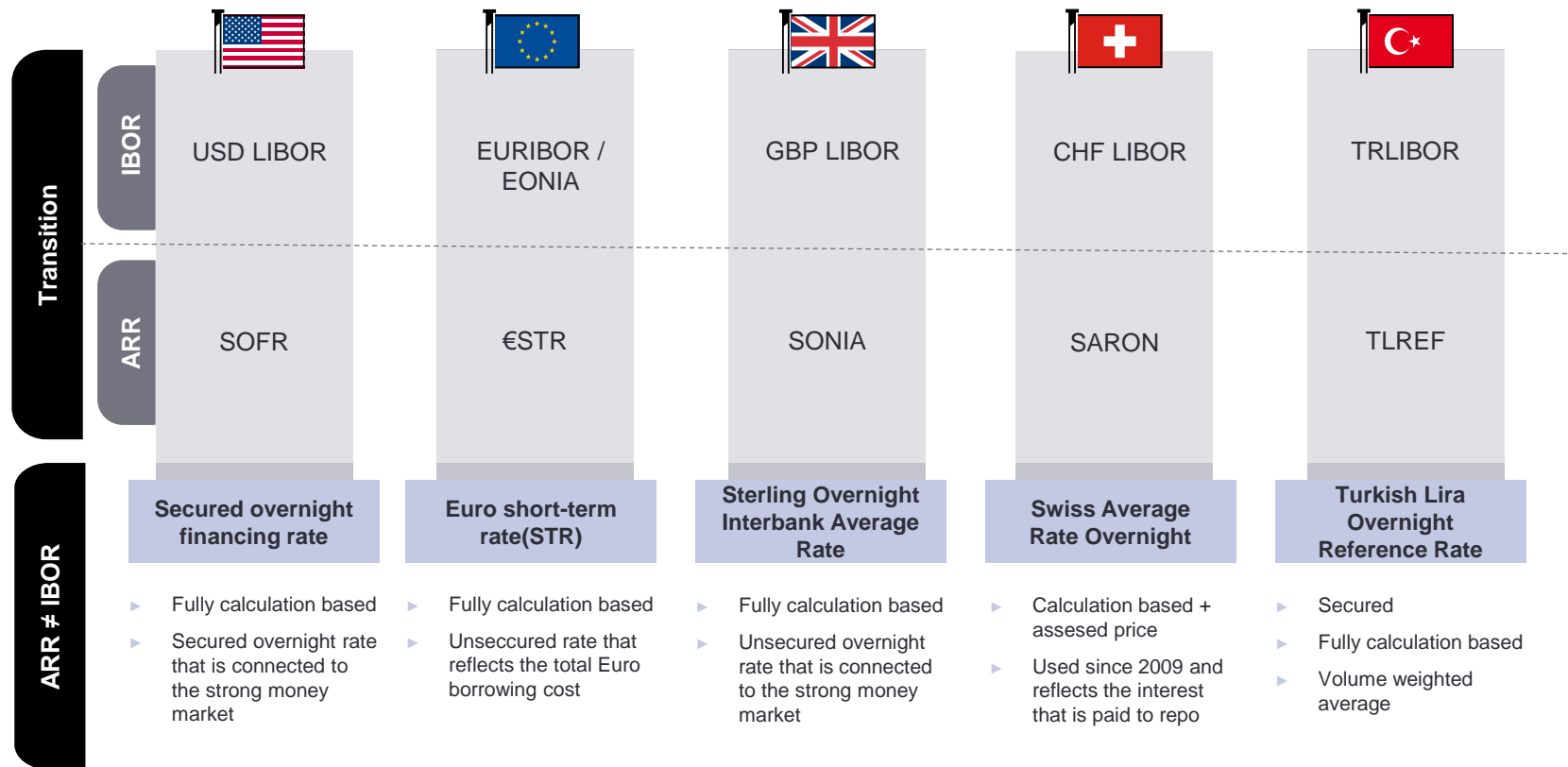
LIBOR and EURIBOR panel banks are unwilling to submit their funding prices.



Rates Issues

Current rates are not reflecting the true economic activities.

Alternative Reference Rates





TLREF Studies



TLREF Studies – TLREF Committee

Similar to the worldwide IBOR transition studies, our country has also established TLREF committee during the transition to TLREF from TRLIBOR.

TLREF Committee

Members

- ▶ Central Bank of Republic of Turkey
- ▶ Capital Markets Board of Turkey
- ▶ Istanbul Settlement and Custody Bank Inc.
- ▶ Borsa Istanbul
- ▶ The Banks Associations of Turkey
- ▶ Participation Banks Association of Turkey
- ▶ Turkish Capital Markets Association
- ▶ Association of Financial Institutions

Objective

- ▶ Observing the activities for calculation and publication of the TLREF ratio and BIST TLREF Index
- ▶ Tracking the developments in the market and evaluating the new needs and demand
- ▶ Determining the necessary rule changes during the transition process
- ▶ Understanding the potential risks, agreements, regulations, tax and accounting
- ▶ Determining the necessary changes in the standards and preparing suggestions
- ▶ Communicating with the necessary institutions
- ▶ Communication with the public

In the meeting administered by Central Bank of Republic of Turkey on 22 January 2020; an “IBOR Transition - National Working Committee (UÇK)” is founded in order to plan the transition from TRLIBOR to TLREF, to ensure coordination with the transition of IBOR in foreign currencies can proceed on a healthy basis and to ensure coordination with IBOR transition process for benchmark interest reform.

There are six separate sub-working groups coordinated by the National Working Committee for the global transition from IBORs and specifically transition to TLREF.

TLREF Studies – Sub-Working Groups

Local Legislation and Law

- In new agreements, definitions and articles based on new reference rates has been determined and regulation suggestions has been prepared.
- Legal fallback provisions have been drafted.
- Regulators were contacted about compound interest ban.

Financial Coordination, Accounting, Operations, and Legal Reporting

- Evaluations about accounting and reporting standards of the application of TLREF/IBOR duration and aftermath of the transition process has been made.
- The necessary changes of tax legislation that might be needed during the IBOR transition has been evaluated.
- Transition's impact on operational and BT process has been evaluated.

Compliance with International Regulations

- Monthly meetings about the evaluation of the global news, current applications and product conventions that happened during the IBOR transition.
- Overseas regulators who should be followed has been selected.
- Evaluations regarding ISDA protocol has been made.

Communication

- Communication suggestions has been prepared in order to inform the customers and the banks overseas about the IBOR transition studies that has been made globally and in Turkey.
- TLREF website is founded.

TLREF Products

- Market analysis has been made to increase the volume of TLREF based products and to develop new products.
- Return/Yield calculation methods and sub methodology studies has been presented and TLREF products user manual guide report has been created.
- The uniform usability of yield calculation methods in our country was evaluated together with examples from global banking, and the opinions of the Turkish banks were collected.

Quantitative Analysis and Risk

- TLREF vs TRLIBOR base interest spread/risk analyzes in different maturities are performed.
- Analysis and suggestions has been made in order to improve TLREF indexed Overnight Index Swap and Futures Markets.

Thank you
