

The regulation of the Money Transfer Industry in the region and Turkey's recent changes

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Outline

1-Regulations and Their Background

2- The Content of Regulations

4- The Scope of the Regulations and Potential Participants

2- Differences from the EU Regulation

Recent Regulations

- ❑ The Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions Nr. 6493 (**June 2013**)
- ❑ Sub-Regulations (**June 2014**)
 - Regulation on Payment Services, Electronic Money Issuance, Payment Institutions and Electronic Money Institutions (BRSA)
 - Communiqué on Information Systems Management and Supervision in Payment Institutions and Electronic Money Institutions (BRSA)
 - Regulation on Overseeing Payment and Securities Settlement Systems (the Central Bank)

Reasons for Regulation

- Alignment with the EU regulations
- To create legal certainty
- Consumer protection
- Competition and efficiency
- To improve service quality
- Financial inclusion

The Basis of the Regulations

- 2007/64/EC Payment Services Directive
- 2009/110/EC Electronic Money Directive
- UK Legislation
- ECB – Recommendations for the Security of Internet Payments
- ECB – Recommendations for the Security of Mobile Payments
- EC – Revised Payment Services Directive (PSD2)
- Banking Legislation
- Financial Leasing, Factoring and Financing Companies Legislation
- BRSA Supervision Experience

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What does the Law bring?

- ❑ **Non-bank payment service providers**
 - Incorporation
 - Capital requirements
 - Corporate governance,
 - Prohibition of granting loans
 - Safeguarding of funds
 - Supervision
 - Keeping documents and records, protecting personal information
 - Sanctions and legal proceedings

Sub-regulations

INSTITUTIONS

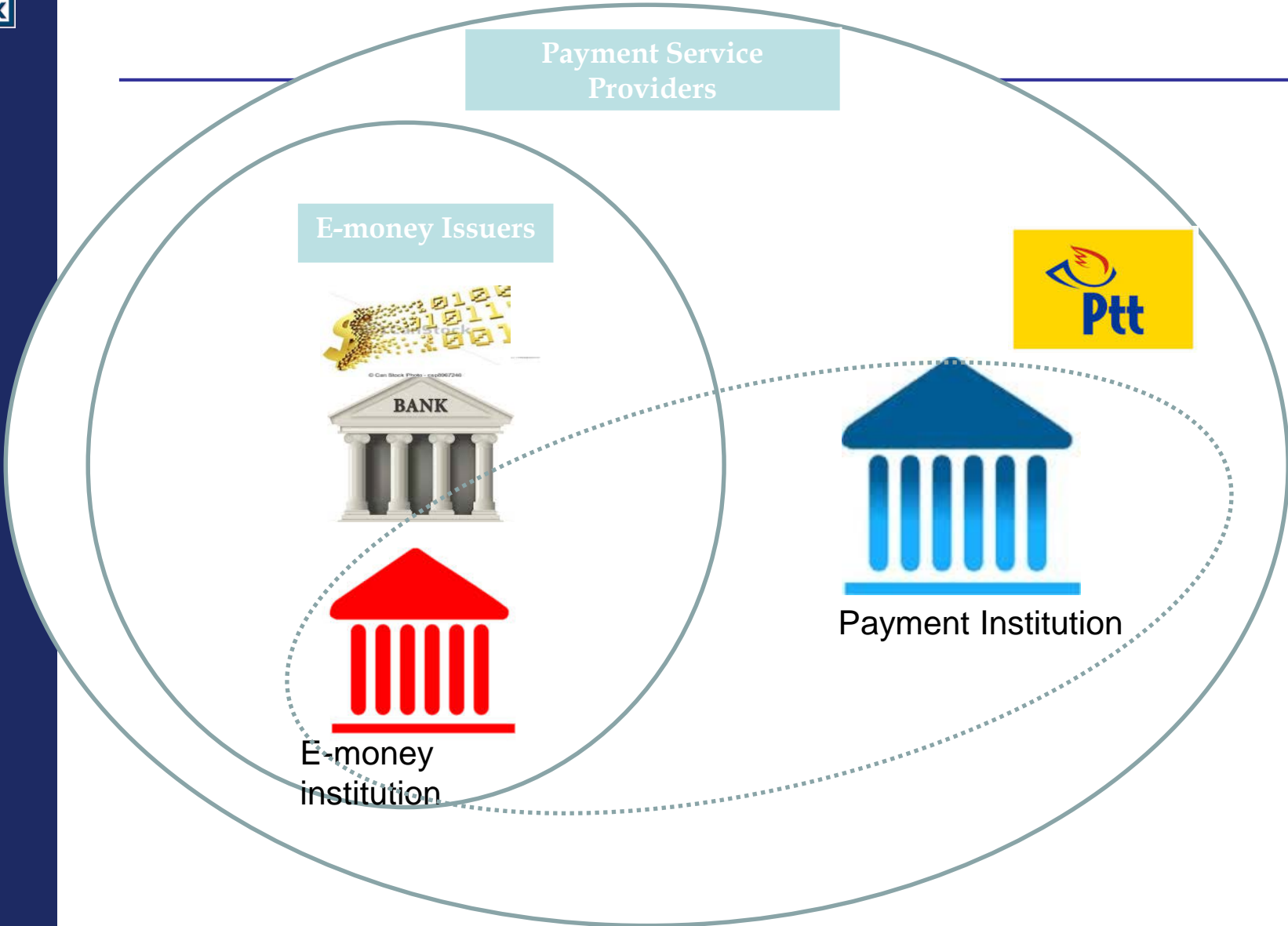
- Operating permission
- Operations limit
- Branches, Agents and Outsourcing
- Corporate Governance
- Own Funds
- Safeguarding funds
- Secure and sound information systems
 - Robust Governance and clear organisational structure
 - Adequate internal control and risk management mechanisms (proportionate to the scale, nature and complexity of the business)

