

4/7-23
EK
N° C1518

MemberNet

Brussels, 16 November 2006

Circulation: Associates
Executive Committee

23rd MEETING OF THE ASSOCIATES
- Brussels, 7 December 2006 -

ITEM 2 OF THE AGENDA: MINUTES OF THE PREVIOUS MEETING

Please find enclosed the minutes of the 21st Meeting of the Associates, held on 19th of May 2006 in Istanbul, Turkey.

Draft minutes were circulated for your comments by Secretariat letter Nr. C0913 of 28th of June 2006. The Secretariat has not received any comments or amendments so far.

In case you have any suggestions or amendments to the enclosed minutes, please let the Secretariat know in writing before the meeting.

Enclosures: 1 – Minutes of the previous meeting
2 – List of the participants (enclosure to the Minutes)

a.i.s.b.l.



FEDERATION BANCAIRE DE L'UNION EUROPEENNE

22nd MEETING OF THE ASSOCIATES

- Istanbul, Turkey, 19 May 2006 -

MINUTES

ITEM 1 – OPENING AND WELCOME

Mr Hein BLOCKS, chairman of the FBE Executive Committee, chaired the meeting.

A list of participants is attached (enclosure 1).

ITEM 2 – MINUTES OF THE PREVIOUS MEETING

The members approved the minutes of the 21st Meeting of the Associates, which was held in Brussels, Belgium, on 8 December 2005.

ITEM 3 - LATEST DEVELOPMENTS IN THE TURKISH ECONOMY

Dr. Ekrem KESKIN, Secretary General of the Turkish Banking Association presented the latest developments of the Turkish economy to the participants of the meeting.

Nowadays Turkey is an open economy with the free capital flows and no exchange rate restrictions (under the floating exchange rate regime). It signed a "Customs Union" Act with the EU in 1995 and is looking towards full membership of the EU. The stand-by agreement with the International Monetary Fund has been extended until 2008.

Turkey has a population of 72 million and GNP (Gross National Product) of 361 billion USD, i.e. 5,008 USD per capita. The long-term average annual growth rate of the Turkish economy is around 5%. Domestic consumption accounts for 70% of total demand and is the main driving force for economic growth. The services sector represents around 58% of the economy. The unemployment rate is around 10%.

Total foreign trade volume amounts to 55% of GNP. The country's exports and imports amount to 70 billion USD and 110 billion USD respectively. The main trade partner of Turkey is the EU representing around 50% of overall trade volume.

Main targets of the Turkish economic policy are:

- Setting stable rules and institutions eliminating discretionary measures for a well functioning market economy;
- Undertaking fiscal responsibility, focusing on reducing the debt to GNP ratio through primary surplus;
- Channelling resources to private sector, sustaining stable growth at annual rate of 5 percent, focusing on reducing inflation and reaching price stability;
- Improving fiscal transparency and ensuring better management in the public sector, increasing role of private sector and foreign capital inflows;
- Strengthening financial sector;
- Reaching sustainable stability through structural reforms; social security, widening tax base, bankruptcy law, central bank and regulatory and supervisory institutions' autonomy;
- Meeting the EU main economic criteria by 2008;
- Leading Turkey to become a global player;
- Stronger institutions and rules for market economy.

Macro economic policies in conjunction with a positive international environment have led economic performance to improve considerably since 2002. Disinflationary monetary and tight fiscal policies supported by structural reforms created an environment for higher growth led by the private sector. Successfully implemented free market principles encouraged private sector and foreign investment and increased international competitiveness. The start of accession negotiations is expected to further reinforce the dynamism of Turkey to complete economic reforms enhancing Turkey's integration with the EU.

