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**INTERNATIONAL BORROWING and
SYNDICATION LOAN for TURKISH
BANKS: A STUDY OF SYNDICATION LOAN**

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Türkiye Bankacılık Sisteminin Yurtdışı Borçlanma Araçları ve
Sendikasyon Kredisinin Bankacılık Sistemindeki Yeri: Bir
Sendikasyon Kredisi Uygulaması

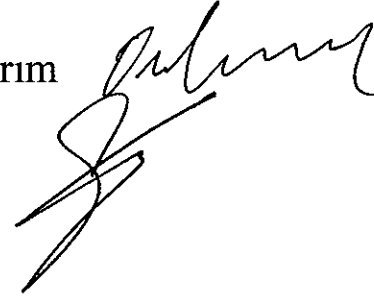
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- 1) International Borrowing
- 2) Syndication Loan
- 3) Balance Sheet in Syndication Loan
- 4) Borrowing Tools

ÖZET

Bu tez çalışması ile Türkiye Bankacılık Sisteminin yurt dışı borçlanma gereksinimleri açıklanmış olup, yurt dışı borçlanma araçlarından sendikasyon kredisi detaylı olarak incelenmiştir. Tez, uygulamalı bir sendikasyon kredisi ile sonlandırılmıştır.

Bankaların en temel özelliği, mevduat toplayıp, fon ihtiyacı olan müşterilere kredi sağlamasıdır. Ancak, yurt içi piyasalardan toplayacağı mevduat oranı yetersiz kalmaktadır. Bu sebeple, uluslararası finansal piyasalarda itibarı olan ve sermayesi güçlü bankalar, yurtdışından borçlanmaktadır. Bankalar bir finansal kuruluşun tek başına karşılamak istemeyeceği miktardaki fon gereksinimlerini sendikasyon kredisi ile karşılamaktadır.

Tezin ilk bölümünde, bankaların yurt dışı kredi taleplerinin nedenleri ve 2013 ve 2014 yıllarındaki değişimi incelenmiştir. Ayrıca, bankaların yurtdışından fon sağlayabileceği finansal araçlar ve bu anlamda uluslararası finansal piyasalarda karşılaşılan riskler açıklanmıştır.

Tezin ikinci bölümünde sendikasyon kredisinin tanımı, dünyada ve Türkiye’de gelişimi, tarafları ve süreci anlatılmıştır.

Tezin üçüncü bölümünde ise sendikasyon kredilerinin banka bilançosundaki yeri anlatılmış ve aktif büyüklüğü ilk on bankanın sendikasyon kredisi kullanma süreci ele alınmıştır.

Tezin son bölümünde ise uygulamalı bir sendikasyon kredisi ele alınmıştır.

Bu çalışma ile bankaların yurtdışı ve sendikasyon kredileri borçlanmaları hususunda vurgu yapılmıştır.

ABSTRACT

This thesis describes the requirement of fund for Turkish Banks from international financial market. Syndication loan which is one of the international borrowing tools is depicted deeply and the thesis is completed with implementation of a syndication loan.

One of the main features of banks is to collect deposits and procure fund for borrowers, however, the deposits collected from domestic financial market is inadequate. Therefore, the banks which have substantial capital structure and reputation borrow from international financial market. The fund which cannot be met by a unique bank is procured with syndication loan.

In the first part of the thesis, the reason of international borrowing and comparison of international borrowing in 2013 and 2014 are described deeply. In addition, the types of international borrowing and risks of international financial market are depicted.

In second part of the thesis, syndication loan, evaluation of it in Turkey and the World, its parts and process are clarified deeply.

In the third part of the thesis, syndication loan within balance sheet and syndication facility which is applied by the first ten banks which have the highest assets are studied comprehensively.

The thesis is completed by an implementation of a syndication facility which a bank applies.

This thesis emphasizes importance of international borrowing and syndication facility for banks.

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1 INTRODUCTION

The banks in the world are milestone for a substantial economy. In order to acquire a substantial economy, real sector should reach fund of source easily. The fund is procured by banks, but the banks also need to acquire fund to direct real sector. The banks reach fund with their deposits, however, it may not be sufficient to feed real economy. Therefore, banks provide fund from international financial market. Syndication loan in international financial market is one of the most prevalent borrowing tools. As real sector acquires syndication loan from the banks, the banks also may acquire it from international market.

Bilateral loans, commercial paper, bond issue, securization and syndication loan are some of international borrowing tools. If the borrower needs higher demand for fund which cannot be provided by a single bank, then, the borrower applies the syndication loan. The general features of syndication loan are as follows.

- More than one lending financial institution for a single facility,
- Different term and condition regarding to lenders, but majority of them is common.
- Each bank has a role in syndication facility, like agent bank and leader.

A syndication loan is an agreement between two or more lending institution to procure fund for borrower under determinated financial term and condition previously with common documentation and agent.¹

Syndication loan in the world and Turkey extends day by day. While syndication loan in the world goes beyond to beginning of 19. and 20. Century, in Turkey, the first instance of syndication loan was introduced in 1970s among international finance, and in 1975, BOTAS borrowed 150 million US-Dollar with 5 year maturity and LIBOR+1,5, and it was one of the first instance for syndicated loan. However, in Turkey, syndication loan gains importance after 1980 for foreign exchange funding source for Turkish borrowers. Because, Turkish Banks began to appear at

¹ International syndication loans, euromoney publications, 1982, pp12

international market with a decision made on January 24 in 1980, which signified Turkey's shift from "mixed capitalism" to a free market economy.

Instead of one institution, two or more institution is preferred to procure the fund for huge demand and to spread the risk among lenders. While Corporations in substantial economy acquire syndication loan with low cost and long maturity, corporations in fluctuated economy are exposed to compensate higher cost. In that regard, rating notes of countries is significantly important to acquire syndication loan with better condition.

Syndication loan is beneficial for both lenders and borrower. While a borrower may receive its demand which cannot be procured by a single bank, a lender which cannot lend to international financial market can become a member of syndication loan and, it can provide fund to international financial market. In addition, syndication loan increases familiarness of lender and borrower in international market. If the syndication facility is completed successfully, lender and borrower gain reputation.

Banks in Turkey need syndication loan not only for source of foreign exchange, but also for decreasing risk of short currency position. In addition, mismatch maturity may be compensated with procured syndication loan. While average maturity for individual loan is 5,5 year, for mortgage is 8 year, other individual loan is 3,4 year by year 2014-March, average deposits which are main source are approximately 75 days.

At the end of the study, an implementation of a syndication loan is realized. All transaction process of a syndication facility is implemented for a bank.

1.1 Literature Review

International borrowing is progressed with increased globalization. Syndication loan is one of the most preferred international borrowing tools. There are several articles and books which are written on the definition, reasons, scope and conclusions of international borrowing and syndication loans for banks.

While Feldstein and Horioka (1980) observed that among developed countries capital markets were barely integrated, signs of change in the all data appear in the mid 1990s (Blanchard and Giavazzi 2002). In addition, banking data points out that capital market integration is finally prosperously, and the amount of international lending and borrowing has raised dramatically, international bank mergers are common and obstacles to foreign banks entry have broken down (Clarke, Cull, Peria, and Sanchez 2003).

In the traditional banking market, Claessens and van Horen (2008) discuss that banks go into international market when they can raise profitability within a bearable risk profile. In developed countries, the literature assumes that foreign banks follow their home customers (Buch and Golder 2001). Their activities are often unprofitable in developed markets but they are viewed as important to their home country strategy. For developing markets, foreign banks bring expertise and funding availability to underdeveloped financial markets. Studies of the relative performance of foreign banks such as Claessens, Demirguc-Kunt, and Huizinga (2001) and Bonin, Hasan, and Wachtel (2005) find that foreign banks have higher profits than domestic banks in developing countries, but the opposite is the case for developed countries.

In case of borrowing from international banks, foreign banks charge on average a higher spread than domestic banks, because foreign banks overcome cultural and regulatory obstacles which are involved with international lending (Mian 2006).

Syndicated loans are often viewed as a combination of bank loans and public debt, however, they are closer to bank debt because of the role of the lead arranger (Dennis and Mullineaux 2000 and Sufi 2007). The lead arranger plans the loan terms, monitors compliance and maintains the largest share of the loan.

Existing literature on the loan syndication market applies a lead arranger's market share because of its reputation, and it is observed that lead arrangers with larger market shares hold smaller loan fractions (Dennis and Mullineaux (2000)), Lee and

Mullineaux (2004), and Sufi (2007)). Although this evidence is related to reputation, it is also related to between better quality borrowers and large lead arrangers, there is a scarce of academic literature on why participant banks choose syndicated lending instead of preferring bilateral lending. In particular, the close and unique relationship between banks and borrowers generate a number of different benefits. For example, benefits come from: the ability to share sensitive information (Bhattacharya and Chiesa, 1995), the flexibility of lending contracts compared to public debt (Berlin and Mester, 1992; Boot, Greenbaum, and Thakor, 1993), the opportunity to monitor collateral (Rajan and Winton, 1995), and the flexibility of smoothing out loan pricing over multiple loans (Berlin and Mester, 1999). It has even been argued that unique lenders may benefit from monopolistic powers over the prospective borrower and, therefore, they might be in a position to charge excessively high interest rates (Rajan, 1992).

Syndicated lending represents advantages for lenders and borrowers, including the capacity to diversify a portfolio and sources of income, more competitive pricing and a more flexible funding structure. Like these benefits depicts the remarkable growth in syndicated lending, with funds raised on this market representing more than one third of the funds raised on the worldwide financial markets (Altunbas et al., 2005)

The duration of loan syndication process is considered as the critical stage for the creation of a syndicated loan because both the borrower and the arrangers are at risk (Rhodes, 2004), and therefore, duration is an important criteria when prospective borrowers are choosing to apply for a syndicated loan. According to studies of Pichler and Wilhelm (2001), recent empirical evidence depicts that concentration of organizational structure of a syndication facility is a critical feature in diminishing the agency costs of syndication and different members of the syndication facility have access to different degrees of information (Lee and Mullineaux, 2004; Jones *et al.*, 2005; Sufi, 2007). Therefore, syndicate composition and organization have a major influence on the pricing of syndicated loans (Harjoto et al., 2006; Focarelli et al., 2008; Ivashina, 2009), borrower's wealth (Preece and Mullineaux, 1996), and

liquidity risk management (Gatev and Straham, 2009). Relationships which were established previously between the borrower and the members of syndication facility are also important features of syndicate composition and organization (Barath et al., 2007; Champagne and Kryzanowski, 2007). Similarly, composition and organization of a syndicate is important for the borrowers, because it affects the loan terms and wealth. On the other hand, past relationship between syndicate members and borrowers influence the duration of syndication loan process. Interactions which are repeated over time between a lender and a borrower directly aim at resolving problems of informational asymmetries (Bhattacharya and Thakor, 1993; Boot, 2000). Recently studies of Champagne and Kryzanowski (2007) have shown that past relationships between syndicate members have a significant impact on the probability of syndicating a deal together, while Sufi (2007) has shown that prior relationships between lenders and borrowers have significant impact on syndicated loans terms and syndicate structure.

