

**REGULATION GOVERNING THE ACCOUNTING PRACTICES AND
FINANCIAL STATEMENTS OF FINANCIAL LEASING, FACTORING,
FINANCING AND SAVING FINANCING COMPANIES**

SECTION ONE

Objective and Scope; Basis and Definitions

Objective and Scope

ARTICLE 1 – (Amended:RG-29/6/2021-31526) (1) The objective of this Regulation is to regulate the procedures and principles regarding the accounting practices and allocation of provisions of financial leasing, factoring, financing and saving financing companies as well as the format and content of their financial statements to be disclosed to the public.

Grounds

ARTICLE 2 - (Amended:RG-29/6/2021-31526)

(1) This Regulation has been prepared based on Articles 14 and 16 of the Law No: 6361 dated 21/11/2012 on Financial Leasing, Factoring, Financing and Saving Financing Companies.

Definitions

ARTICLE 3 – (1) The following terms referred to for the purpose of executing this Law shall have the meanings indicated below;

a) **(Amended:RG-29/6/2021-31526)** Receivables: Receivables related to factoring, financial leasing, financing and saving financing transactions carried out by companies and other receivables recognized in the assets of the financial statements,

b) **(Amended:RG-29/6/2021-31526)** Law: Law No: 6361 dated 21/11/2012 on Financial Leasing, Factoring, Financing and Saving Financing Companies,

c) Provisions: Amounts of receivables that are deducted from the balance sheet and recognized as expense in order to cover the incurred or expected losses, but the exact amount of which is not certain,

ç) Board: Banking Regulation and Supervision Board,

d) **(Amended:RG-29/6/2021-31526)** Company: Companies, as defined in Article 3 of the Law No: 6361 on Financial Leasing, Factoring, Financing and Saving Financing Companies,

e) Collateral: All kinds of assets, guarantees and sureties and contractual rights taken to ensure that the company's receivables are fully or partially secured against the risk of non-repayment of the receivables,

f) Turkish Accounting Standards: Turkish Accounting Standards and Turkish Financial Reporting Standards put into effect by the Public Oversight, Accounting and Auditing Standards Authority as well as the annexes and comments thereto

g) **(Amended:RG-2/5/2018-30409)**⁽³⁾ TFRS 9: TFRS 9 Financial Instruments Standard as published by the Public Oversight, Accounting and Auditing Standards Authority.

SECTION TWO

Accounting Practices

Accounting

ARTICLE 4 – (1) The Company; should recognize all transactions in accordance with their real nature, prepare the financial statements in a manner and content that is capable of satisfying the need to obtain information in an understandable, reliable and comparable manner,

appropriate for audit, analysis and interpretation, timely and in a correct manner, in accordance with the procedures and principles set by the Public Oversight, Accounting and Auditing Standards Board.

(2) The Company is obliged to prepare the year-end consolidated and unconsolidated financial statements,

a) in the format and content contained in Annex-1; and

b) publish the statements on the web site together with the independent audit report within seven days, and disclose these statements to the users for five years following the approval by the General Assembly.

(3) Consolidated financial statements, shall be modified by adding the "Consolidated" phrase to the headings of the financial statements in the format and content contained in Annex-1, and adding additional rows, if necessary.

(4) **(Repealed:RG-1/8/2019-30849)**

(5) **(Annex:RG-21/10/2017-30217)** The term "interest rate" defined in this Regulation, shall be substituted with the term "dividend" for the companies that operate on an interest-free basis.

Deregistration

ARTICLE 4/A-(Annex:RG-27/11/2019-30961) ⁽⁴⁾

(1) In accordance with Article 6 of this Regulation, the portion of the "Receivables Qualified As Loss" account and lifetime expected credit loss provision due to debtor's default or part of which there are no reasonable expectations regarding the recovery of receivables with special provisions, is followed by the transfer of these receivables to the "Receivables Qualified As Loss" account. Starting from the first reporting period (interim or end of year reporting period), records can be deducted under TFRS 9.

(2) It is an accounting practice to deduct the receivables that cannot be collected within the scope of the first paragraph of this article and does not result in the right to waive.