During the last five years the Turkish economy has performed well in a number of areas. Private sector fixed capital investment accelerated reaching 15% of GNP in 2005. Sustainable growth over 5% has been observed in the last 4 years. Income per capita in USD terms has almost doubled since 2002 reaching USD 5,000 in 2005. Inflation has come down historically to the lowest level during the free market economy reaching a single digit rate and is expected to decline further in coming years. The Turkish lira on foreign exchange markets remained rather stable – the lira appreciated against major currencies as interest rates followed a descending trend. One of the main reasons behind these positive outcomes was the tight fiscal policy which led to a substantial decline in public sector borrowing and budget balance (deficit was approaching 3% in 2005). Because of the growing economy and declining public borrowing, the public sector debt stock to GNP has declined steadily falling below 70% in 2005. At the same time the Turkish current account deficit widened rapidly exceeding 6% in 2005 mainly due to strong demand for imports fueled by private sector investments. Turkish Central Bank foreign reserves reached USD 52 billion, a record level, almost doubling in last 3 years, while foreign exchange position climbed up to USD 18 billion in 2005 from negative level in 2002.

Expectations for the near future for the Turkish economy are overall positive. Should the current program be successfully implemented, macroeconomic aggregates are likely to approach the Maastricht criteria by 2008. Thus, the

atmosphere for well functioning of market economy is expected to be further improved.

According to the Government programme the public sector deficit is targeted to recede to 3% of GDP by 2008 (It was around 6% in 2005). Inflation is expected to go down to 4 percent in 2008. Government debt is likely to meet the EU required level in 2008 (Maastricht criterion of 60%).

ITEM 4 - LATEST DEVELOPMENTS IN THE TURKISH BANKING SECTOR

Dr. Ekrem KESKIN, Secretary General of the Turkish Banking Association continued his presentation with the latest developments in the Turkish banking sector.

As a natural outcome of the new transition period, a new era of structural change has emerged in the financial sector. The transition of the operational environment as well as regulations bringing financial institutions towards international standards, capital flows and accelerated entries of foreign banks have stimulated competition in the banking the sector.

Main issues affecting the Turkish Banks recently:

- Since 2002, banks have been operating in a considerably less risky environment;
- Foreign financial institutions' presence in Turkey is increasing, including through acquisitions of local banks and strategic stakes in them;
- Decline in inflation and strong demand for the Turkish lira has stimulated competition and restructuring of balance sheets;
- Government pressures on financial markets have lessened;
- Better expectations and increased activity have stimulated consumer business;
- Foreign investors' interest intensified;
- Basel II road map was announced.

Main features of the current operational environment for the banks in Turkey:

- Regulation is likely to meet international standards, notably of EU directives;
- Banks are subject to Banking Act in their universal activities and to Capital Market Act in capital market activities;
- Banking Regulator and Supervisory Board is an autonomous authority of the banking sector since 2000 and supervision has been strengthened further;
- No discretionary regulation for foreign banks operating in Turkey exists;
- Regulatory capital for establishment of a bank is currently set at about USD 15 million;
- Financial sector is small and has low degree of depth;
- Despite gradual improvement, deposits still have very short term maturity;
- Traditionally banks occupy majority - 95 % of financial sector;

- Financial services are subject to various heavy tax burdens increasing intermediation cost dramatically, although some positive steps have been taken recently;
- The share of foreign exchange or foreign exchange denominated items in the balance sheets is still high albeit shrinking recently;
- Technology utilization is high for services.

In 2005 Turkey had 51 banks operating in local financial markets, which altogether accounted for 93% of all assets of the financial sector. The remaining 7% were distributed among insurance companies, leasing companies, factoring companies, consumer finance companies and intermediary institutions in capital markets.

Total assets of the banking sector doubled in 2005 compared to 2002 reaching 300 billion USD and began to climb as percentage of GNP approaching the 85% mark last year. During recent years the % of loans measured in comparison to GNP increased substantially while that of securities declined indicating the success of the restructuring. The Turkish banking sector has issued loans in amount of 31% of the country's GNP in 2005, while the respective indicator for deposits have reached 50%.

At the end of 2005 the Turkish banking sector was employing more than 130,000 employees and banks had more than 6,000 branches across the country. The number of commercial banks has shrunk substantially from its peak in 1999 (81 banks) slipping below 50 already in 2004 (47 in 2005). The concentration level of largest five and 10 banks has increased in recent years and currently is respectively 63% and 85% in terms of the total assets of the banking sector. Assets and liabilities have been reshaped and the share of lending increased. However, the share of deposits came down due to the national currency's appreciation.

