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## ***Turkish Lira Reference Interest Rate “TLREF” is produced in line with international standards under Borsa Istanbul***

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### ***Summary***

*London Inter-Bank Offered Rate (LIBOR), which is one of the most widely used reference interest rates in the world, will be discontinued by the end of 2021. Meanwhile, Borsa Istanbul announced on 29 August 2019 that TLREF, the Turkish Lira Reference Interest Rate, was established in accordance with international standards. Calculation and publication of the Turkish Lira Overnight Reference Interest Rate had started in 17 June 2019 by Borsa Istanbul.*

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Please find below summary of these amendments:

#### **1. About TLREF**

Recently, with the emergence of suspicious situations arising from the data transmitted by banks in the implementation of LIBOR, alternative reference interest rates to LIBOR started to be introduced internationally. Some of the reference interest rates, such as; SONIA, SOFR, ESTER, SARON and TONAR, have even begun to be applied in certain transactions. Following these developments, rules of TLREF were formed by a permanent committee with members from the Central Bank, Ministry of Treasury and Economy, the Turkish Banks Association, Turkish Capital Markets Association and Borsa Istanbul.

#### **2. Transactions available for TLREF**

TLREF can be used as a variable interest rate indicator, underlying asset or a benchmark in financial derivative products, borrowing instruments and various financial contracts. Thus, the need for a short term reference interest rate of Turkish Lira will be fulfilled in the mentioned transactions.

It was announced on 02 August 2019 that the Turkish Lira denominated short term reference interest rate TLREF futures contracts can be traded in the Borsa Istanbul Derivates Market; which will possibly enable effective management of short term interest rate risk.

#### **3. Initial Issues by the Turkish Banks**

Since first availability of TLREF, three different banks made transactions on issued debt instruments indexed to TLREF, with a total amount of 1.3 billion Turkish Liras. In this regard, T.C. Ziraat Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O. and Alternatifbank A.Ş. made transactions of 750 million, 500 million and 50 million Turkish Lira respectively.

## 4. Prospective Advantages of TLREF

In terms of TRLIBOR, which is being published by the Banks Association of Turkey (TBB) as of 2002, an effective Turkish Lira reference interest rate could not be established as transaction volumes have been very low especially in maturities up to 1 year. In this respect, considering TLREF produced within Borsa Istanbul will create long term and fixed interest Turkish Lira funding, it is possible to suggest that TLREF would be an advantage for the Turkish banking system.

In addition, being produced by a special committee (the TLREF Committee), in compliance with international standards within Borsa Istanbul, TLREF is considered to be highly transparent and reliable as exchange traded transactions will be underpinning.

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