(3) Indicators determined by the company regarding the absence of reasonable expectations regarding the recovery of receivables and the policies regarding the non-performing receivables, although deducted from the registry, the amounts deducted during the period within the scope of TFRS 9 and its effect on the ratio of NPL explained in footnotes.

SECTION THREE

Accounting of Provisions

Recognizing the losses due to receivables

ARTICLE 5 - (Amended:RG-29/6/2021-31526) (1) Companies recognize their incurred or expected losses due to their receivables in accordance with the provisions of this Regulation, Turkish Accounting Standards and the Uniform Chart of Accounts and Prospectus to be applied by Financial Leasing, Factoring, Financing and Saving Financing Companies.

Specific provisions and general allowances

ARTICLE 6 – (1) Companies should allow provisions;

a) At least twenty percent (20%) of receivables, regarding the payment of principal, interest or both, which are delayed over ninety days, but not exceeding hundred and eighty days from the due date;

b) At least fifty percent (50%) of receivables, regarding the payment of principal, interest or both, which are delayed over hundred and eighty days, but not exceeding one year from the due date;

c) Hundred percent (100%) of receivables, regarding the payment of principal, interest or both, which are overdue more than one year from the due date.

The periods specified in subparagraph (a) shall apply for a period of one hundred and eighty days and two hundred and seventy days; the periods specified in paragraph (b), shall apply for a period of two hundred seventy days and one year in factoring companies' guaranteed factoring transactions. The periods specified in subparagraph (a) shall apply for a period of one hundred and fifty days and two hundred and forty days; the periods specified in paragraph (b), shall apply for a period of two hundred and forty days and one year in financial leasing companies' transactions. Companies; have to allocate the necessary provisions until the end of the month in which the delays mentioned in this paragraph are realized.

(2) In the event that there is no delay or the delay regarding the collection of principal or interest payments does not exceed the expiry dates specified in the first paragraph; companies may allow special provisions at rates which they will determine without including the collateral amount in the calculation, taking into account all current data on the borrower's credit worthiness, and reliability and precautionary principles specified in Turkish Accounting Standards.

(3) In the event of any delay regarding the collection of the amounts due for insurance premiums, tax payments or commissions, provided that there are no delays in the principal or interest payments specified in the first paragraph; the minor amounts of receivables in question may not be subject to specific provisions, evaluating the materiality principle in the framework of the relevant Turkish Accounting Standards. **(Add. cls:RG-2/5/2018-30409)**⁽³⁾ The allowance for special provisions regarding each and individual receivable, equal or less than 100 Turkish Lira, and the subject of recognizing these receivables under the "Receivables in Liquidation" or "Non-Performing Receivables" accounts are at the discretion of the companies.

(4) **(Repealed:RG-2/5/2018-30409)**⁽³⁾

(5) The company shall make provisions in general and without directly dealing with any transaction, or to meet its losses arising from receivables, regarding the payment of principal, interest or both, which are not yet delayed or which are delayed for less than ninety days, but amount of which is not clear for certain.

(6) **(Amendment:RG-27/9/2016-29840)** Financing companies, reserve a general provision amounting to one percent (1%) of the loan amount for consumer loans other than mortgage loans; two percent (2%) of the loan amount of receivables, regarding the payment of principal, interest or both, which are delayed over thirty days, but not exceeding ninety days from the due date as of March, June, September and December.

(7) The Company is obliged to transfer the receivables under the scope of subparagraphs (a) and (b) of the first paragraph to the "Non-Performing Receivables", and the receivables under the scope of subparagraph (c) of the same paragraph to the "Receivables Qualified As Loss" account; not later than the end of the month in which the delays take place.

(8) Special provisions are recognized over the rate applied to the principal amount of the receivable, for interest, income accrual and rediscount amounts written before but have not been collected regarding the receivables which are traced under "Non-Performing Receivables" and "Receivables Qualified As Loss" accounts.

Allocating A Provision Within The Scope of TFRS 9

ARTICLE 6/A – (Add:RG-2/5/2018-30409)

(1) Provided that they notify the Agency; Companies, can allocate a provision for the expected credit loss, within the scope of TFRS 9.