After the crisis on the eve of the millennium, over the last 4 years the Turkish banking industry has returned to sustainable profitability with the return on equity stabilizing at a double digit rate. Positive developments in the banking system triggered also positive reactions of the investors increasing the market capitalisation of financial institutions above 60 billion USD in 2005. At the same time shareholders' equity reached the 40 billion USD mark.

Main expectations for the future for the Turkish financial sector:

- Larger and deeper financial markets;
- Lengthening of maturities;
- Higher lending to private sector;
- Sufficient earnings to feed capital;
- Decline in margin with widening business activity;
- Positive atmosphere for foreign investors;
- Intense competition on behalf of depositors and borrowers;
- Improvement in transparency and accounting rules;
- Introduction of the BASL II standardized approach as of 2008.

ITEM 5 - LATEST DEVELOPMENTS IN EU LEGISLATION CONCERNING THE FINANCIAL SERVICES AREA

Mr Elmars KRONBERGS, adviser at the European Banking Federation, presented a report on the latest developments in the EU legislation concerning the financial sector.

Altogether 16 pieces of legislation and other community actions were included in the presentation.

He outlined three recently adopted legislative actions - Directive to simplify the formation, maintenance and alteration of companies' capital; Regulation No 108/2006 regarding the adoption of International Accounting Standards (IAS) Nr. 1, 14, 17, 32, 33 and 39; and the Communication on policy on credit rating agencies.

Mr. Kronbergs continued his report on the European Commission's proposals covering Clearing and Settlement; Directive to facilitate the cross-border exercise of shareholders' rights in listed companies; White Paper on Financial Services Policy for the next 5 years and the Directive on New Legal Framework for the payments market (Payment Services Directive).

Among the most important European Commission consultations, highlighted in the presentation, were those regarding:

- How can the Internal Market best respond to new and future challenges?;
- Consultation on the Interim Report on Payment Cards and Payment Systems;
- Amendment of Prospectus Regulation: Complex Financial Histories;
- The Review of the Rules on Supervisory Assessments of Transactions in Shareholdings in the Banking, Insurance and Securities Sectors;
- Review of the Regulation on cross-border payments in euro;
- Single Euro Payments Area (SEPA) Incentives;
- Evaluation of the implementation of the Directive on Financial Collateral Arrangements;
- Future Priorities of the Company Law Action Plan;
- Call for technical advice from Committee of European Banks' Supervisors (CEBS) on Large exposure review.

ITEM 6 - PERCEPTION OF BANKS: REPUTATION MANAGEMENT

Following the initial discussion on the subject at the previous meeting of the FBE Associates in December last year in Brussels and the expression of interest in having the perception of banks as a regular item on the agenda, also at this meeting a round table discussion on the issue took place.

At the last meeting the question of how the banks are perceived by different categories of public opinion makers like bank customers (corporate and private individuals), other professional associations (such as chambers, employers,

unions, NGOs, etc.), state institutions, politicians and media was discussed. Which areas would represent the main problems for the overall perception of banks – products banks are offering, fees they are charging or security issues such as bank robberies? Some ideas and experiences were shared on how to improve the perception of banks by the general public in the most efficient ways by Associations, banks themselves and in other suitable ways.

The focus of the discussion was on the latest issues and problems experienced by banks and associations in this respect over the last year and on possible solutions or actions.

The high profitability of banks in recent years seems to be creating the perception among the public that they are taking too much money from the customers (overcharging) and that triggers negative publications in media. In some countries in order to reduce the negative effect of such perception, banks have agreed to pay more attention to the better transparency of fees (measures such as putting the tariffs on walls of the branches; clearly indicating fees in account statements, etc.) and not charge the customer in case on departure from or change of bank.

During the round table discussions it was pointed out that in many countries the main reason for customer complaints is the fact that they (customers) do not read all contracts carefully enough before signing them. That raises the issue of education of consumers and how to improve it.