CONTRACT AND RIGHTS AND OBLIGATIONS

- Single transactions/Framework contract
- Authorization of payment transactions/unauthorized transactions
- Refunds / refusal of payment orders
- Execution of payment transactions

Outline

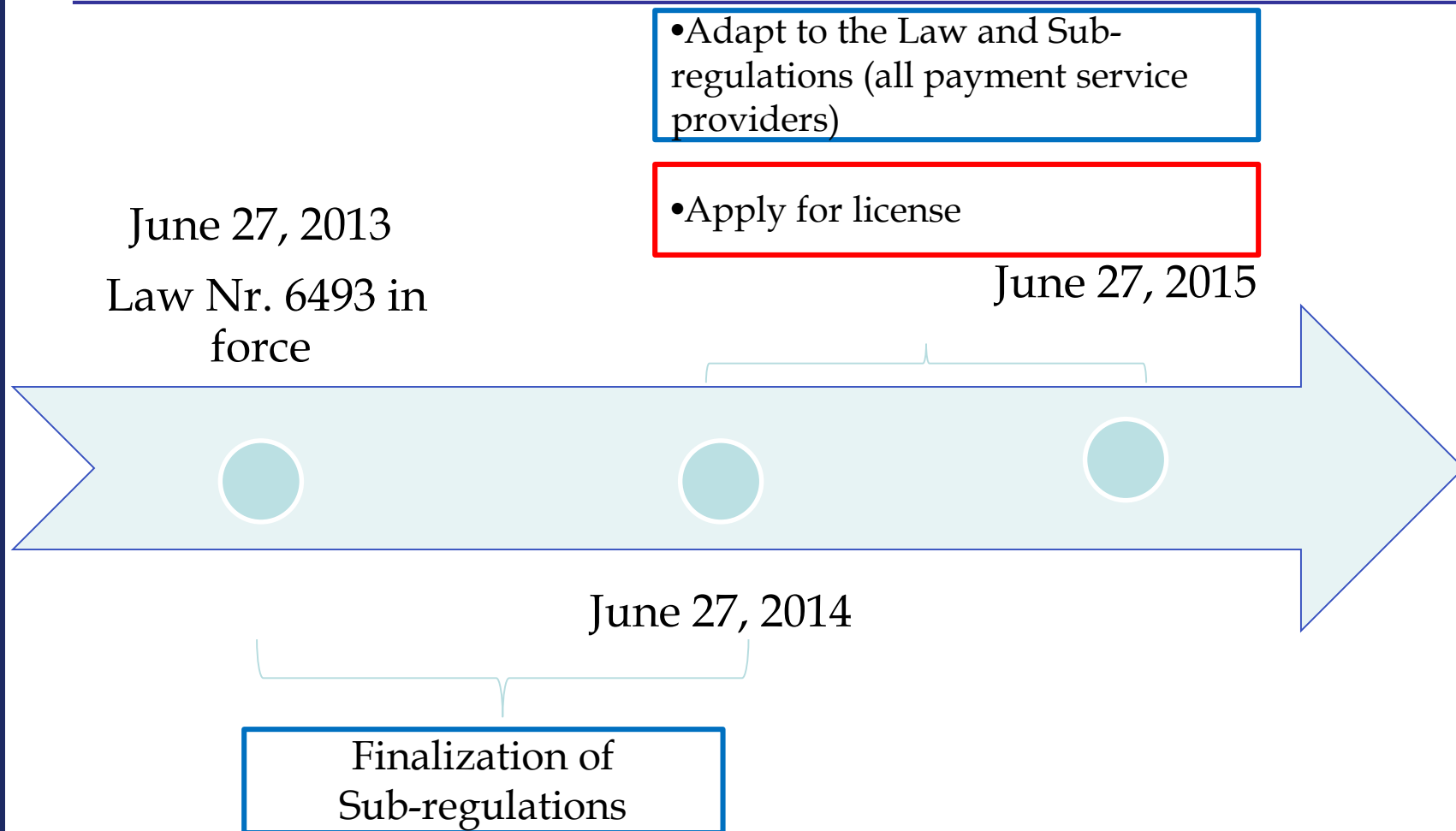
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Expected Participants