(2) Provisions allocated within the scope of TFRS 9, regarding this Regulation are recognized as follows:

a) Provision for expected loss on loan for the period of twelve months, and Provision for expected loss on loan for a life-time period, due to the significant increase in the credit risk of the debtor are recognized as a general provision

b) Provision for expected loss on loan for a life-time period, due to the default of the borrower are recognized as a special provision.

Restructuring

ARTICLE 7 – (1) Regarding the receivables where the delay in the collection of principal or interest payments exceeds the time period specified in the first paragraph of Article 6; those that are restructured by providing the debtor additional loan or financing, a decrease in the principal and/or interest rate or just providing a new payment plan without such facilities, are obliged to be monitored for at least ninety days under "Non-Performing Receivables" and "Receivables Qualified As Loss". The company continues to allocate special provisions in accordance with the provisions of the first paragraph of Article 6 for the amount of the restructured receivables. The amount of restructured receivables may be transferred to the relevant main activity receivables account at the end of this period, based on the assessment to be made with all existing data on the borrower's credit worthiness and considering the reliability and prudence assumptions specified in the relevant article of the Turkish Accounting Standards.

Collaterals

ARTICLE 8 – (1) Companies are required to follow up the collaterals related to their receivables, classifying them as of the following collateral groups. The amount of collateral is taken into account as a discount from the amount of the receivable, in the calculation of the specific provision amount.

a) First Group Collaterals;

1) Cash at banks established in Turkey, deposits, participation funds and gold deposit accounts, provided that a letter of pledge or deed of assignment is arranged; funds obtained from Type (B) mutual fund participation certificates and repo transactions against bonds, treasury notes and similar securities issued or guaranteed to be paid by Treasury, Central Bank, Directorate of Privatization Administration and Housing Development and Administration in Turkey; card acceptor receivables from credit cards and gold stored in banks in Turkey or the company;

2) Transactions with Treasury, Central Bank, Directorate of Privatization Administration and Housing Development and Administration in Turkey or against bonds, treasury notes and similar securities issued or guaranteed to be paid by these institutions;

3) Securities issued by central governments, central banks or surety of OECD countries and their guarantees;

4) Guarantees and surety of banks operating in OECD countries;

5) Securities to be issued by the European Central Bank or against the Surety of this Bank and the guarantees and sureties provided by the Bank;

6) sureties, letters of guarantee, endorsement and negotiation of banks operating in Turkey, within their credit limits;

7) Bonds and treasury notes issued by banks operating in Turkey; lease certificates where banks are fund users and mortgage-backed securities and asset-backed securities issued by these banks;

8) (**Add:RG-8/1/2016-29587**) Guarantees granted by corresponding banks operating in OECD countries, as of export operations;

b) Second Group of Collaterals;

1) Precious metals other than gold,

2) Shares quoted on the stock exchange, and (A) type mutual fund participation certificates,

3) Private sector bonds and asset-backed securities, except those issued by the Borrower,

4) Credit derivative agreements providing protection against the risk of non-collection of receivables,

5) Deed of assignment or pledge on real and legal persons' claims arising from public institutions,

6) Securities that are easily convertible to cash and securities that represent the commodity; all kinds of pledged commodities, vehicles and securities, not exceeding the market value.

7) Providn that the appraisal is sufficient; mortgages on real estate properties and real estates built on assigned land.

8) (**Amended:RG-8/1/2016-29587**) Export documents based on marine bill of lading or carrier's receipt; or under the export credit insurance policy,

9) Bills of exchange originating from and arising from real business relationship with real and legal persons,

10) (**Add:RG-8/1/2016-29587**) Insurance policies as of Commercial Receivables,

11) (**Add:RG-8/1/2016-29587**) Guarantees of the Credit Guarantee Fund that do not have the support of the Undersecretariat of Treasury,

12) (**Add:RG-8/1/2016-29587**) Regarding the export operations; guarantees provided by foreign correspondents operating outside the countries referred to in subclause (8) of subparagraph (a) as of the first paragraph.

c) Third Group Collaterals;

1) Commercial enterprise pledge,

2) Other export documents,

3) Pledges on commercial vehicle lines and commercial vehicle license plate book,

4) The aircraft or ship mortgage,

5) Sureties of real and legal persons whose credibility is higher than that of the debtor,

6) Other securities received from real and legal persons.

