

Regulation on the Principles and Procedures of Coordination and Execution of Debt and Risk Management

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Purpose and Scope

Article 1- The purpose with this Regulation is to set forth the principles and procedures concerning the coordination and execution of Debt and Risk Management. This Regulation covers the units which are in charge of Debt and Risk management.

Legal Basis

Article 2- This Regulation was issued in accordance with the Clause 16 of Law on the Regulation of Public Finance and Debt Management, dated 28/3/2002 and numbered 4749.

Definitions

Article 3- The terms used in this Regulation and actual definitions of them are as follows:

- a) **Minister:** The Minister in charge of the Undersecretariat of Treasury;
- b) **Undersecretary:** Undersecretary of Treasury;
- c) **Undersecretariat:** Undersecretariat of Treasury;
- d) **Information systems:** The existing information systems by which external and internal loans, credits and Treasury guarantees are monitored, reported and collections, payments, and account transactions are executed and also other possible information systems which will be able to be developed in scope of loan and debit-credit management, within the structure of Undersecretariat;
- e) **Units which are in charge of debt management:** General Directorate of Public Finance and General Directorate of External Economic Affairs under the Undersecretariat;
- f) **Law:** The Law on the Regulation of Public Finance and Debt Management dated 28.3.2002 and numbered 4749;
- g) **Criteria:** Indicators and criteria on which the assessment of debt and risk management will depend;

- h) **Risk limit:** Risk level that is allowed in scope of obligations which come out as results of transactions performed by units which are in charge of debt management;

Principles

Article 4- The execution of public debt and risk management shall be based on the following principles:

- a) To follow a sustainable, transparent and accountable loan policy that conforms to monetary and fiscal policies in respect to macroeconomic equilibriums,
- b) To address finance requirements in limits of risk level which is determined by taking domestic and international market conditions and cost factors into consideration with minimum cost as much as possible in medium and long terms.

Coordination of Debt and Risk Management

Article 5- The aspects of performing the execution (by units in charge of debt management) of debt and risk management policies, arranged by Deputy General Directorate under the structure of Undersecretariat, General Directorate of Public Finance, are brought into conclusion by a committee which consists of Deputy Undersecretaries, General Directors of units which are in charge of debt management, in the Undersecretary's leadership. However, at the meetings with the agenda related to tasks which have been stated in (a), (b), (c), (d) and (k) items of 2. Clause, Minister should be the chair.

The committee performs the following tasks:

- a) To determine loan strategies, risk limits and deviation ratios of these risk limits, which will be valid for the next year and the following 2 years, in accordance with the principles in Article 4, once a year;
- b) By six-months periods, revising, -and if needed, modifying- the loan strategies, risk limits and deviation ratios of these risk limits referred to in item (a) hereof, according to their consistency with economic movements;
- c) To make changes the strategies, risk limits and deviation ratios of risk limits referred to in item (a) in cases of changes in domestic and international economic conditions, if needed;

- d) To make changes the strategies, risk limits and deviation ratios of risk limits referred to in item (a) in cases of economic crisis and force majeure circumstances, if needed, ;
- e) To ensure required coordination among units which are in charge of debt management;
- f) To determine the policies and principles related with the provision of guarantees, foreign indebtedness and receivables management every year;
- g) To evaluate the transactions proposed for modifying the debt management structure and to direct the units which are in charge of debt management;
- h) To evaluate the loans received and the risks exposed in terms of the matters referred to in items (a) and (e) in quarterly periods;
- i) To propose every year the limit of guaranteed facility to be included in the budget law of the relevant fiscal year;
- j) To evaluate the progress reports which will be prepared quarterly by units which are in charge of debt management and include the aspects related to institutional meetings with market representatives and international institutions;
- k) To evaluate the Public Debt Management Report to be prepared quarterly pursuant to article 14 of the Law;
- l) To take measures required for the development of debt and risk management infrastructure in accordance with the first paragraph of Article 12 of the Law, and to ensure the implementation of these measures by concerned units.

Debt and Risk Management Activities

Article 6- Below mentioned activities are executed by Deputy General Directorate, which is in charge of risk management, under the Undersecretariat General Directorate of Public Finance and in this way, running of decision processes which are based on performance and effective in public debt and risk management are provided.

- a) To propose the strategies, policies and principles to be followed to be applied in the activities creating Treasury claims, in coordination with relevant Undersecretariat units, that arise as a consequence of the practices stated in Article 10 of the Law and the liabilities created by borrowing and extending guarantees,
- b) To make suggestions to the Committee concerning the strategies, limits and rates of deviation from the limits referred to in sub-clause (a) of article 5,

- c) To determine costs and risk criteria,
- d) To conduct short and medium term cost and risk analyses of public loan portfolio, extra-budgetary liabilities and Treasury claims,
- e) To make sustainability and consistency analysis of medium and long term macroeconomic targets and borrowing policies compatible with monetary and fiscal policies,
- f) To prepare and follow annual and quarterly borrowing program,
- g) To assess and report quarterly whether borrowings made and relevant risks incurred are compatible with the matters stated in sub-clause (a) of paragraph two of article 5 and the programs referred to in sub-clause (f) hereof and to make suggestions,
- h) To follow and evaluate the activities of primary and secondary markets and make suggestion for the development of said markets with the units responsible for debt management,
- i) To calculate and to propose to the Committee the guaranteed facility limits to be defined by budget laws every year in the context of Article 5 of the Law in coordination with units which are in charge of debt management,
- j) To make suggestions to the Committee in the framework of development of debt and risk management infrastructure in accordance with the first paragraph of Article 12 of the Law,
- k) To calculate the funds to be proposed to be allocated for the budget of the relevant year to the risk account in coordination with the units responsible for debt management according to the Article 13 of the Law,
- l) To draft and submit to the Committee the Public Debt Management Report,
- m) To evaluate the reliability of the information systems within the scope of risk management,
- n) To carry out other duties to be given related to debt and risk management,
- o) To propose suggestions to the Committee about the policies to be followed in debt management, foreign currency, interest and maturity composition of the borrowing to be made and general properties of the instruments to be used in the borrowing,
- p) To give opinion about the appropriateness of the transactions, creating direct or conditional new liabilities with an important amount of deviation of public's

debt portfolio from risk limits, determined by the Committee, to the determined criterias,

- r) To propose suggestions to the Committee about communication with the investors, export strategies of the public securities and development of the borrowing instruments, in coordination with the units responsible from the borrowing,
- s) To propose suggestions to the Committee in order to ensure the sustainability of the relations with market representatives, investors, creditors, credit rating agencies and other international organizations, on the basis of the risk control strategy,
- t) To propose suggestions to the Committee by evaluating new borrowing instruments developed by the entities in charge of debt management, on the basis of the risk management strategies,

Information Systems

Article 7- Unlimited access of the personnel responsible for risk management to the information systems and reporting tools are provided. Units responsible for debt management satisfy information and data requirements made in the scope of risk management rudimentarily and within comprehensible periods.

Informing the Public

Article 8 - The Undersecretariat shall announce the Public Debt Management Report to the public following the submittal thereof to the institutions stated in article 14 of the Law.

Effective Date

Article 9- This Regulation shall enter into force on January 01, 2003.

Execution

Article 10- The Minister in charge of the Undersecretariat of Treasury shall execute the provisions of this Regulation.