1.2 Methodology and Findings

The methodology explains the broad philosophical support to research methods. There are two main approaches to research which are used in thesis: quantitative and qualitative research methods. Also, mixture of both may be preferred. If quantitative research is preferred for research, numbers and statistical methods would be used, and observation would be based on the statistical, mathematical or computational techniques (Given, Lisa M. (2008)). The result of statistical, mathematical or computational techniques would test hypotheses. On the other hand, if qualitative research is preferred, case studies, personal experiences, texts etc. would be applied for testing the hypothesis of thesis. Words are more important than numbers (Murray, 2003).

In this study, qualitative method is used. It is analyzed why and how Turkish Banks borrow from international market, and apply syndication facility. The study is completed with the study case of syndication loan process.

In terms of sources, a research can be based on primary or secondary data (Kothari, 2006). Primary data is based on observation and collection directly from first-hand experience. Thus, data is collected by the author via surveys or observations. Secondary data is published data or these kind of data is collected by other previously. If secondary data is preferred, author should give references.

In this study, secondary data is preferred. The data and graphs which are collected by others, annual reports of Turkish Banks and publications which are released by governmental agencies and etc. are used.

In order to represent the study, secondary data has been preferred because the collected data is enough and useful for this study, therefore, there is no need to collect again.

A study about the effects of using syndicated loan on banks' stock returns determines whether when a bank announces which applies syndication loan as borrower, its value of stock is affected positively or not. The research is consisted of agreements which are made between 2010-2013, and event study method is used for this research. Announcements of thirteen banks which apply syndication loan have been studied. Announcements have been made on BIST. The result which is reached at the end of the study is that syndicated loan agreement material disclosure of the banks has been observed to have a positive impact. That means when a bank announces about using a syndication loan, its value of stocks increase. It is used as a marketing strategy tool for reputation (Sakir Sakarya and Hasan Sezgin, 2015).

A study shows how the banking relationships are efficient to lending and borrowing. The study has examined the importance of banking relationship and whether the banking relationships provide advantages to the borrower in the syndicated loan market even in a chaotic financial environment or not. The study claims that the existing banking relationships reduces the average cost of acquiring information because banks can reuse information over time and it procures firms to pay a lower spread, it provides to reach a higher amount, and have a longer maturity. In addition, it emphasizes the importance of experience about syndication facility for lenders and

borrowers. Hence, if the previous facility successfully completes, it also improves borrower's and lenders' reputation. Therefore, a successfully past transactions on the syndication facility provides borrowers to negotiate loans with lower spreads, longer maturities, and larger amounts. The method which has been used for the study is event study and the research uses a sample of syndicated loans arranged from 2003 to 2008. As a conclusion of the study, while the financial institutions typically reduce the amount and maturity of loan in a chaotic financial environment, a relationship, notably with the lead bank, improves credit terms and reduces the cost which is exposed and increases its maturity. (Hervé Alexandre, Karima Bouaiss and Catherine Refait-Alexandre, 2014)

A study tests whether announcements of syndication loans raise borrowers' shareholder wealth or not. The study which focuses on the announcement of revolving syndication credit also examines announcement provides the convenience of renegotiation. This study which is sought 2,061 syndication announcements which is involved 1,551 revolving credit agreements uses benefits event-method to test the fluctuation of borrower share price. As a conclusion of the study, the value of market of borrowings and shareholder wealth is increased. In addition, the raising of positive and significant borrower share price reaction procures endorsement for renegotiability argument. That means this process provides reputation for borrowers. (Dominic Gasbarro, Kim-Song Le, Robert G. Schwebach and J. Kenton Zumwalt, 2004)

In this research, conceptual approach has been applied for reaching conclusion. The studies which have been explained above and this study clarify the syndication loan which is provided from international finance market is a significant indicator of profit, stability and reputation. As long as Turkish Bank has substantial capital structure and prestigious, they borrow easily from international market.

2 INTERNATIONAL BORROWING

The banks and other financial institution accept deposits from their foreign customers and they make loan available for foregin customers. In addition, banks sell and buy

foreign securities on the behalf of their customers. Banks receive credit from their foreign branch and as well as their subsidiaries.²

It is accepted that a bank is an international financial institution if it has customers or corresponding banks from foreign countries. As banks can manage transaction from headquarter or branch where their country is, they may manage from their foreign subsidiaries or branch.³

While the banks are looking for availability of credit, profitability is one of the most significant determinants. The profitability is considered not only for domestic financial market but also for international financial market. A bank should consider about interest rate, fluctuation of exchange rate, tax and miscellaneous expenditure for profitability.⁴

The credit which is provided from international market enables the banks profit, stability and reputation. If the banks become unsuccessful to get credit, reputation of the banks in international market falter and the banks sweat for the following requirement of fund.

The Turkish banks borrow three ways which are bonded debt, borrowing from central bank and interbank and deposits. While Turkish banks borrow with these methods from domestic, some ways provide borrowing from international market.

Banks Turkey may demand loan from abroad because of various reasons. The reasons may be as following points:

- The loan which is demanded by institution cannot be provided by domestic financial system.
- If the institution has no limit in its domestic financial, it directs to international borrowing for loan.

² Halil Seyidođlu, Uluslararası İktisat, İstanbul: Güzem Yayınları, 1990, p.530

³ Ekren, Nazım, Uluslar arası Bankacılık ve Türkiye Örneđi, T. İş Bankası Yayınları

⁴ Ozkose, 1997, p.9

- The domestic financial system has lack of specialized international financial product.
- If the cost of loan from international markets is less than cost of loan from domestic financial system, the institutions would prefer international market. While the banks decide to international borrowing, they also consider predicted interest and exchange rates, tax and other additional fees.

In respect of the first quarter in 2014, the amount of credit procured from international market has diminished according to previous quarters. From 2013-March to 2014 March, the fund which is procured from international market is shown as below.

Table 1 : Types of International Borrowing

	March 2013		December 2013		March 2014		Change			
							March 2013		December 2013	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
(Million Usd)										
Deposits	17.777	14,7	17.555	12,7	17.407	12,7	-370	-2,1	-148	-0,8
Credit	52.858	43,6	59.755	43,2	61.168	44,6	8.310	15,7	1.413	2,4
Syndication	16.783	13,9	20.044	14,5	20.127	14,7	3.344	19,9	83	0,4
Securization	6.433	5,3	7.732	5,6	7.254	5,3	821	12,8	-478	-6,2
Repo	19.884	16,4	23.444	17	20.982	15,3	1.098	5,5	-2.462	-10,5
Equity Finance	7.393	6,1	9.464	6,8	9.942	7,3	2.549	34,5	478	5
Others	16	0	241	0,2	197	0,1	181	1107,5	-44	-17,9
Total	121.144	100	138.235	100	137.077	100	15.933	13,2	-1.158	-0,8

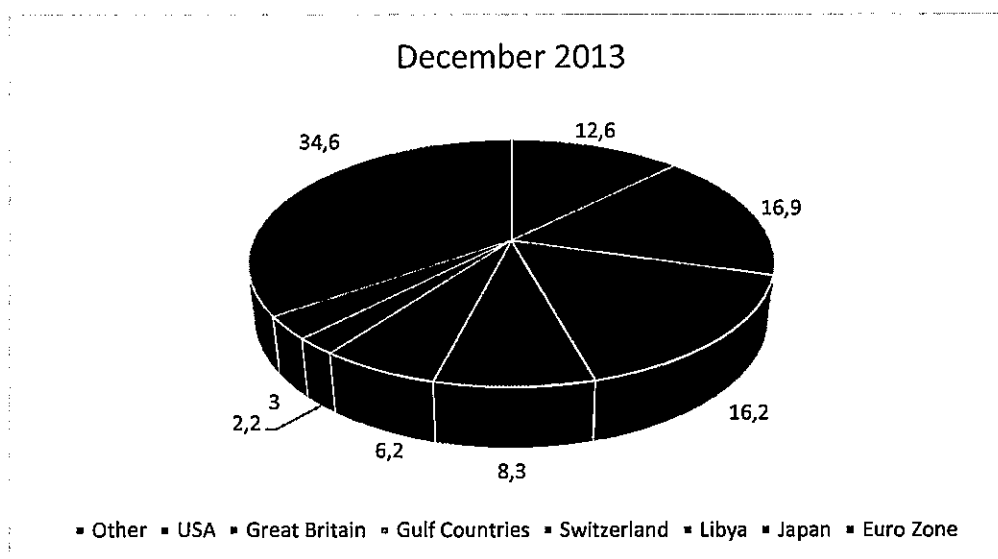
Source: BRSA

While banks in Turkey borrowed approximately 121 billion USD in March 2013, they borrowed 137 billion USD in March 2014. The amount of borrowing has increased by 13,2% from March 2013 to March 2014. The rising amount of fund

which is procured from international market is an indicator to rising of their prestigious. When the details of international borrowed are sought, between 2013 and 2014, amount of borrowing for all types of financial tools except deposits has increased. The highest amount was credit which increased by 15,7%. Syndication loan, securization, repo and equity finance have increased by 19,9%, 12,8%, 5,5% and 34,5%, respectively. Deposit has diminished by 2,1%.