Several interesting events have been organized recently in some countries in order to educate the consumers better. For example, the Croatian Banking Association together with the consumer protection organization have organized a workshop for the wider public on “How to manage personal finances”; the Estonian Banking Association also together with the state consumer protection organization have organized an educational event called “Do not buy a pig in the sack!” which was very positively and emotionally received by the customers.

One more possibility to increase transparency and the level of information of the customers could be to publish the comparative tables on different services provided by the banks and their costs. Such a table could indicate what kind of costs are implied by a particular service and allow comparison between the banks.

An very interesting recent development in Sweden was reported with the regards to cash withdrawals. In general ATM withdrawals are free of charge in Sweden. When banks tried to introduce a fee for this service, there were protests from the public and the idea was dropped. However, the consequence of the free ATM withdrawals was an increase in the volume of cash used by members of the public. As a result, also robberies and attacks on cash-rich subjects (such as cash transporting companies, etc) increased.

Against this background, the government has approached Swedish banks and asked them to introduce the fee in order to mitigate this negative trend.

The solution could be to allow 10 withdrawals free of charge, but start charging from the 11th one!

ITEM 7 - STUDY ON REGULATORY BURDEN

Mr. Zoran BOHACEK, Managing Director of the Croatian Banking Association presented the follow up on the Croatian Banking Association - commissioned study on the regulatory burden in Croatia and six central-eastern European countries.

The Croatian Banking Association commissioned a study on "Indicators of Regulatory Burden on Banks in six Central European Countries and Croatia" last year. The results of the study were presented by Mr. Zoran BOHACEK at the meeting of the FBE Associates in December 2005 in Brussels.

The entire study is about 100 pages long and it can be obtained from the Croatian Banking Association.

During the discussion following the presentation it was acknowledged by the participants that a similar project on an EU scale would also be welcome.

Since then the Croatian Banking Association has prepared a draft document with its proposals as to what could be done to expand the study both in geographical and methodological scope. This document was circulated to all FBE Members and Associates by Secretariat letter Nr. C0122 of 1st of February 2006. By the same letter FBE Members and Associates were invited to make comments on the scope, methodology, aims and other aspects of the project's vision directly to the Croatian Banking Association.

Following the feedback received on the letter and as a preparation for the discussions under this Agenda Item, the Croatian Banking Association has circulated a letter (enclosed) to follow up on the issue, including some suggestions regarding possible further steps to take in this respect.

It was proposed by the Croatian Banking Association to host an international conference late in 2006 (most probably late November in Zagreb) on this topic in case of a broad interest in the matter from the FBE Members and Associates. Eventually it could turn into a 1 – 1 ½ day event for banking associations, supervisors and legislators, which could be co-organized by the FBE.

The feasibility of such a conference was discussed and broad support was expressed by the Associates and Executive Committee members present.

As a result, it was proposed to discuss this idea further at the FBE Executive Committee meeting in order to get the views of all FBE Members.

ITEM 8 - PAYMENT SYSTEMS

Mr. Patrick PONCELET, head of the FBE payments department made an introductory presentation on the subject.

Two parallel projects are underway in Europe:

- The building of the Single Euro Payments Area (SEPA), driven by the European Payments Council (EPC) of which the EBF is a leading member.
- The passing of new legislation by the European Union on payments: the Payments Services Directive.

Single Euro Payments Area

SEPA Roadmap: primary deliverables, EPC Declaration of 17th March 2005:

"We will deliver the two new Pan-Euro Payment Schemes for electronic credit transfer and for direct debits. We will also design a Cards Framework to define a single market for cards. The scheme rulebooks and the cards framework definition will be delivered by end 2005, and the services will be operational by January 2008.

We know from feedback from our community in the eurozone that by the beginning of 2008 the vast majority of banks will offer these new Pan-Euro services to their customers.

We are also convinced that a critical mass of transactions will naturally migrate to these payment instruments by 2010 such that SEPA will be irreversible through the operation of market forces and network effects.

