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*Competition Policy Issues
in the
Financial Services Sector in Turkey*

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*I. Overview of the Turkish
Financial Services Sector Realities*

- 1. A developing sector : e.g. "Non-performing loan"
as a concentration dynamic*
- 2. Main characteristics: Insufficient equity capital
and inter-company dependence (vertical
integration results)*
- 3. Consolidation trends*
- 4. Cross-border ownership trends*

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I. Overview of the Turkish Financial Services Sector (continued)

5. *Economies of scale issues, minimum size requirements, efficiency gains (National Champions?)*
6. *Avoidance of endogenous triggers of financial crises through regulatory measures v. High Legal Barriers to Entry*
7. *Technology based rendering of financial services: (i) Room for dynamic efficiencies in concentrations, and (ii) not much of opportunities to maintain market power without innovation*

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II. Other Governing Players of the Turkish Financial Services Sector

1. *The Banking Regulation and Supervision Agency*
2. *The Savings Deposit Insurance Fund*
3. *The Capital Markets Board*

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III. Peculiarities in Regulations

- 1. Exception to the merger control filing requirement where the aggregate amount of assets do not exceed 20% of the entire Turkish banking sector : Lack of sufficient competitive supervision/monitoring?*
- 2. Specific turnover calculation methods for notifiability analyses in the banking sector.*

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IV. Peculiarities in Enforcement

Overlapping jurisdiction and differing interests:

- 1. Alpha Bank : No green-light from the Banking Regulation and Supervision Agency)*
- 2. Banking Regulation and Supervision Agency's regulatory "duty to prevent unfair competition" and the Competition Board's duty to preserve the processes of competition*

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V. An Observation on the Competition Authority's Practice in relation to the Financial Sector

*Particular focus on financial services for individual consumers:
Liberalization goals either secondary or left to the other governing players in the short-term*

Probable causes:

- 1. No desire to interfere with the mystique dynamics of a heavily regulated market;*
- 2. Too many unknown parameters leading to baby steps*

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VI. Proposed Discussion Points for a More Efficient Competition Process

Short Term:

- 1. Removal of the ban on public authorities/undertakings to place/invest savings on private banks: Better opportunities for private banks to compete with public-owned banks for public savings*

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VI. More discussion points

Long Term:

Removal of the legal/structural differences between existing financial institutions and potential new entrants: Creation of a levelled investment environment for new entrants

Favoring encouragement of new investments and more effective allocation of resources

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VI. ...and more...

Long term continued:

Addressing issues of vertical integration only in so far as the financial institutions are strong enough to address equity shortage issues (baby steps recommended)

Barriers to entry to be prioritized as a target

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Ortak Avukat Bürosu