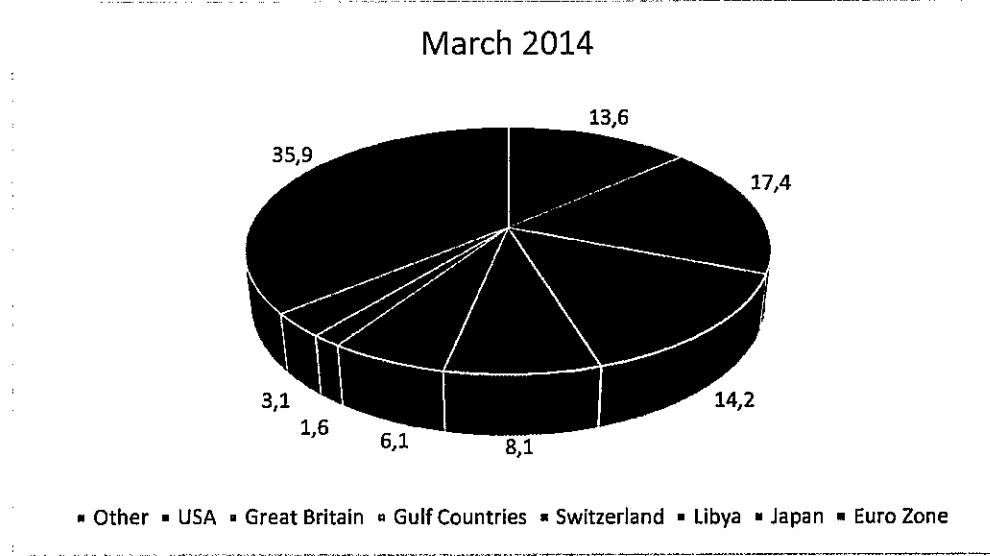
In the first quarter of 2014, syndication loan which comes to mature has been renewed. While syndication loan has been increased gradually from first quarter of 2013 to first quarter of 2014, securization has increased from first quarter of 2013 to last quarter of 2013, however, it has diminished in March 2014. Because, securization is substituted with securities which has been issued to foreign countries.

Figure 1 : Share of International Borrowing in 2013



Source: BRSA

Figure 2 : Share of International Borrowing in 2014



Source: BRSA

When the fund which is procured from international markets is sought, Turkish banks has borrowed at most from European Banks for December 2013 and March 2014. The second country which has provided fund at most was the USA.

2.1 Types of International Borrowing

When the banks need to loan, not only they apply for loan to domestic financial market, but also they apply for loan to international financial market. There are some kinds of loan which banks can apply.

2.1.1 Short-Term Loan

Short-term loans have a maturity of one year or less. Loans must be repaid by borrower within one year. They are generally used for short-term financial requirements and preferred by exporter. It is a beneficial financial tool which manages cash flow and it overcomes unexpected needs for extra cash requirements. Thus, it generates liquidity for international financial market.⁵

⁵ Necla Unsal, Ece Nakipoglu ve Orhan Pazarçik, Türkiye'de Dış Kredi Kullanımı, Ankara: Milli Prodükktivite Merkezi Yayınları, 1989, s.36

While short-term loan is less risky than long term for lender, it may be more risky for borrower, because short-term loan is related volatility, and in the run-up of repayment is affected negatively.

2.1.2 Medium and Long-Term Loan

If the maturity of loan is between one and five year, it is called as medium loan term, if it is more than five year, it is called as long term loan. Typically, it is used for obtaining a fixed asset or capital for business.⁶ On the other hand, if a government applied for a medium or long-term loan, it would be used for development and progress of finance. These types of loans are generally provided by international organization such as World Bank and IMF. After these organizations procure fund, they have a right to audit what borrower does. If they consider that the project will be unsuccessful, they reduce or cut the loan.

2.1.3 Program Credit

Unlike the credit which is procured by international organization, program credit is not related to a project. However, lenders expect that government manages to progress finance successfully. It was generally used for governments to balance of payment or finance to importers.

This type of credits is procured by agreement with another country. Importers of a country can apply to obtain it.⁷

2.1.4 Project Finance

Project finance is the medium or long-term financing of infrastructure and industrial projects based on the projected cash flows of the project rather than the balance sheets of its sponsors.⁸

Project finance is the raising of finance for the purposes of developing infrastructure project, where the borrower is a special aim vehicle and repayment of the financing

⁶ Niyazi Berk, Finansal Yönetim, İstanbul: Türkmen Kitabevi, 8.Baskı, 2005, s.252

⁷ Ünsal, Nakipoğlu ve Pazarcık, a.g.e., s.37

⁸ Ünsal, Nakipoğlu ve Pazarcık, a.g.e., s.36

by the borrower will be dependent on the internally generated cashflows of the project.⁹

A project financing structure contains a number of equity investors, they are sponsors such as a syndication of banks or other lending institutions that provide loans to the operation. They are typically non-recourse loans, which are secured by the project assets and paid completely from project cash flow, rather than from the general assets or creditworthiness of the project sponsors, a decision in part supported by financial modeling.¹⁰

With project finance, while underdeveloped countries are forced to use loan for progress, the lenders can control process of repayment of loan.

2.1.5 Syndication Loan

If a borrower needs a large or sophisticated borrowing facility, this is generally procured by a group of lenders known as a syndicate under a syndicated loan agreement. The borrower applies one of the agreements which is arranged the whole group of banks and different types of facility rather than entering into a series of separate loans, because a series of separate loans mean different terms and conditions. In other words, a syndicated loan is a type of credits that is procured by a group of lenders and is structured, arranged, and managed by one or several commercial banks or investment banks known as lead arrangers.

The corporations, even financial institution, apply commonly the top banks or other institutional financial capital providers for syndication loans. The U.S. market, which syndication loan is applied at most, originated with the large leveraged buyout loans of the mid-1980s, and Europe's market arised with the launch of the euro in 1999.¹¹

Arrangers in syndication facility serve the investment-banking role of procuring funding for requirement of capital. The borrower pays a fee for this service to

⁹ <https://www.hsbcnet.com/gbm/attachments/products-services/financing/project-finance.pdf>

¹⁰ Scott Hoffman, *The Law & Business of International Project Finance* 3rd ed. 2007, Cambridge Univ. Press

¹¹ Taylor, Alison; Sansone, Alicia (2007). *The Handbook of Loan Syndications & Trading*. New York: McGraw-Hill. p. 23

arrangers or a unique arranger, and the amount of fee depends on how the facility contains the complexity and risky factors of the loan.

A syndicated loan consists of banks, finance companies and institutional investors. The balance of power among investor groups differs according to which financial market is dealt with. While the U.S. has a capital market which pricing of it depends on credit quality and institutional investor appetite, In Europe, banks seem to remain a significant part of the market. In other words, there are generally three investors basically: Banks, finance companies, and institutional investors; however in Europe, only the banks and institutional investors are dominant for syndication loan market.¹²

Main target of syndication loan is to match requirement of huge demand of fund which cannot be procured by a unique bank. Not only syndication loan is attractive for lenders because of less risky, but also borrower can procure the fund with less cost.

The banks which do not have challenge about equity come together to provide long term loan to other banks which need for fund. However, the banks which obtain syndication loan may have challenge about equity. The banks must use the fund wisely, for instance if a bank in Turkey which obtains Euro with syndication loan converts into Turkish Liras, in case of financial crises, decreasing worth of Turkish Liras against Euro, the bank may collapse because of unbearable short position.

2.1.6 Securitization

Securitization is process of turning assets into securities. In other words, securitization is a process by which a company picks up its different financial assets/debts to convert into a consolidated financial instrument which is issued to investors. The investors want to obtain in such securities to get interest.

Securitization raises liquidity in the market. It is a beneficial tool, especially for financial companies, as its helps them raise funds.

¹² Caouette, John B.; Altman, Edward I. (1998). *Managing Credit Risk*. New York: Wiley. p. 19

Basically, the process of securitization has two steps. In first one, a company with loans or other income producing assets which the company wants to remove from its balance sheet and pools them into what is called the reference portfolio. It then removes with selling this asset pool to an issuer. In the second step, the issuer finances the obtaining of the assets by issuing tradable that can be traded to capital market investors. The investors acquire fixed or floating rate payments from a trustee account funded by the cash flows generated by the reference portfolio.¹³

2.1.7 Equity Financing

Equity finance is a process of maintaining capital through the sale of shares in a Corporation. In other words, it is sale of an ownership to raise funds for receiving business purposes. The company relinquishes from a share of it. There are some types of equity financing that venture capital is one of most applied. Venture capital is financial capital procured to early-stage, high-potential and growth startup companies. The venture capitalists earn money by owning equity in the companies which they invest in. The companies which apply equity finance usually have a novel technology or business model in high technology industries. Because of its structure of prospective borrowers, it contains high risk and high return.

In equity finance, if the borrower makes profit, the investor receive dividend, otherwise, unlike other financial instruments, the investor may not receive any return.

2.1.8 Bond Issue

One of the popular methods of raising fund is issuing bond. A bond links between an investor and corporation in regarding to debt and credit relationship. At the beginning of the bond issue process, the investor gives the corporation a specific amount of money for a specific period of time in exchange for periodic interest payments at anticipated intervals. At the end of the maturity, when the credit reaches

¹³ Andreas Jobst is an Economist in the IMF's Monetary and Capital Markets Department, Finance&Development, September 2008

its maturity date, the investor's loan is repaid how much investor gave initially and additionally, investor receives the last interest payment.

Unlike the equity finance, bond does not provide any right to control the company. When a share of common stock is bought, equity is owned by investors in the company and investors will receive any dividends declared and paid by the company. When a corporate bond is obtained, investors cannot own equity in the company. Investor receives only the interest and principal on the bond which has agreed previously, it does not matter for investors how profitable the company becomes or how high its stock price climbs. If the borrower faces financial difficulties, while it still has a legal obligation to make payments of interest and principal for bond issue, the company has no similar obligation to pay dividends to shareholders for equity. In case of bankruptcy, bond investors have priority over shareholders on the company's assets. Thus, bond investors will receive its payment before shareholders.¹⁴

2.1.9 Commercial Paper

Commercial paper is an unsecured and short term money market instruments which is issued as a promissory note. It can be issued for maturity which ranges from seven days to one year. It is typically used for matching requirement of short term funding and working capital requirement. The more the borrower company has high rating, the easier commercial paper is issued, because high rate increases the demand of commercial paper of company.

2.1.10 Bilateral Loans

A bilateral loan is between an individual and one lender. Unlike syndication loan, this type of loan has unique lender. The lender may be more dominated for the terms and conditions which surrounds loan. Because of unique lender, the amount of bilateral loan which is served is generally less than the amount of syndicated loan.

