

TURKISH LOCAL GOVERNMENT BONDS NOW EUROCLEARABLE

The Ministry of Treasury and Finance of the Republic of Turkey (the "**Ministry**") and one of the biggest international central securities clearing and settlement houses, Euroclear Bank ("**Euroclear**") announced on 9 June 2020 that an agreement was reached to make Turkey's local government bond market euroclearable.

Turkish local government bonds have customarily been settled through the settlement system managed by the Central Registry Agency of Turkey and the local clearing house, İstanbul Takas ve Saklama Bankası Anonim Şirketi, which required foreign investors to use local intermediaries for their investments. Following a fall in non-resident holdings of Turkish government bonds, the Turkish government previously announced that certain new steps would be taken to incentivise greater foreign investor access to sovereign local debt instruments.

According to the press releases issued by the Ministry and Euroclear on 9 June 2020, after years of negotiation, Turkey will launch a euroclearable link in respect of the USD, EUR, TRY and gold denominated local government bonds, in an effort to reduce volatility in borrowing costs and also to be able to tap into more liquidity from a wider investor base, including sovereign wealth funds and pension funds which only invest in euroclearable debt. This development follows recent changes in the legal framework which allowed foreign clearing houses to open accounts and provide certain services in the Turkish debt markets.

Turkey partnering with Euroclear could be considered a significant step towards expanding the investor base in its local government bond market, given international investors can now directly invest in domestic USD, EUR, TRY and gold denominated sovereign debt, without using a local intermediary.

Now the markets are awaiting the Ministry and the Turkish regulators who are expected to disclose more details on the euro clearable government bonds and mechanics of the agreement reached with Euroclear in near future.

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