- Bank subsidiaries (E-money or Payment)
- Electronic money institutions (Global-national)
- Payment institutions
 - National-Global payment institutions
 - Aggregator institutions
 - E-commerce companies
 - Bill payment institutions
- Subsidiaries of Mobile Operators (E-money or Payment)

Timeline



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Legal presence in Turkey

- Establishment in Turkey
 - Agency Agreements
 - No Passport

- No waiver

Higher Initial Capital Requirements

Bill Payment Institutions

1 Million TL

(370 Thousand USD)

Payment Institutions

2 Million TL

(740 Thousand USD)

Electronic Money Institutions

5 Million TL

(1 Million 850 Thousand USD)

Limited Operations

- **Payment Institutions**

- Payment Services
- Exchange Services
- Operation of Payment System

- **Electronic Money Institutions**

- Electronic Money Issuance
- Payment Services
- Exchange Services
- Operation of Payment System

Prohibition of Granting Loans

- ❑ Payment Institutions and Electronic Money Institutions **cannot grant credit.**
- ❑ Payment thorough bills of telecommunication operators is not accepted as credit. These operators cannot send the payment before they receive it from the costumer. They cannot give guaranty for the amount that needs to be paid.
- ❑ Granting of credit lines and the issuance of credit cards, only where it is closely linked to payment services. Only if credit is granted in order to facilitate payment services and such credit is of a short-term nature and is granted for a period not exceeding twelve months (EU Payment Services Directive)

Establishment of primary and secondary information systems within the country

Information Systems Requirements

-  Primary and Secondary Systems
-  Outsourcing

Additional layer of safeguarding requirement for e-money

- Electronic money institutions are required to place the money that they received to issue electronic money in a bank account.
- Banks will block these amounts at their accounts in the Central Bank until the e-monies are redeemed.

Calculation of own fund

Method based on transaction volume

☐ Method B

- Article 8 of the Directive 2007/64/EC (Payment Services Directive)
- Article 5 of Directive 2009/110/EC (Electronic Money Directive)

☐ **Method D:** The own funds of an electronic money institution for the activity of issuing electronic money shall amount to **at least 2 % of the average outstanding electronic money.**

Tough Administrative Fines and Criminal Punishments

Administrative Fines

- **20-50 Thousand TL**
- **(8-20 Thousand USD)**
- **Criminal Offences (13 Offences)**
- **1-3 Years**

Operating without license

False Statements

Documents and information security (Art. 23)

Disclosing confidential information

Embezzlement (6-12 Years)

THANK YOU

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