SEPA will be delivered by the banking industry in close conjunction with all stakeholder communities (consumers, SMEs, merchants, corporates and government bodies) and supportive public authorities. The community of European banks is strongly committed to this ambitious programme of action, based on self-regulation and a full recognition of the role of market forces and competition."

SEPA meaning for users:

- Consumers should be able to reach all bank accounts in Eurozone with the same payment instruction based on common standards, they also should enjoy the possibility of card acceptance in all ATM's and POS terminals (provided the merchant accepts the card brand and standards).
- Merchants should have more acquiring options by SEPA compliant acquirers (and more common standards for acquiring). Common approach should reduce the costs and risks of cash.
- Corporates, public administrations and SME's should be able to reach all bank accounts in the Eurozone with the same payment instruction (direct debit and credit transfer), use ISO standards and enjoy benefits of guaranteed remittance data for Euro payments.

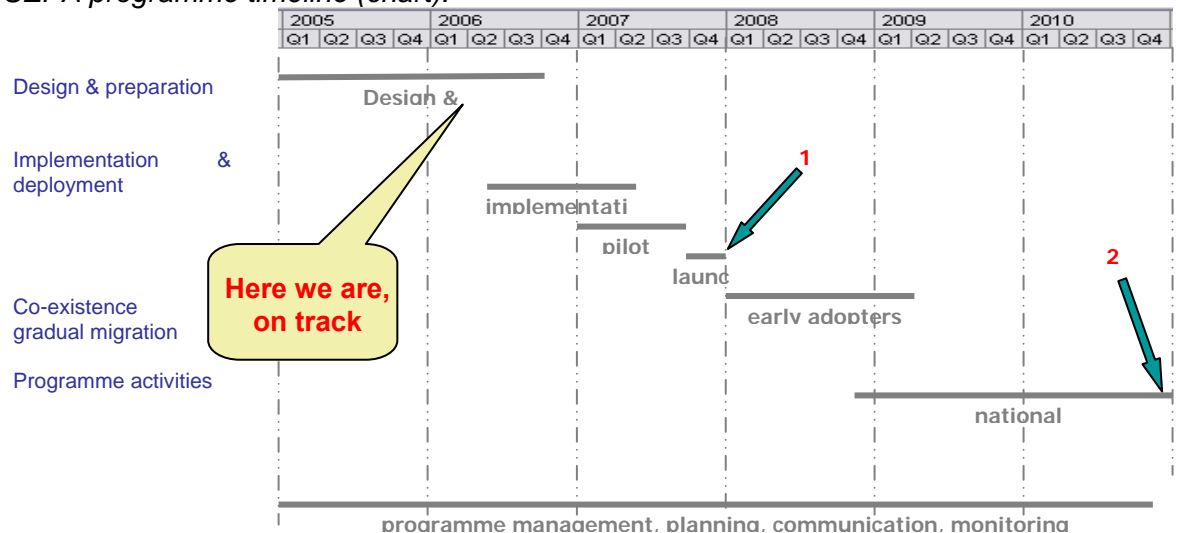
Main EPC deliverables are:

- SEPA Credit Transfer System Rulebook;
- SEPA Direct Debit System Rulebook;
- SEPA Card Framework;

- SECA (Cash) Framework.

It would be fair to say that SEPA can only be realized if all European and national stakeholders are committed for the same agenda and deliverables.

SEPA programme timeline (chart):



Milestones

- 1 - SEPA instruments available in market
- 2 - Critical mass migrated/SEPA irreversible subject to the commitment of all stakeholders

Payments Services Directive

The proposal for a Directive on the new Legal Framework for integrated payments markets was published by the European Commission in early December 2005. This Directive once adopted will become a fundamental document for payments for many years on.

Main objective of the Payment Systems Directive should be to support the creation of Single Euro Payments Area from January 2008.

The EPC welcomes the initiative of the legal harmonisation for SEPA, however, the EPC has several comments and sometimes reservations on the following most important issues:

- Suggestions for drafting changes to support SEPA Rulebooks (refund rule, IBAN primacy, protection rules for consumers and for corporates, working day, etc.)
- Execution times;
- Payment Institutions;
- Situation where one transaction leg is outside EU 25;
- Strict liability;
- Information requirements;

- Gold plating possibility.

