

# New limitations by BRSA on Turkish banks' SWAP transactions against Turkish Lira short-selling

15 August 2018

Authors: [Güniz Gökçe](#), [Ceren Şen](#)

In response to the recent significant decline in the value of the Turkish Lira, a number of measures were taken by the Turkish government over the weekend and at the beginning of this week in order to stabilise the currency.

In response to the recent significant decline in the value of the Turkish Lira, a number of measures were taken by the Turkish government over the weekend and at the beginning of this week in order to stabilise the currency.

In particular, as a precautionary measure, the Banking Regulation and Supervision Agency (“**BRSA**”) restricted the total notional principal amount of Turkish banks' currency swap and swap-like transactions (spot and forward FX transactions) with foreign counterparties where on the initial exchange, local banks pay Turkish Lira and receive foreign currency to a maximum of 25% of the respective bank's regulatory capital. Unless the current excess is eliminated, no further swap and swap-like transactions (spot and forward FX transactions) are permitted and maturing transactions may not be renewed. The above mentioned ratio is to be calculated daily on a consolidated and individual basis.

Further precautionary measures were announced early this week by the Central Bank to comfort the money markets, where the Central Bank pledged to provide liquidity and cut reserve requirements for Turkish banks to help them manage their lira and foreign-currency liquidity. Additional measures were adopted by the BRSA today relaxing the reserve requirements for restructured debt. We will cover these measures under separate cover.

The threshold set by the banking regulator to lenders' swap transactions limits foreign swap counterparties' access to lira liquidity in the offshore swap market and makes it harder for them to borrow the currency from local lenders to conduct short-selling trades in Turkish Lira, which has been identified as an important exacerbating factor in the recent depreciation of the Turkish Lira. For ease of reference, please find below the link to the full announcement:

[https://www.bddk.org.tr/WebSitesi/english/Announcements/Press\\_Releases/17182duyuru25ing.pdf](https://www.bddk.org.tr/WebSitesi/english/Announcements/Press_Releases/17182duyuru25ing.pdf)

---

**GKC Partners**

Maya Akar Center

Büyükdere Caddesi No: 102 Kat: 28

34394 - Esentepe, Istanbul - Turkey

**T** +90 212 355 13 00

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.

GKC Partners 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 GKC Partners.