

# GEDİK & ERAKSOY

November 2014

## *Recent Improvements in the Current Regulatory Framework for Credit Rating Agencies*

*The Communiqué Serial VIII No. 51 on the Principles of Credit Rating Activities and Credit Rating Agencies in the Capital Markets has been amended with effect from 29 August 2013.*

### **Overview**

In line with the recent amendments to the Regulation (EC) No 1060/2009 on credit rating agencies introduced by the Regulation (EU) No 462/2013, the Capital Markets Board of Turkey (the **CMB**) issued the Communiqué Serial VIII No. 76 amending the Communiqué Serial VIII No. 51 on the Principles of Credit Rating Activities and Credit Rating Agencies in the Capital Markets (the **Communiqué Serial VIII No. 76**) which, for the first time, lays down the principles relating to announcement of sovereign ratings. The Communiqué Serial VIII No. 76 particularly focuses on: (i) timing of sovereign rating announcements; (ii) research reports on sovereign ratings; and (iii) sovereign ratings' review periods.

### **Timing of Sovereign Rating Announcements**

At the end of each December, credit rating agencies should disclose to the CMB and public a calendar for the following year setting out the dates for sovereign ratings and related rating outlook announcements. In principle, all announcements should be set on a Friday, and be made only after close of business of the trading in the stock exchange, or at least one hour before their opening.

In order to obtain any information that may have an impact on the rating, unsolicited sovereign ratings and related outlooks should be notified to the relevant public institution that is in charge of the issuance 12 hours before their announcement. A list of the persons entitled to receive such notification should be determined by the relevant public institution and credit rating agency. The number of announcements to be made in a year for unsolicited sovereign ratings is limited to three.

### **Research Reports on Sovereign Ratings**

Credit rating agencies must disclose to the public a detailed research report setting out all matters taken into account by them in determining the sovereign rating or related outlook such as assumptions, qualifications, variances and uncertainties. In cases where a credit rating agency changes a sovereign rating, the research report must include at least the following:

- a detailed evaluation of the changes to the quantitative assumption justifying the reasons for the rating change and their relative weight. The detailed evaluation should include a description of the following: per capita income, GDP Growth, inflation, fiscal balance, external balance, external debt, an indicator for economic development, an indicator for default and any other relevant factor taken into account. This should be complemented with the relative weight of each factor;

- a detailed evaluation of the changes to the qualitative assumption justifying the reasons for the rating change and their relative weight;
- a detailed description of the risks, limits and uncertainties related to the rating change; and
- a summary of minutes of the meeting of the rating committee that decided on the rating change.

### ***Sovereign Ratings' Review Periods***

The review period to be applied to sovereign ratings (either solicited or unsolicited) is limited to maximum six months.

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