In reaction to the EC issued consultation paper on February 2006 on SEPA Incentives, the EPC has come out with its own SEPA Incentives Proposals, which are:

- Don't introduce any destabilising incentives;
- Do support the SEPA programme of the EPC Declaration of 17 March 2005;
- Do accept the January 2008 SEPA payment services of banks based on the two SEPA Rulebooks;
- Do support with a clear and consistent communication programme to realise SEPA;
- Do realise the necessary parts for SEPA of the legal framework in time;
- Do take care that public administrations are the first users from January 2008;
- Do become a partner in the implementation and migration process;
- Do introduce effective incentives for early adopters;
- Do support the (re)positioning of cash in society.

As for conclusions, it was emphasised that the EPC was able to create a commitment of banks, after consultation of customers and customer groups, for the first SEPA deliverables so that banks are able to deliver SEPA payment services to their customers from January 2008, as agreed in the EPC Declaration of 17 March 2005.

SEPA can only be realised if all stakeholders (in particular national public authorities, but also corporates, public administrations, merchants, SME's, consumers and banks) are committed to support the implementation process and/or to implement the SEPA deliverables.

A clear and consistent common communication programme of national public authorities for citizens and corporates and of banks for their customers is necessary to realise SEPA in time.

Destabilising interventions such as changes of scope or of specifications for the January 2008 deliverables will put the 2008 milestone at risk.

Positive incentives of public authorities for all stakeholders to realise the timely implementation of SEPA are welcome.

At national level a reinforcement of the programme management (also of public authorities) is needed to deliver in time.

During the discussions following the presentation, a question on recent EC payment card sector inquiry was raised – how does it fit with SEPA framework?

In theory such an activity carried out by the EC could fit well with the SEPA framework, but it could also be disruptive – depending on future measures the EC decides to take. A worrying feature of this inquiry is the questioning of the principle of the interchange mechanism on which the card business is based. EPC is not

going to respond to the inquiry, however, it wants to reiterate the message that “destabilising interventions should be limited”.

It was also mentioned that there still is a worry on compatibility of SEPA and the construction of the EU payment systems with the attitude of DG Competition – e.g. system based on interbank agreements and schemes theoretically may be attacked by the EU competition authority.

ITEM 9 - REMMITANCE PAYMENTS AND THE BANKING SYSTEM

Mr. Patrick PONCELET, head of the FBE payments department made an introductory presentation on the subject with the regards to the situation in the EU. This presentation was followed by another joint presentation of 3 guest speakers from the Turkish Central Bank on the situation with remittance payments in Turkey.

The issue of remittances as such is not a new one and in the past it has attracted the attention of many prominent institutions across the world, such as the International Monetary Fund, the OECD and the Inter-American Development Bank. However, in the last decade the global amount of remittances has more than tripled and the EU alongside the US are the two biggest economies from which a substantial portion of world wide remittance payments are originating. According to the International Monetary Fund's and the OECD's figures, around 200 billion Euros of remittances were transferred from industrialised countries, to developing countries last year alone. The estimated EU share of it could be around 30-40 billion Euros a year, if not more. According to available statistics Turkish residents are among the main recipients of remittance transactions from their relatives residing in the EU.

One of the main characteristics of remittance payments is the regularity of transfers and the relatively low amount of money involved per transaction (100/200/300 euros). Indeed, this situation generates a substantial number of these financial transactions, according to estimates in the EU it could reach 150-200 million transactions *per* year. The overall costs are estimated to stand at the very high level of 7%.

However, despite the relatively high costs of such transactions, the nominal income derived from them still does not, as a rule, cover the banks outlaying costs when the recipient resides in a country outside the EU. As a result, in most of the EU countries, a vast majority of these transactions are being carried out by the financial intermediaries such as Western Union.

Following the meeting with Commissioner Frattini, the EBF is currently considering looking more closely at possible solutions for reducing the costs for banks, resulting from these transactions, with a view to allowing our banking system to deal with such payments more efficiently, and to provide substantially lower costs for customers transferring remittances.

