
Basel Criteria In The Turkish Banking System

Oğuz Yıldırım¹

¹Harran University, Turkey

ABSTRACT

During the first half of the 1970's, after the abandoned fixed build system, and then the oil and international debt crises led to the international arrangements in the economy to ensure stability. The growth and development of the financial markets over time combined with the result of the increase in the variety of products, increased the volume of risk in these markets, led to the financial system to become more risky and caused an array of financial crisis. Banks as one of the building blocks of the financial system, in addition to the classical banking products, directed themselves to new and more risky activities; hence they had to consider other risk factors along with the basic risk factors, such as credit, market, liquidity and operational risks. These developments caused the international financial transactions to be checked, the new regulations in the banking sector to be enforced and the organizational differences between countries to be removed. In this context, particularly the developed and developing countries had to take series of measures to maintain their qualifications and financial structures and their capital to ensure the stability in the financial markets. Basel Banking Oversight Committee was created in December 1974 because of the necessity of ensuring the international cooperation in banking surveillance and control. The Committee formed the first Basel Criteria, in order to reduce the financial stability risks the banks face to the minimum by using more precise methods in measuring risks banks face. The Basel I Criteria was first published in 1988 by the Bank for International Settlements (BIS). On the other hand in Turkey Basel I Criteria was introduced right after the February 2001 Crisis. However, since Basel I Criteria was insufficient in measuring risks, in June 2004 Basel II Criteria was developed. However, the resulting serious financial risks after 2008 Global Crisis, and the need of new regulations lead to the necessity of working on the creation of the Basel III Criteria. It appears that as long as there are risks in the financial system, there will be a need for a lot of new Basel Criteria. In this paper, we analyze Basel I, Basel II and Basel III Criteria and discuss the affects and the results of these criterions the Turkish Banking System in details.

KEYWORDS Basel Accords; Banking System; Financial Crisis

JEL C13, G21, G01