¹⁴ SEC-Investor Bulletin-What are corporate bonds

Bilateral loans are applied more because syndicated loans are usually used by large corporations to finance extremely large projects. For smaller businesses and smaller projects, a bilateral loan is usually the best option.

2.2 Risks of International Finance regarding to International Borrowing

International financial markets encounter with a variety of risks and they are described as international finance risks.

International finance risks divide into two main groups based on finance and debt. Capital risk, currency risk and liquidity risk are classified under finance related risks and interest rate risk, credit risk are shown under debt related risks.

The most common risks are affected international financial markets are listed below:

Political risk identifies to the probability that investors will lose money or makes less money than awaited by cause of political decisions, circumstances or events arising in the country or emerging market in which they have invested. Particular problems contain government inconsistency, currency inconvertibility, nationalization, and expropriation. Furthermore, political risk analysis criticizes social conditions such as crime levels and land rights affair when evaluating the level of risk correlate with any investment.

Financial risk is the possibility that investors will make a loss when they invest in a company that has debt, if the company's cash flow demonstrates incompetent to meet its financial liabilities. When a company works with debt financing, its creditors will be reimbursed before its investors if the company becomes bankrupt.

Economic risk is the possibility that macroeconomic circumstances like exchange rates, government regulation, or political stability will influence an investment, commonly in a foreign country.

Country risk is a compilation of risks interconnected with investing in a foreign country. These risks consist of political risk, exchange rate risk, economic risk, sovereign risk and transfer risk, which is the risk of capital being confined or bound

by authority action. Country risk alters from one country to the next. Some countries have high enough risk to dispirit much foreign investment.

Market risk can be defined as the risk of losses in on and off-balance sheet positions proceed from contrary movements in market prices. From a regulatory perspective, market risk derives from all the positions contained in banks' trading book as well as from commodity and foreign exchange risk positions in the whole balance sheet.

Exchange rate risk relates to the impact of unpredictable exchange rate changes on the value of the firm. Especially, it is described as the possible direct loss (as a result of an unhedged exposure) or indirect loss in the firm's cash flows, assets and liabilities, net profit and, in turn, its stock market value from an exchange rate move. To conduct the exchange rate risk constitutional in multinational firms' operations, a firm needs to conclude the specific type of current risk exposure, the hedging strategy and the available instruments to cope with these currency risks.

Operational risk is defined as the risk of losses arising from insufficient or failed internal processes, people and systems or from external events. Operational risk comprises legal risks but excludes reputational risk and is embedded in all banking products and activities. It has always subsisted in banking, and non-banking, organizations but it has procured a greater relevance given the increased complexity and globalization of the financial system and the recent materialization of unprecedented extremely large losses.

Legal risk is the possible loss that may appear to an investment in consequence of inadequate, inappropriately applied, or simply adverse legal proceedings in the country in which the investment is made. For example, a country may have insufficient bankruptcy protection or, in an extreme circumstance, the government may be able to seize property without provocation. On the other hand, legal risk consists even in countries that operate under the rule of law: a court, for instance, may find against a company in a given lawsuit, creating a precedent for other companies with similar operations.

Systemic risk is the risk of collapse of an entire financial system or entire market, as opposed to risk associated with any one individual entity, group or component of a

system, which can be contained therein without harming the entire system.¹⁵¹⁶ It can be defined as "financial system instability, potentially catastrophic, caused or exacerbated by idiosyncratic events or conditions in financial intermediaries".¹⁷ It refers to the risks imposed by interlinkages and interdependencies in a system or market, where the failure of a single entity or cluster of entities can cause a cascading failure, which could potentially bankrupt or bring down the entire system or market.¹⁸

3 OVERVIEW OF SYNDICATION LOAN

One of the international financial markets loans is syndicated loan and it has become increasingly important part of financial landscape. A syndicated is a group of lenders which provide a loan jointly for a single borrower. Participating in a syndicated loan gives lenders a chance to lend to borrowers local and regional economies, otherwise they don't have a chance to lend as a separately. Syndicated loan is to be provided huge amount of fund by two or more lending institutions which intend to provide fund under common condition, financial terms, loan documentation and administration of agent. Lenders can agree with similar condition, but it is not compulsory, there may be disagreement with overall structure of syndication loan, because a syndicated loan which is funded by different group of Lenders can be provided with different maturity.

While lenders are a group of commercial banks or investment banks, borrowers could be governments, corporation, a large project or a bank. The reason of syndicated is to be demanded large amount of fund by borrowers. Lenders may not want to bear risk or their capital structure does not permit because of legal regulatory and indeed the Lenders may not want to increase assets by adding with large loans to their balance sheet. Therefore, Lenders want to be a group which provide fund for borrowers because of necessity of risk dispersion and legal regulatory.

¹⁵ Banking and currency crises and systemic risk, George G. Kaufman (World Bank), Internet Archive

¹⁶ What is systemic risk anyway?, Gerald P. Dwyer

¹⁷ Systemic Risk: Relevance, Risk Management Challenges and Open Questions, Tom Daula

¹⁸ Systemic Risk, Steven L. Schwarcz

3.1 Evolution of Syndicated Loan Market

Syndicated loan goes beyond to beginning of 19. and 20. century. At that time, commercial banks in the US was used to borrow corporate clients for medium terms. However, previously, US banks were rarely lending for maturities longer than 1 year. The modern syndicated loan was started after commercial banks in US agreed to get into medium term for corporate customers. The commercial banks were matching syndicated loan with deposit. After change in US regulations, US firms started to seek large capital investment program. In time, need of large capital had come to a point which single bank cannot match it. Therefore, a couple of bank has become together to provide the need of huge capital. Thus, the lenders triggered to provide syndicated loan. Originally, this service was given with no commission. It was seen as free-banking service. When SL began to spread to world in 1960s, especially to Europe, banks which intended to provide lend demanded commission because of syndicated loan service and the various fees that the syndicate charge the borrower were divided (at a prearranged rate) between members of the syndicate according to their contributions. Also, syndicate became lure of syndication fees that were increasing function of size of the loan.

After World War 2, European Countries which had US Dollar were reluctant to give them back to the US because European Countries did not intent to lose control of US Dollar. Some countries sent US Dollar deposits to European Bank, and European Banks which got US Dollar deposits began to loan to borrowers for various usages like countries which owed US Dollar.

Because of altering of US regulation like “Interest EquisationTax Act” in 1964 and ”Voluntary Foreign Credit Restraint Program” in 1965 reduced the attraction of non US-residents of borrowing from US Banks, thus, London became financial center. Branches of US Banks with the motive of avoiding Federal Reserve became principal organizers and sovereign of the borrower of the market.

Credit syndications first developed in the 1970s as a sovereign business. Before Mexico was in sovereign default by in 1982, most of developing countries’ debt

consisted of syndicated loans. In the 1980s, many emerging market borrowers faced with the payment difficulties and it resulted in the restructuring of Mexican debt into Brady bonds in 1989. This alteration process made easy the patterns for emerging market borrowers towards bond financing, resulting in a contraction in syndicated lending business. Since the early 1990s, however, the market for syndicated credits has gradually become popular and become the biggest corporate finance market in the United States. It was also the largest source of underwriting revenue for lenders in the late 1990s.¹⁹

In 1968, 100 million US Dollar- loans which were provided by Bank Trust to Austria was the first Euro-loan which dramatically affected the European market. In 1970, 200 million US Dollar-loan with 5 year maturity which I.M.I (Istituto Mobiliare Italiano) provided fund from Italy was the first instance of syndication loan which was used by government and public banks for their payment balance from commercial bank.

The first expansion of syndicated loan began in the 1970s. Between 1971 and 1982, medium-term syndicated loans were widely used for foreign capital to the developing countries of Africa, Asia and especially Latin America. Applying of syndication loans enabled smaller financial firms to receive to emerging market without having to establish a local presence. Syndicated lending to emerging market borrowers grew from small amounts in the early 1970s to \$46 billion in 1982.

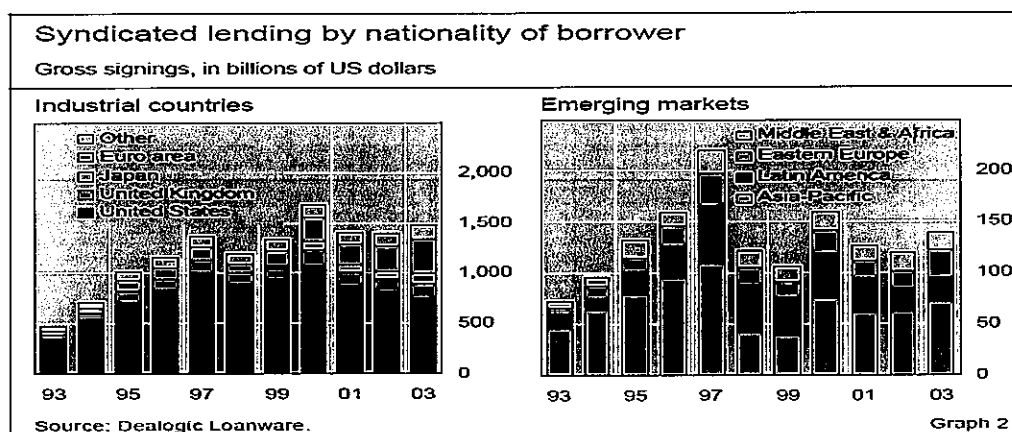
While syndication loan was so popular until 1980, between 1980-1990 years, it lost its popularity because it was used asset-backed securities. However, it became popular and its demand increased again after 1990. The Brady plan provided a new pattern to the syndicated loan market. By the beginning of the 1990s, banks had endured serious losses in the debt crisis and started applying more sophisticated risk pricing to syndication lending. While banks became more sophisticated, more data

¹⁹ Madan et al (1999)

became suitable on the performance of loans, contribution to the development of a secondary market which gradually attracted non-bank financial firms, such as pension funds and insurance firms. The generation of these new risk management capabilities enabled a wider circle of financial institutions to lend on the market, including those whose credit limit and lending strategies would not have allowed them to participate beforehand. Partly, syndicated loans were seen as a loss-leader for selling more lucrative investment banking and other services. More importantly, in addition to borrowers from emerging markets, corporations in developed countries enhanced popularity for syndicated loans. They saw syndicated loans as a useful, flexible source of funds that could be arranged quickly and syndicated loans were seen as a complimentary of other sources of external financing such as equities or bonds.