The Commissioner is waiting for suggestions on the following issues:

- initiatives to improve transparency in the remittances (statistics regarding these transfers and costs);

- costs of those transfers;
- information about the opportunities for development in the countries of origin.

World Bank Task Force on International Remittance Services

International remittances are an important source of family income in many developing economies. Several obstacles were identified to using the formal financial channels for remittances, such as the lack of physical access to services in some places and some regulatory barriers; and the lack of education of migrants.

Inadequacy of data on remittance flows is another difficulty in this area.

A World Bank task force on international remittance services was initiated in November 2004. International financial institutions involved in remittance payments and central banks were invited participate this task force. The main focus of the task force was on payment systems aspects of the remittances and the aim to ensure the safety and efficiency of remittance services.

In March 2006 a report on “General Principles for International Remittance Services” was published by the Task Force. This report is open for consultations from March to August 2006 (www.bis.org/publ/cpss73.htm).

The World Bank Task Force report offers several General Principles and defines the roles of involved parties. Main principles:

- 1: Transparency and consumer protection
The market for remittance services should be transparent and have adequate consumer protection.
- 2: Payment system infrastructure
Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.
- 3: Legal and regulatory environment
Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions.
- 4: Market structure and competition
Competitive market conditions, including appropriate access to domestic payments infrastructures, should be fostered in the remittance industry.
- 5: Governance and risk management
Remittance services should be supported by appropriate governance and risk management practices.

The role of remittance service providers would be to participate actively in the implementation of the General Principles and the role of public authorities would be to evaluate what action to take to achieve the public policy objectives through implementation of the General Principles.

Fee practice for remittances of the Central Bank of Turkey

Starting from 1 February 2001:

- Central Bank of Turkey (TCB) does not accept customer payment orders in favour of both bank and non-bank beneficiaries who do not have accounts with TCB (except Central Banks)
- TCB prefers not to intermediate such payment orders.
- TCB requested from its correspondents not to send such kind of payment orders to them but instead send them through the commercial banks operating in Turkey.

TCB continues to accept payment orders for opening new accounts with it and payment orders in favour of beneficiaries who have accounts with TCB (for all correspondents).

For refunds no charge is applied and the funds are refunded to their destination in the exact amount that is received.

For recurrent remittances received from Central Banks of which the majority includes pension payments of migrant workers sent by social aid institutions a commission exception applies and only transaction costs are charged.

For recurrent remittances,

- If paid by TCB branches, no transaction cost.
- If to be transferred to commercial banks, only transaction costs are charged.

Remittances received from Central Banks in favour of bank and non bank beneficiaries who do not have accounts with TCB and as an exception:

- If paid by TCB branches, commission is charged.
- If to be transferred to commercial banks, commission + transaction costs.

Remittances received from all TCB correspondents (including Central Banks) in favour of bank and non bank beneficiaries *who have accounts* with TCB (military payments, forex. credit letter) - no commission or transaction cost.

Transaction costs consist of Swift message fee (3.20 YTL each) and a Tax (5% of swift message fee). It is usually calculated as 6.72 YTL. For a transaction (MT103 + MT202), $(3.20 * 2) + (0.05 * 6.40) = 6.72$

Commissions for the transfers to commercial banks concerning ordinary customer payments consist of:

- 0.2% of the amount, min. USD 10.-
- No upper limit.
- No commissions charged below USD 15.-

Commissions for the remittances concerning ordinary customer payments paid by our counters consist of:

- 3% of the amount, min. USD 10.-
- No upper limit.
- No commissions charged below USD 15.-

For customer payment orders received from TCB correspondents, if “OUR” in field 72 - depending on the type of the transaction, (ordinary or pension payments)

commission + transaction cost or only transaction costs are requested from the correspondents.

TCB correspondent banks for these transactions are Deutsche Bank for payments in euros and Citibank for payments in US dollars.

TCB opens foreign currency deposit accounts for Turks working and residing abroad. Currently the estimated volume of balances of such accounts is around 14 billion euros and TCB is considering pulling out of this business.

