

ACTIVE RATIO: RECENT EASING MEASURES

29 September 2020

Authors: [Devrim Ergun](#), [Nazlı Başak Ayık](#)

In April, as part of its measures to control the economic effects of the Covid-19 pandemic, the Turkish Banking Regulatory and Supervision Agency (“BRSA”) introduced a requirement for banks to calculate an active ratio, where their level of lending would be measured against their deposits. Perceived as (among other measures) a push by the regulator on private banks to increase their lending, thereby sharing responsibility with public banks during a potential liquidity crunch, active ratio requirements were gradually eased with the onset of the “normalization” process. The latest decrease in the required active ratio levels was introduced by the BRSA on 28 September.

The current formula for the calculation of the active ratio of a bank is the following: $[Loans^1 + (Securities \times 0.75) + (Turkish\ Central\ Bank\ Swap \times 0.5)] / [Turkish\ Lira\ Deposits + (Foreign\ Currency\ Deposits \times 1.75^2)]$

When it was first introduced in April, the minimum active ratio required of a bank by the BRSA was determined as 100% for deposit banks and 80% for participation banks. In August, these figures were revised as 95% and 75%, respectively. Finally, pursuant to the BRSA announcement dated 28 September, a bank’s active ratio must be at least **90%** for deposit banks and **70%** for participation banks, applicable as of 1 October. The active ratio requirement is not applicable to development and investment banks and banks under the management of the Saving Deposit Insurance Fund.

In the above formula;

- “Loans” means the total amount of loans granted to commercial and individual customers, except for non-performing loans, non-cash loans, facilities granted to other banks, factoring and financing companies, residents abroad and facilities with a term shorter than three months.
- “Securities” means the total value of private sector bonds and debentures as well as Turkish Treasury debt instruments, lease certificates and Eurobonds. Securities and share certificates issued by residents abroad are not included in this calculation, whereas funds provided to real estate investment funds and venture capital investment funds are included.

¹ A coefficient of “1.1” is applied to (i) loans granted to small and medium sized enterprises, (ii) project financing facilities and (iii) export credits.

² This coefficient is applied as “1.00” for (i) foreign currency deposits up to an amount equal to foreign currency loans and (ii) deposits belonging to foreign residents.

- “Turkish Central Bank Swap” means the total amount in Turkish Lira (“TL”) of the foreign currency provided by banks to the Turkish Central Bank (“CB”) in a swap transaction.
- “Turkish Lira Deposits” means the total amount of the TL denominated deposits / participation funds, except for local/foreign banks’ deposits (*bankalar mevduatı*).
- “Foreign Currency Deposits” means the total amount of foreign currency deposits / participation funds, including gold and precious metals.

When calculating the active ratio, the foreign currency figures must be converted to TL at the average CB buying rate for the previous month, as notified to banks by the BRSA. The required reserves maintained by the CB for deposits and the cash balance maintained by banks to meet their clients’ cash needs are not included in the active ratio formula.

The active ratio must be calculated by banks on a weekly basis, but verification by the BRSA is made on a monthly basis. Accordingly, the monthly average of the weekly calculated ratio shall not be lower than the active ratios determined by the BRSA.

Çakmak Avukatlık Ortaklığı

Piyade Sokak, No. 18
C Blok, Kat:3, 06550
Çankaya, Ankara - Turkey

T +90 312 442 4680

Zorlu Center, D Lobisi, T3 Katı,
Daire 356, Levazım Mahallesi,
Koru Sokak No:2 34340
Beşiktaş İstanbul - Turkey

T +90 212 939 7560

This information is provided for your convenience and does not constitute legal advice. It is prepared for the general information of our clients and other interested persons. This should not be acted upon in any specific situation without appropriate legal advice and it may include links to websites other than the website.

Çakmak Avukatlık Ortaklığı has no responsibility for any websites other than its own and does not endorse the information, content, presentation or accuracy, or make any warranty, express or implied, regarding any other website.

This information is protected by copyright and may not be reproduced or translated without the prior written permission of Çakmak Avukatlık Ortaklığı.