

## *The Central Bank of Turkey issued a new communiqué on credit card interest rates*

6 November 2020

### **Background**

By the Communiqué on Maximum Interest Rates Applicable to Credit Card Transactions (No: 2020/16) (**New Communiqué**), published in the Official Gazette dated 31 October 2020 and numbered 31290, the Central Bank of Turkey (**CBRT**) introduced a new reference based calculation method for credit card interest rates. As a result, the credit card interest rates, which had been reduced regularly during the COVID-19 outbreak, were increased. In its press release, the CBRT stated that the new calculation method constitutes a predictable rule-based method reflecting the current market conditions.

The Communiqué on Maximum Interest Rates Applicable to Credit Card Transactions (No: 2016/8) published in the Official Gazette dated 12 November 2016 and numbered 29886 was repealed by the New Communiqué.

### **What does the New Communiqué bring?**

#### **(a) A new calculation method for the maximum contractual and default interest rates for credit card transactions**

The monthly maximum contractual interest rate for credit card transactions in Turkish Lira will be determined by adding 55 basis points to the reference rate calculated as per the Communiqué on the Principles and Procedures Regarding the Fees that Banks Can Charge to their Commercial Clients (No: 2020/4) published in the Official Gazette dated 10 February 2020 and numbered 31035. The monthly maximum contractual interest rate for credit card transactions in foreign currency will be calculated by rounding 80 percent of the contractual interest rate of Turkish lira credit card transactions to two digits after comma.

The monthly maximum default interest rate to be applied in credit card transactions will be determined by adding 30 basis points to the monthly maximum contractual interest rates for credit card transactions both in Turkish lira and foreign currency.

For the participation banks, monthly contractual profit sharing and delay penalty rates for credit card transactions shall not exceed the applicable monthly maximum contractual and default interest rates to be calculated as per the foregoing method.

#### **(b) Higher interest rates on credit card transactions**

In an effort to provide financial relief to credit card customers in Turkey against the impacts of COVID-19 outbreak, both the CBRT and the Banking Regulatory and Supervision Authority have been introducing certain amendments to the applicable legislation, including but not limited to, lowering the applicable interest rates. This approach taken by the regulators seem to be reversed by issuance of the New Communiqué, as a result of which the interest rates applicable to credit transactions have been increased. Pursuant to the CBRT's announcement, to be effective as of 1 November 2020, the maximum contractual interest rates for Turkish Lira and foreign currency credit

card transactions have been increased to 1.46% and 1.17% from 1.25% and 1.00%, respectively, whereas the monthly maximum default interest rates have been increased to 1.76% and 1.47% from 1.55% and 1.30% for credit card transactions in Turkish Lira and foreign currency, respectively.

**(c) Announcement on the CBRT's official website**

According to the New Communiqué, the applicable interest rates to be calculated based on the new calculation method will be announced on the official website of the CBRT on the fifth-to-the last business day of each month and will be applicable by the first day of the following month.

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