ITEM 10 - ANY OTHER BUSINESS

- a) Latest developments in industry-driven activity: Financial Industry Task Force for the creation of a common EU-Russia economic space in the Financial Sector.

The EU-Russia Industrialists' Round Table (IRT) is one of the industry-driven business dialogues initiated originally by the EU Commission to improve business conditions between the EU and other trading partners. Some more historical information on the EU-Russia Industrialists' Round Table can be seen at:

http://europa.eu.int/comm/enterprise/enterprise_policy/business_dialogues/russia/russiaoverview.htm

The key building block of IRT is the so-called Task Force. Currently there are Task Forces for Energy, Telecommunications and IT, Transport, Forest and Building industries and from the last year also on financial services.

The IRT had its 6th General Meeting in The Hague on the 10th of November 2004. On the basis of initiatives from the Russian side participants from the banking business were also invited. During this General IRT meeting the proposal to establish a Financial Industry Task Force which would cover business sectors such as banking, insurance and financial markets was tabled. Section 8 of the Joint Conclusions statement of this General meeting summarizes the initial proposal and the main priority areas for the further work of the Task Force.

Against this background, the Financial Industry Task Force (FITF) was created in January 2005 by the Russian Organization of Professional Market Participants. The Association of Russian Banks, FBE Associate, is a member of this organization alongside the All-Russian Insurance Association and the Russian National Association of Securities Markets Participants.

The European Banking Federation was invited to participate in this Task Force from its 4th Meeting, which took place in London, on 3rd October 2005. During this meeting Mr. Guido Ravoet was elected as FITF Co-Chairman for the EU side. Mr. Garegin Tosunyan, President of the Association of Russian Banks, is a Co-Chairman for the Russian side.

The last, 5th meeting of the FITF took place on 27th of February 2006 in Moscow. During this meeting several important decisions were adopted, inter alia on: the necessity to prepare “Green” and “White” Papers on the creation of the integrated market in financial services under the framework of work on creation of the common economic space between the EU and Russia (as the priority of the FITF for the near future); and the creation of the Coordinating Council of the FITF and the specialized working groups.

The next full-scale FITF meeting may be organized in autumn this year in Finland under the framework of the regular meeting of the EU-Russia Industrialists Round Table on the eve of the autumn EU-Russia summit.

It seems that currently the Task Force’s undertakings are reaching an important point, at which some key decisions regarding the modalities of the agreed gap analysis (“Green” and “White” paper project) need to be taken as soon as possible.

ITEM 11 - DATE OF THE NEXT MEETING

It was announced that the next “Brussels” meeting of the Associates will be held in Brussels on Thursday, 7th December 2006, a day before the FBE Executive Committee meeting.

FBE Executive Committee members will be invited to participate in all meetings of the FBE Associates.

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Enclosure: 1



FEDERATION BANCAIRE DE L'UNION EUROPEENNE

22nd MEETING OF THE ASSOCIATES

- Istanbul, Turkey, 19th May 2006

LIST OF PARTICIPANTS

Chairman: Mr Hein G. M. BLOCKS

FBE Secretariat: Mr Guido RAVOET
Mr Elmars KRONBERGS
Mr Patrick PONCELET

Associates:

Albania Mr Elvin MEKA
Bulgaria Mrs Irina MARTSEVA
Croatia Mr Zoran BOHACEK
Russia Mr Konstantin MOZEL
Turkey Mr Ekrem KESKIN
Mrs Melike MUMCU

Executive Committee:

Cyprus Mr Michael KAMMAS
Czech Republic Mr Petr SPACEK
Estonia Mrs Katrin TALIHARM
France Mr Jean Francois PONS
Italy Mr Enrico GRANATA
Liechtenstein Mr Michael LAUBER
Netherlands Mr Bruno B. van der BURGH
Poland Mr Pawel PNIEWSKI
Portugal Mr Joao MENDES RODRIGUES
Sweden Mrs Ulla LUNDQUIST

Guests:

4 representatives from the Turkish Central Bank

2 representatives from Turkish Banks

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