ç) Fourth Group Guarantees; covers the types of collateral outside the first three groups.

(2) The assets held by the Company in the capacity of lessor in financial leasing transactions; is taken into account in accordance with the security groups specified in this article.

Taking into account the collaterals in the calculation of special provisions

ARTICLE 9 – (1) Collaterals are subject to valuation according to Turkish Accounting Standards.

(2) The receivable amount subject to special provision is calculated deducting the valued amounts of the collaterals from the receivable amount taking into consideration the following rates. The amount of receivable subject to special provision is determined based on the individual receivable of the company and the valued amounts of the debtor's collaterals, for each debtor.

a) First group of collaterals: Hundred percent (% 100)

b) Second group of collaterals: Seventy five percent (% 75)

c) Third group of collaterals: Fifty percent (% 50)

ç) Fourth group of collaterals: Twenty five percent (% 25)

(3) In the calculation of special provisions, the value of the collateralized amount to be taken into consideration cannot exceed the receivable amount. In the event that the amount of the collateral amount exceeds the amount of the receivable; the amount to be calculated as a result of the application of the aforementioned consideration rates only to the part of the

receivable that corresponds to the receivable amount shall be considered as the amount to be deducted.

(4) In case the amount of a receivable is collateralized by the type of collateral followed in more than one group;

a) In determining the receivable subject to special provision; the collaterals to be taken into consideration are calculated starting from the first group accepted as the most liquid in the group order.

b) It is checked; whether individually valued amounts of each collateral exceeds the receivable amount.

c) The portion of the receivable on which the special provision shall not be applied is derived by multiplying the valued amount of the collateral type which is considered as the first in the calculation (at a portion that is equal to the receivable) by the rate of consideration for this collateral. If any; the same transaction is repeated separately and respectively for the collateral types in the same group and subsequently in the following groups, provided that they are not of the same type of collateral.

ç) If there is still a special provision for the receivable left as a result of these transactions, then a special provision is allocated for the remaining amount.

Exceptions

ARTICLE 9/A – (Add:RG-17/8/2017-30157)

(1) Special and general provision ratios as of receivables from public institutions and organizations are considered as zero percent.

General provisions for vehicle loans

PROVISIONAL ARTICLE 1 – (Add:RG-7/2/2014-28906) ⁽¹⁾

(1) The sixth paragraph of Article 6 of this Regulation is not applicable for vehicle loans granted before 24/12/2013.

Delay Time Under State of Emergency

PROVISIONAL ARTICLE 2 – (Add:RG-14/12/2016-29918) ⁽²⁾

(1) The delay periods set forth in the first and sixth clause of Article 6 shall begin as of January 21, 2017; for the debtors whose workplaces have been closed down, transferred to the General Directorate of Foundations or the Treasury, or where Savings Deposit Insurance Fund has been assigned as trustee; for public officials expelled from their official duty, or real and legal persons whose assets are put in precaution, as per statutory decrees promulgated under the state of emergency declared nationwide, which go in effect pursuant to the Decree Law No. 2016/9064 of 20/7/2016. Council of Ministers is authorized to extend this period.

PART FOUR

Enforcement and Execution

Enforcement

ARTICLE 10 – (1) This Regulation shall enter into force on the date of its publication.

Execution

ARTICLE 11 – (1) The provisions of this Regulation are executed by the President of the Banking Regulation and Supervision Agency.

	The Official Gazette which involves this Regulation	
	Date	Issue No
	24.12.2013	28861
	The Official Gazette which involves the Amending Regulations to this Regulation	
	Date	Issue No
1.	7.02.2014	28906
2.	26/6/2015	29398
3.	8.01.2016	29587
4.	27.09.2016	29840
5.	14.12.2016	29918
6.	17.08.2017	30157
7.	21.10.2017	30217
8.	2.05.2018	30409
9.	1.02.2019	30673
10.	1.08.2019	30849
11.	27.11.2019	30961