As a result of these developments, syndicated lending has grown progressively from the beginning of the 1990s to date. Total amount of signings of new loans became 1.6 trillion US-Dollars in 2003, more than three times the 1993 amount. Borrowers from emerging markets and developed countries have enhanced the market, with the former accounting for 16% of business and, for the latter, an equal split between the United States and Western Europe. Syndicated loans have become a very important source of financing.

Figure 3 : Syndicated Lending by Nationality of Borrower



Source: Dealogic Loanware.

Last decade, the syndication loan which is one of the most important for foreign trade deficit source has increased dramatically.²⁰

Evolution of syndication loan depend on the high cost of individual loan, willingness of spread and diversification of risk of international banking, potential income of loan management, gaining of reputation and relationship with other banks.²¹

3.2 Evolution of Syndicated loan in Turkey

The first instance of syndication loan was introduced in 1970s in Turkey among international finance. In 1975, BOTAS borrowed 150 million US-Dollar with 5 year maturity and LIBOR+1,5, and it was one of the first instance for syndicated loan.

Turkish Banks began to appear at international market with a decision made on January 24 in 1980, which signified Turkey's shift from "mixed capitalism" to a free market economy. As a result of free market economy, while Turkish Banks began to open a branch in abroad, banks from abroad began to invest in Turkey. Thus, Turkish financial market correlated with international financial markets and after this evolution, Turkish financial market has been affected from fluctuation of international financial market obviously. The Gulf war in 1991 and Mexican crises in 1994 affected Turkish financial market badly. During that time, three banks in Turkey were bankrupted and the perception of risk in banking system by creditors was affected adversely.²² After the Gulf crisis, public and private firms were observed to renew their loan agreement, instead of new loan. This effort became succesfull, but Turkey encountered with increase in price. The number of banks which were disposed to renewal loan or sign new loan increased, thus the price was increased and the maturity was decreased.²³ In addition, Russian crises in 1997 affected Turkish financial market adversely. Because of adverse events, creditors aimed to decrease their portfolio in some countries such as Turkey. Even if, there were adverse event about financial market, market of syndication loan grew up and

²⁰ Blaise Gadanecz, The syndicated loan market: structure, development and implications,76

²¹ Blaise Gadanecz, The syndicated loan market: structure, development and implications,77

²² İlker Parasız. Türkiye Ekonomisi, Bursa: Ezgi Kitabevi, 2004, p. 533

²³ Sudi Apak, Uluslararası Bankacılık-Finansal Piyasalar İstanbul Bilim Teknik Kitabevi, sf 91

increased its varieties and volume according to previous decade. Syndication loan for Turkish Bank has become vital source of fund besides of deposits in spite of additional costs like tax, and Turkish Banks applied frequently. Fortunately, external cost like stamp tax has been abated with decision of 94/5782, so this problem has been solved.²⁴ After that time, syndication loan has been used for mostly export finance.

After 2000, Turkey has faced serious financial crises which were in 2000, 2001 and 2008. During these crises, public and private banks have faced short position, and they tried to hold exchange currency, in order to provide it, banks aimed to borrow from international banks²⁵. The crises in 2000 and 2001 were ones of the most destructive experiences for financial market. Overnight interest rate for interbank was reached 6.200% and repo market was 7.500%.²⁶ These crises shrank to borrow from international financial markets for Turkish Bank. The effect of these crises was got through by stand-by agreement which was signed with IMF and reformative regulation of banking system. After two crises, the number of branches and employees in banking began to increase again.

Increasing reliability of the Turkish economy in the international markets also facilitated private banks to obtain syndication and securitization loans. While the banking sector obtained syndication loans amounting to a total of USD 3,8 billion in 2003, it compensated a total of USD 2,2 billion within the same period. Besides, positive developments have been experienced as regards interest rates of the loans raised by banks and accordingly spread of 75-85 basis points at the beginning of the year decreased to 65 basis points at year-end.²⁷

²⁴ Encouragement of Exportation, 1994

²⁵ Çetintas, 2008, sf.116

²⁶ <http://webarsiv.hurriyet.com.tr/2001/02/22/296462.asp>

²⁷ Banking sector evaluation report February 2004 s.18

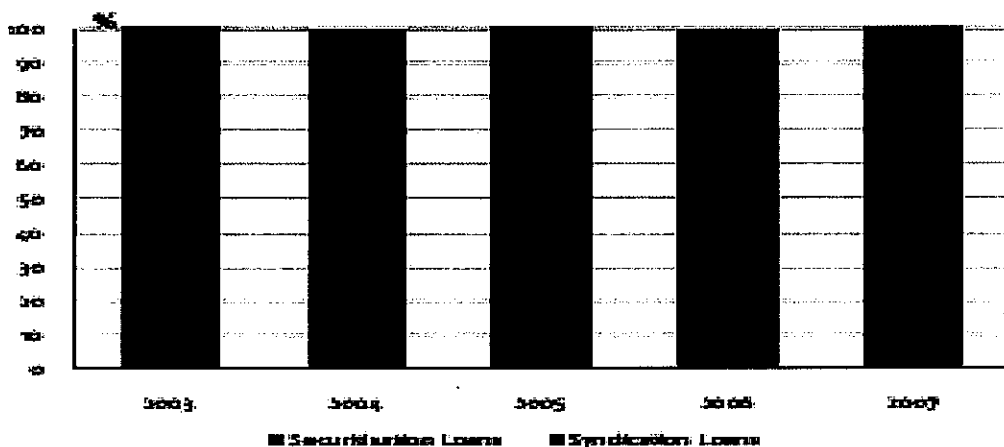
Table 2 : Syndication Loans Raised From Foreign Markets in 2003 (Thousand)

Months	Quantity	Currency	Currency Amount	USD Equivalence	Average Maturity	Min- Max Margin and Definition
	1	EURO	400'000	500'000	1 Year	EURIBOR + 75.00 BP
	4	USD	950'000	950'000	1 Year	LIBOR + 75.00 - 130.00 BP
July Total	5			1.450'000	1 Year	
August Total	1	USD	200'000	200'000	1 Year	LIBOR + 85.00
October Total	3	USD	525'000	525'000	1 Year	LIBOR + 80.00 - 85.00
November Total	2	USD	900'000	900'000	1 Year	LIBOR + 65.00
December Total	3	USD	700'000	700'000	1 Year	LIBOR + 65.00- 85.00
TOTAL	14			3.775.000		

Source: BRSA

When the resources which was provided from foreign markets are analyzed from 2006 to 2007, syndication and securitization loans in Turkish banking sector reached total amount of USD 26.4 billion as of end-2007 and weighted average maturity of these loans is 4.7 years. Share of securitization in the funds the sector which is obtained from foreign markets is in an increasing tendency.

Figure 4 : Distribution of Liabilities Secured from Foreign Markets - Syndication and Securitization



Source:BRSA

Table 3 : Distribution of Liabilities Secured from Foreign Markets – Syndication and Securitization

	Securitization	Syndication
2003	42,4%	57,6%
2004	35%	65%
2005	46,4%	53,6%
2006	42,5%	57,5%
2007	48,8%	51,2%

Source:BRSA

Table 4 : Amount and Maturity of Liabilities Secured from Foreign Markets

USD Billion	2003	2004	2005	2006	2007	Weighted Average Maturity 2007
Syndicated Loans	3,8	6,5	8,1	12,5	13,2	1,6
Securitization Loans	2,8	3,5	7,0	9,2	13,1	7,5
Total	6,6	10,0	15,1	21,7	26,4	4,7

Source:BRSA

Securitization and syndication loans are ones of the elements which affect the foreign exchange liquidity of banks. The remain-due of securitization and syndication to be re-determined between 2011 and 2018 is TL 13.2 billion (USD 8.8 billion). The payment of syndication loan can be clustered on May, August and September 2010.

In 2009, the payment of syndication loans reached to USD 11.2 billion in the sector while USD 7.2 billion of syndication loan is obtained and the renewing ratio of syndication loans is reached to 64.4%. While the interest rates of syndication loan were between Libor+0.40 and Libor+0.80 before the period of September 2008, after the crisis the interest rates of loans were between Libor+1.25 and Libor+2.

Table 5 : Syndication and Securitization Loans Payment Plan

(Million)	EURO				USD				Total	
	Syndication		Securitization		Syndication		Securitization		TL	\$
	TL	\$ Equivalent	TL	\$ Equivalent	TL	\$	TL	\$		
Jan-Mar 2010	0	0	87	59	0	0	611	410	698	469
April 2010	940	635	66	45	245	166	155	104	1.406	949
May 2010	1.586	1.065	37	25	544	365	258	173	2.425	1.628
June 2010	0	0	0	0	0	0	217	146	217	146
July 2010	0	0	66	45	0	0	177	119	244	163
August 2010	1.542	1.036	37	25	602	404	265	178	2.446	1.643
September 2010	2.197	1.484	0	0	1.337	904	219	147	3.753	2.534
October 2010	344	231	66	45	37	25	203	136	650	436
November 2010	407	274	37	25	137	92	273	183	853	574
December 2010	782	525	0	0	226	152	220	148	1.227	824
2011-2018	0	0	1.109	751	0	0	11.789	7.922	13.199	8.871

Source: Financial Market Research 2010- December

In spite of negativities in European countries, there was no problem for renewing the syndicated and securitization loans which are ones of main sources that is provided from abroad. Banking sector funds approximately 3.3% of their assets with syndicated and securitization loans in June 2012. The banks obtained TL 23,3 billion syndicated and securitization loans at the end of the second quarter of 2012. The maturity of syndicated and securitization loan which has reached to TL 9.5 billion are expiring up to the end of 2012. In spite of problems which are experienced in certain Europe countries which affect adversely emerging countries, it is observed that Turkish Banking Sector does not face problem in respect of renewing foreign loans.

Table 6 : Syndication and Securitization Loans

Payment Plan (Million)	Syndication		Securitization		Total	
	USD		USD		TL	USD
	TL	Equivalent	TL	Equivalent		
July 2012	1.632	914	316	177	1.948	1.091
August 2012	2.451	1.357	228	127	2.679	1.484
September 2012	5.421	3.008	301	167	5.722	3.175
October 2012	3.090	1.739	347	194	3.437	1.933
November 2012	2.582	1.441	228	127	2.811	1.568
December 2012	170	94	336	186	507	281
2013-2024	12.779	7.129	11.972	6.684	24.752	13.813

Source: Financial Market Report – June 2012

The fund provided from international banks has increased during 2013 for Turkish Banking Sector while the uncertainty of global economy is ongoing. The fund provided from international banks has increased to 138,2 billion US-Dollar. In 2013, rate of renewal of syndicated loan actualized up to 100% and it was seen that banks didn't face with any problem for renewal of syndication loan.²⁸

3.3 Part and Roles of Syndication Loan

Like all type of loan process, syndication loan consists of two parts: A borrower and Lenders. Because of huge amount of borrowing, instead of one lender, a couple of lenders or more become lenders. Lenders can join with different amount and according to amount, they can obtain different roles. In multi-bank bidding situations, the roles will usually be shared among the members of the prospective lenders. The preference for banks will depend on the reputation and resources of each of the candidate banks, in addition, the final choice will be affected by each bank's relationship with the borrower.

The parts of syndication loan often are borrower, arranger, co-arranger, agent, security-trustee, co-lenders and decision making panel.

3.3.1 Borrower

Syndication loan is triggered by borrowers that can be a bank, government or corporation. Borrower applies the syndication loan because of huge amount of fund which cannot be provided by a single lender.

3.3.2 Arranger

Process of a syndication loan, there are more than a lender. One of the lenders organizes a syndicate. In order to organize it, arranger bank gets authorization from borrower that demands syndication loan. The arranger prepares a booklet about borrower, and aims to communicate and attract financial institutions to make them

²⁸ BDDK, Bankacılık Genel Görünümü Sayı 2014/1

to become a member of the syndication loan. In addition, it directs the borrower which facility is required and advice in dealing with the terms of the facility.

3.3.3 Co-Arranger

Co-arranger is one of lenders that are initial group which agree to provide fund for borrower. Its role becomes popular in recent year. It controls the syndication process and commits for preparation duties on the behalf of prospective lenders and borrowers. Co-arrangers, such as arranger, aim to lure financial institution for syndicated loan.²⁹

3.3.4 Agent

Agent bank is one of Lenders, often one of the arrangers, which follows and administrates daily staff. Agent bank can be seen as an intermediary between lenders and borrower. It doesn't often have enough market profile during the syndication phase, but it enables a long-term operational and commercial relationship with the borrower after the signing. Therefore, its duty begins after signing of syndication loan. It has to be in communication with borrower and reflect the view of lenders which attend to syndication loan. It must observe how the borrower obeys the terms of facility, in order to protect lenders' right. In addition, borrower pays interest, repayments of principal and any other payments to Agent according to loan agreement.³⁰ On the other hand, agent is well positioned for the next mandate and it is usually the only role which benefits from payment which is known as agency fee.³¹

Like daily staff, the agent bank also manages the loan; it acts as a middleman for drawdown and repayment of the loan. The agent forecasts interest payments which is required, obtains waivers and addition to the loan documents, and in the case of a secured loan, holds all pledged collateral on behalf of the syndicate members. Once there a couple of agents, the roles of agent banks are spread among them, and fees

²⁹ Loan Market Association-Guide to Syndicated Loan sf. 2

³⁰ Loan Market Association-Guide to Syndicated Loan sf. 2

³¹ Tony Rhodes, sf 254

and commission which should be taken by agents are spread in the case of multiple agents.

3.3.5 Security Trustee:

If the syndicated loan is demanded to be secured, a lender which is a member of syndicated loan become Security Trustee to hold security on the behalf of Lenders.

3.3.6 Co- Lenders:

In order to spread risk, lenders of syndicated loan look for co-lenders that can be a group of bank or financial institution and get a small portion of syndicated. Co-lenders are not given active role; they rely on capability of agent bank for their benefit.

3.3.6 Decision Making Panel:

In large facilities, decision making process can be bitterly compelling. It is delegated to the majority which contributes the most for syndication loan. Thanks to delegation, process of decision making is more effective, otherwise, each and every member of syndication loan would be consulted and act separately.

3.4 Types of Syndication Loan

While innovation for financial market is spread in the world, new type of syndicated loans are developed and conventional syndication loan are modified according to new ideas and requirements.

3.4.1 Revolving Credit Facility

Revolving credits are like credit line which an agreement between a bank and client. The banks and borrowers agree with a predetermined term and amount. In other words, a revolving loan facility provides a borrower with a maximum aggregate amount of capital, available over a specified period of time. In addition, the revolving loan facility permits the borrower to drawdown, repay and re-draw loans again, up to the amount of agreement between customer and banks. Thus, the

borrowers can meet their short term requirements for fund. Each loan facility is provided for a set period of time, usually one, three or six months, after which time it is technically repayable. Repayment of a revolving loan is achieved either gradually reductions in the total amount of the loan over time, or by all loans can be repaid on the date of termination. When a revolving loan refinances with another revolving loan which matures on the same date, second revolving loan is called as a "rollover loan".

3.4.2 Term Loan

A term loan from a bank for a specific amount has a specific repayment period of time. These types of loans are often demanded for particular requirements like procuring machine for corporation or refinancing a maturing debt. This type of loan is not preferred for day to day financial issues. The maturity of term loan is generally used for more than 1 year. It does not exceed ten years. Repayments of loan can be planned at various intervals, in varying amounts, or with a single payment at maturity. Contrary to revolving credit, term loan may not be re-borrowed.

3.4.3 Standby Credit Facility:

Standby credit facilities are similar to revolving credit facilities but they are asked to remain undrawn, in order to enable liquidity enhancement. It provides an assurance to borrowers that loan is reachable from a group of bank unless other sources are available for any reason. The loan is often used to support commercial paper or medium-term note financing. For instance, if the issuer is unable to meet the liabilities of his commercial paper, he could enjoy under his standby credit facility.

3.4.4 364-day facility:

Regulatory capital guidelines of Bank for International Settlements ask banks to reserve capital against undrawn commitments of one year or more. Banks offer to borrowers more attractive undrawn fees for 364-day facilities. Thus, this type of loans is generally appraised lower commission fees than for longer term commitments.

3.4.5 Standby Letters of Credit:

A bank provides a guarantee of payment on behalf of borrower in case borrower fails to fulfill the commitment with the third party. Even if the borrower is unable to procure the loan on its own, this credit enables the borrower to procure fund from investors.

3.4.6 Transferable Loan Facilities:

It is developed to take over the problems which are in the transfer of the loan participation among banks and to make easy the operations for the secondary market. Thus, loan facility can be traded easily and it reduces credit risk of the banks which enable fund. This facility permits lenders to their rights and commitments to the third party.

3.5 The Advantages of the Syndication Loans

Syndication loan is the perfect source of financing and the main advantages for the participant is listed below.

Flexibility

Flexibility is the main benefit of syndicated loans for the borrowers which are a result of tailor-made structures and documentation with flexibility in terms of maturity, pricing, and repayment profiles. The SL has opportunity to make early repayment on any interest payment date without any premium or fine.

Decreasing margins have ensured borrowers with the chance to refinance early at lower margins. As banks are guaranteed to a certain margin during the life of loan, any change in economic condition can only work to the advantage of the borrower. This is particularly attracting to borrowers from emerging markets, where margins are, on average, still higher than in other countries.

As banks have increased an inclination for a wide range of countries, industries, and financing structures, so syndication loan markets has been opened to greater sort of borrowers for a various range of aims. For major part of borrowers the syndication

loan is excellent financing instrument, for example, the only one applicable on international aspect.

The syndication loan is nearly basic, borrowers-friendly financing instrument. There are generally no specific conditions attached to the use of funds, as most transactions are for general funding aims, rather than for particular projects.

Sophisticated Investor Base

The major investor portfolio of the syndication loan market is consisted of banks especially. Banks have the competency and the source to evaluate complicated corporate risk structures with substantial macro-economic dimensions. There is no other investor group, which has a similar capability to analyze credit risks. Unlike capital market investors, banks usually do not need an external rating agency to understand the risk for them particularly. Exactly, the appointment of a rating can help to identify debt in the bank market, and in fact smaller and less sophisticated banks may essentially need such rating. On the other hand, there is a very extensive market for non-rated borrowers. Banks are frequently arranged to lend long before a rating is appointed in today's emerging markets.

Some debtors in emerging markets do not want to acquire an external rating. It is not merely an expensive procedure, but it is also in some situations rather inflexible particularly the "sovereign ceiling" that a debtor cannot obtain a better rating than the state it is dwelled in, gives little or no impression of relative value or relative strengths among different debtors from same country.

Liquidity

The bank loan market is excessively liquid for this reason; significant amounts can be brought up in a very short time. The syndication loan market pursues its own procedures and the level of liquidity change over time. On the other hand, the liquidity of the syndication loan market is more trustworthy than that of the capital markets. Also, the liquidity of the syndication loan market never decreased completely in periods of great market turnover, on the contrary what can happen in some segments of the bond market. Within this scope, the syndication loan market

can be evaluated as an integral part of the capital market and serves as a “lender of last resort” in times when the bond markets cannot supply adequate capital.

High Cost Efficiency

The liquidity in the syndication loan market has conducted to largely appealing terms and requirements for borrowers; therefore the syndication loan is very frequently the most cost efficient source of financing borrowers can prefer. The margins in the bond market are high volatile than in the syndication loan market. This situation has emphasized again during the market turnover after Asian crises.

A Syndication loan involves less legal and other expenses in arranging process than other source of funding.

Time Efficiency

A Syndication loan has very short process of arranging. Generally, between awarding mandate and signing the agreement takes almost six to eight weeks. On the other hands, the process of applying syndication loan is very flexible and can be rearranged if needed. In some cases, major syndication loan transactions for well-established borrowers have been organized within less than standard time. In fact, a rating is not especially necessary when applying the syndication loan market also saves time, as acquiring a rating can take many months.

Choice of Currency

However in the bond market the preference of currency is great related, it is also of little concern to bank lenders, with providing it is available and convertible. In addition multicurrency agreements are frequently integrated in syndication loan documents, which provide even greater flexibility to borrowers when it comes to preference of currency.

Bank Relations

Syndication loans are procured by banks not by anonymous group of financiers. For this reason the borrower has the occasion to appeal new banks into the syndicate and to improve beneficial long-term relationships with such banks in other projects. From the side of banks, the incentive to attend in syndication loan is frequently driven

not so much by immediate profit the bank can obtain from a specific loan transaction, but rather by the longer term vision of establishing a deeper relationship with this borrower and hence of winning dependent business later.

The lenders are known exactly by the borrowers for this reason the borrowers can apply these institutions in case of essential adjustments or renounce under the facility agreement. Such situations might occur in case of substantial corporate restructurings, mergers or changes in economic situation. Although the banks may not consent to such request, it is easier to discuss with a defined group of relationship banks than with bondholders, who usually have no long-term interest.

Combination with other Products

The syndication loan can be integrated with other financing procedures, for instance trade finance, project finance, asset finance and asset securitizations. As a syndication loan can be structured reasonably fast, it can be arranged as a bridge financing taken out for other capital rising exercises such as bond issuance. In the same way, it can serve as a backup for certain debt instruments including commercial paper programs.

Publicity

Syndication loans frequently appeal substantial publicity so that a successful substitution in the market will cover the way for future market perspectives particularly when these transactions have the backing of a strong group of quality banks.

3.6 The Disadvantages of the Syndication Loans

While syndication loan market is the optimal financial instruments in many aspects, there are particular situations where other instruments could be more beneficial. The most substantial disadvantages are:

Blocking of Bank Lines

Borrowers might deplete current banks and other limits such as region, country etc. by taking advantage of the bank loan market. This is particularly the case for debtors

from emerging markets with limited lines of credit available from their main banks. A major loan can decrease the limits for trading and other lines. Capital market affairs would spread out the borrowers' funding base or even free up additional lines.

Secondary Markets

The secondary market for syndication loan is not still nearly liquid. While this may occur a disadvantage for the financier banks rather than debtors, a more effective secondary market approving the financier banks to control their loan portfolio and providing update price information would also improve the primary market the debtors facing. Secondary market liquidity would allow banks to make new credit lines applicable to a client very rapidly when required. It would also extended the financing base of the debtors and allow a new transaction to be appraised more clearly.

Maturity

The applicable maturities in the syndication loan market are considerably limited. Mainly the maximum applicable maturity is five to seven years, whereas the bond market or the private placement market provides funds for much longer maturities. Even for some emerging market debtors the applicable maturity in the bond market can be reach to 30 years. The maturity for the unsecured and unstructured transaction is actually registered to one year in some market such as Turkey and Russia.

One way to expand the maturity in the loan market is to suggest enlargement options to the debtors. The debtors may then apply an enlargement of the maturity, subject to the agreement of the lenders. Instead of this, the financier bank may accept to a longer maturity but have the right to cancel the loan at certain dates or rolling over the loan matures with the general financial terms as dictated by the market.

Expensive at the top

A syndication loan is generally less cost efficient than the capital market instruments since these debtors can frequently acquire sub-LIBOR funds in the capital markets. As LIBOR is financing base of the syndication loan market there is no chance to increase rates at or below LIBOR. As a consequence, the top class debtors in the

syndication loan market merely for revolving or standby facilities rather than for term loans. This disadvantage is often related to emerging market debtors.

3.7 The Characteristics of the Syndication Loans

3.7.1 The Amount

Syndication loan is a technique of spreading the risk involved in lending so it is usually not appropriate to smaller lending transaction where there is no reason why an individual bank should not take the whole of a loan into its own lending portfolio.³² Financial institutions have some limitations to avoid from the risks such as country limits, borrower limits. For this reason the financial institutions come together to provide the loans in requested amounts to the debtors.

The amount of the syndication loan depends on the fundamental financing obligation of the debtor and mainly coming to the market, the debtor has a least required loan amount in mind. If the debtors are willing to expand more than this least amount they have to analyze their position at the beginning of the agreement.

Mainly, the amount can be expanded in one agreement represents the credit worthiness of the debtor in international financial markets. At the general syndication level, the financial institution evaluates the recommended rate of return as analyzed to the general standing of debtor with others having comparable features.

3.7.2 The Maturity

In common practice, the maturity of syndication loans is 5 and 8 years. The level of documentary and operational work required for the lender and the borrower causes the maturity of the syndication loans to be longer than 12 months.

The fundamental financial requirements of the borrower determine the maturity of syndication loan. If the loan is taken for the project, the maturity of the loan is set according to the term of project. For other uses, the borrower has to specify the optimum maturity taking into consideration the possible expansion in its environment affecting specially the cost of funding since long maturity means

³² Hurn, STANLEY "Syndicated loans" Cambridge : Woodhead- Faulkner , 1990 pp.2

bounding with a higher funding cost for longer time in case some favorable anticipation, may be a rating upgrade for the domicile country of the borrower, resulting lower risk premiums and lower funding costs.

3.7.3 The Interest Rate Structure

The extensive part of syndication loans is arranged on a floating rate basis; the price to a debtor is signified as a margin above the cost of funds to the lending institutions. Generally, the lenders select floating rate base on London interbank offering rate (LIBOR) for fixed maturities because of “interest rate risk”. In that aspect, two types of interest rate base are accepted;

Libor is the rate at reference banks suggests to place deposit with other prime Euro market banks.

Spread shows the debtor’s anticipated status in the market place and a key benchmark for comparing competitive bids. Mainly, the spreads of syndication loan with longer maturities are more preferable than shorter ones because of the risks.

3.7.4 Currency

After introduction of Euro, Euro and US Dollars are the most popular currencies for syndication loans.

3.7.5 Common Interest Rate

The common interest rate applied to all lenders regardless of their contribution of the agreement is a substantial commonality between the senders of the syndication loan. Nevertheless, if the agreements made up of various tranches having different maturities, the applied interest rate may vary for each tranche but still the banks contributing the same tranche gets the same interest rate.

3.7.6 The Separation of the Responsibilities

The functional responsibilities of the lenders for the origination of a syndication loan and for the rest of the agreement are figured out at the beginning, which are mainly dependent to their contribution to the agreement. In that aspect, members of the

syndicate group can be classified a number of categories based on the roles they perform:

Lead Manager is responsible for controlling the syndication loan bargaining with the borrower and arranging the syndication.

Arranger is providing fewer amounts into the syndication loan than lead manager; this bank also takes part for the organization of the agreement.

Managers organize the syndicate parts and underwrite fully or partially the amount of the loan along with the lead manager.

Participants are generally small lending institutions to perform the functions necessary for the organization of such agreement.

Agent arranges the technical part of running loans and generally has been one of the lead managers.

3.7.7 Disclosure

The disclosed nature of the transaction is the most specific feature of the syndication loans from the bilateral loans. If the syndication loan is large enough by overall size for highlighting, the borrower prefers to benefit from publicity that surrounds a syndication loan.

3.8 The Process of Syndication Loan

There are three principal phases for syndication loan transaction. These are pre-mandate, post-mandate and post-signing phase.

3.8.1 Pre-Mandate Phase

The pre-mandate phase is the initial one which is the details of the planning transaction are discussed and completed. This phase may be completed between one month and one year. It is altered what sort of financial borrowing is procured the loan. Under that phase, some issues such as recognition of what kind of financial loan borrowers need (The banks must identify their customers well), issues about bidding and bidding for offering are discussed between potential borrower and lenders.

Schedule of pre-mandate phase is specified according to urgency of financial needs. If the borrower needs loan urgently, the pre-mandate phase would be shortened, if not, the borrower would discuss its benefits with its relationship banks.

The prospective arranger banks should identify and determine about borrowers' needs. The potential arrangers should know the amount, aim and pricing level and duration of loan required, and also should be open for competition and the borrower's approach in seeking bids.

Typically, there are three ways that borrowers can receive bidding.³³

1- Bidding with key relationship banks

The borrower may look for bidding from three to five banks that are provided discretion to form a group or make an independent bid. Generally, if banks which are related to borrower have in-depth knowledge about borrowers' financial and market position, the terms and conditions that are offered will be very close to each other. Although some unwanted bids rarely result in a mandate, borrowers often benefit them as a basis for negotiating a more superiority position with one of the acknowledged challenger.

2- Selective bidding based on special knowledge

There are banks which have knowledge about specialised field such as energy-related finance, shipping or aircraft.

3- Open bidding.

Borrower may seek to acquire as many offers as possible. It provides to decrease the bid.

The units like managers, portfolio managers, syndication team and credit officers should concentrate on four major issues with regard to the potential deal: credit, price, internal appetite and the capability of syndicate relative to the market.

33 Tony Rhodes, *Syndicated Lending: Practice and Documentation*, 5th edition

When a borrower decides to obtain syndication loan, at first, it should take some point into the consideration to choose the arranger:

Placing Power

A prospective arranger should have capability to lure potential participants of syndication loan. This capability can be understood from its recent studies and its position in economy. In addition, borrower can prefer an arranger which arises the borrower's prestige for later borrowing. This arranger should be well-known in the market.³⁴

Structuring Ability

When borrowers acquire of another company, they can be zeal to repayment the syndication loan by issuing bond or other capital instruments. The capability of arranger should organize the structure of repayment how borrowers want and it must be beneficiary for borrowers.

Sector and Experience

If an arranger specializes in a particular sector, the arranger can reach the participants of syndication loan easily. The more experience the arranger has, the easier the arranger find participants. In addition experience enables the arranger completes the formation and finalization of syndication loan within a reasonable short time scale.

Geographic Location

If arranger is chosen from another country which country is different from borrower's country, the arranger should understand completely the law and regulations of borrower's country.

Margins and Fees

The cost of the syndication fees is also important topic for borrowers. The arranger which reduces the fee and commission is more preferred by the borrowers.

In order to begin the process of syndication loan, the offer should be generated.

There are several reasons to generate offering:

³⁴ M.T. Billet, M. J. Flannery ve J.A. Garfinkel, "The effect of lender identity on a borrowing firm's equity return," *Journal of Finance*, Vol. 50, (1995), s. 700

- The banks have in-depth knowledge about their customers' plans and financial requirement very well and the bank offers itself to borrower.
- The prospective borrower of syndicated loan can initiate the loan by asking for the offers of the banks which are corresponding.
- The financial institution that has excess fund can look for borrowers which are in need of fund. It notifies the condition of syndication loan which consists of the amount, maturity, interest rate, fees and commission, repayment and other specific conditions.

Type of Offers

The offer can be completed with several ways. The borrower may obey the terms specified in one type of offer or follow a sequence of all three type of offer.

Indicative Offer:

This type of offer cannot be accounted for an offer at all because it does not commit the banks for its offering to terms and conditions. Terms and conditions can be specified superficially. If the borrower wish to know how terms and conditions are, by this sort of offering borrower is informed what are likely the term and conditions in the prevailing market conditions. The offering bank can submit a presentation of loan which aims to inform the borrower. If purpose is to assist the borrower, banks can enable the customers to consider other offers. Indicative offers, unlikely other offers, is not often submitted with fully information, it only contains broad parameters of a potential transaction such as price, maturity and condition of repayment. If a borrower receives an indicative offer, the prospective borrower is not in doubt that the offer aims to briefing.

The Best Efforts Offer:

This sort of offer aims to raise funds in the market with regarding the specific term and conditions. Beginning of the offering, the lead bank does not give assurance that it will obtain the required funding which is demanded by borrower at the desired terms and conditions. The bank submits an offering. The bank aims to obtain fund in

the market for the prospective borrower regarding to specified terms and conditions. If the bank does not succeed to raise fund from the market for the borrower, the borrower cannot receive the fund, it means the bank which offers cannot underwrite the loan with specified terms and conditions. If the best efforts offer is applied, it must be explained briefly in the documents. Although the best efforts offer is uncertainty for obtaining fund, it can be chosen, because it has lower cost. If the borrower is well-known and has high credit standing, it can avoid paying underwriting fees, because it is sure that it can obtain fund from the market. Thus, the borrower takes over risk which cannot be raised fund from the market. Therefore, the final amount, terms and conditions of the loan is based on the success of the subsequent syndication or marketing process. The lead bank generally keeps the right to abolish the agreement of syndication loan if a sufficient amount of the loan is not reached by other banks. If it is understood that the sufficient terms cannot be provided by lender bank, the borrower can also abolish the agreement of syndication loan.

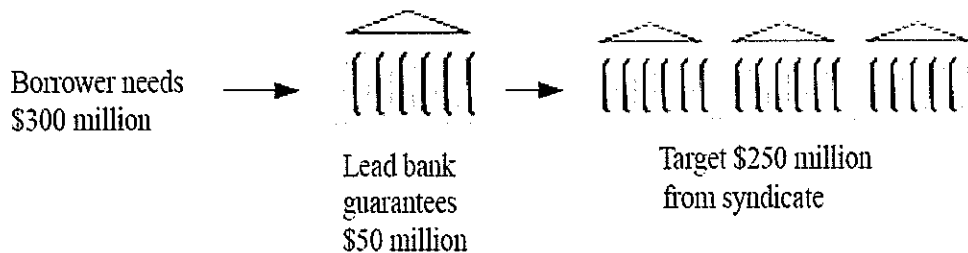
Unlikely the best-efforts offering, under the firm-commitment approach, the lead bank commits a fully assurance for obtaining fund by underwriting the entire amount of the loan in case the syndication loan cannot be syndicated smoothly. Thus, the lead bank take over more underwriting risk than applying of the best-efforts approach. If the lead bank commits a fully assurance for raising fund, it would charge higher cost for borrowers. In other words, the higher risk the lead bank takes over, the higher fees the borrower faces. If the borrower is not well-known and has lower credibility in the market, it prefers the firm-commitment approach.³⁵

The banks can be reluctant fully assurance. In this circumstance, the banks can provide partially assurance and avoid bearing all risk.³⁶

³⁵ Bank of Canada Working Paper 2003-Sf 7

³⁶ Hurn, Stanley "Syndicated Loans", Cambridge: Woodhead-Faulkner, 1990 sf. 22-23

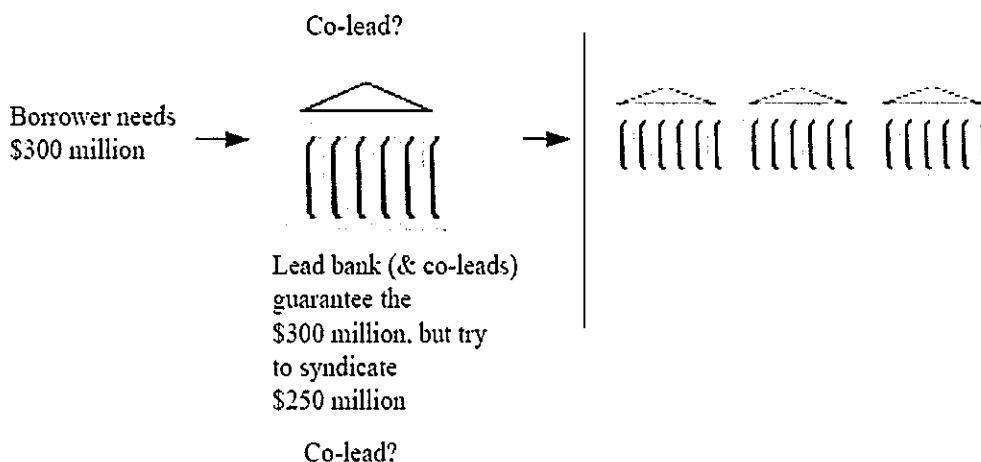
Figure 5 : Best-Efforts Approach



Source: Bank of Canada Working Paper 2003-p.p 7

Lead bank can cancel the issue if the syndicate does not take a certain minimum amount.

Figure 6 : Firm Commitment Approach



Source: Bank of Canada Working Paper 2003-p. 7

Lead bank can bring in one or more co-underwriters to share the risk and help distribute the loan.

Issue about Offering

Before the process of offering begins, the lender bank has to consider about offering whether giving offer alone or with a group. If the offering is preferred alone, the lead bank decides fee distribution and other terms. The lead bank is sole bank for decision making with syndication loan. If there is offering against a competitive syndicate, consortium is generally preferred. It is also preferred in case of tight money and occurring higher spreads. However, the higher the number of member of consortium

is increased, the weaker task of communication and the control of members are occurred. When the borrower is a strong position among its corresponding bank which are ready for coming together and commit, club loan can be provided for borrower. The borrower aims to convince the banks which are related to the borrower for loan. It has lack of publicity because of depending on relationship between banks.³⁷

While the offering is prepared, the interest rate is significantly important for lenders and borrower. The borrower wants to procure lower interest rate which means lower cost. In contrast, lenders demand to obtain higher interest rate. Finally, the lenders and borrower agree with a common interest rate. If syndication loan cannot be completed successfully, not only the borrower cannot acquire fund, but also the leader bank will be exposed to confront with loss of reputation.³⁸

Generally, prospective borrowers can receive tender by 3 ways.³⁹

- Offering can be received by one or a couple of the corresponding banks. The borrower seeks bids from them. The relationship banks of borrower can understand its position in the market. Their offers about financial terms are same with the market.

- Offering can be received by the banks which have special knowledge about market. For instance, if a bank intends to procure a syndication loan, selective bidding which is based on knowledge should be about finance.
- Some borrowers prefer to take tender with open bidding. Offering can be received by lenders as sole or within a group.

The offering should content some terms:

Expiry date:

Because of changing of market conditions like interest rate, the offer should have an expiry date. None of banks want to bear risk in a volatility market. That's why it has an expiry date of offering which is generally one month later after offering.

³⁷ Rhodes, a.g.e, s. 477

³⁸ Casolaro, Focarelli ve Pozzolo, a.g.e. , s. 3.

³⁹ Rhodes, a.g.e. , s. 153.

Changing market adversely:

Until the expiry date of offering which offer is still in validity period, market volatility can affect the lenders adversely because of terms and condition of offering. In order to protect lenders, they should reserve a right to change offering according to condition of market. In addition, the lender can withdraw from the offering if the conditions of market changes extremely.

Clear Market Close:

When the mandate is awarded the leader bank to enter the market on the behalf of borrower, the borrower cannot arrange other transaction in the market to obtain fund at the same time as the fund is being arranged by leader bank which is offered previously.

3.8.2 Post-Mandate Phase

After pre-mandate stage, the second phase comes which is known as the post-mandate phase. Under that phase, facility agreements are arranged. It is concluded by the signing of the agreements and sometimes a closing ceremony. This phase is usually completed in a period of six to eight weeks. This phase includes information package, trigger of syndication, and completing negotiation of the documentation and signing period including signing ceremony.

The post-mandate phase is quite important for syndication loan facilities. Because, borrower and lenders make a commitment themselves, in that regards, lenders must provide fund for borrower, after borrower procure the fund, it must pay back it to lenders. If one of the parts of syndication facility cannot fulfill the commitment, not only it can confront the loss of reputation and credibility risk but also it can undergo some financial penalties. Therefore, a detailed schedule should be established and obeyed.

Syndication facility generally has a schedule during this phase as below:

Table 7 : Syndication Timetable-From Mandate to Drawdown

Phase	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8
Mandate Awarded	█							
Prepare first draft of facility agreement with legal counsel	█							
Prepare information memorandum	█	█						
Allocate participations and send invitations to banks	█							
Review/ refine first draft of facility agreement		█						
Second draft of facility agreement from counsel								
Send invitations and letters of confidentiality to banks			█					
Send info memorandum and loan documents to banks			█	█	█			
Wait for banks to obtain individual credit approvals			█	█	█			
Negotiate facility agreement from borrower				█	█			
Sign draft facility agreement with borrower					█			
Wait for banks review facility agreement						█	█	
Collect loan administration details						█	█	
Make final allocations						█	█	
Arrange signing ceremony						█	█	
Signing closing								█
Transfer syndications file to facility agent								█
Satisfy conditions precedent								█
DRAWDOWN								█

Source: Tony Rhodes, *Syndicated Lending: Practice and Documentation*, 5th edition

A syndication loan from mandate to drawdown can generally take 8 weeks.

1. Week

Mandate Awarded: First step of syndication loan is mandate awarded. Mandate is given to a bank in order to begin process of syndication loan. It acts on behalf of borrower.

Prepare first draft of facility agreement with legal counsel: Every syndication agreement has a draft of facility agreement. The borrower and lenders take advice from their legal counsels. The service of legal counsel can be procured from outsourcing firm or department of legal affairs within firms.

Prepare information memorandum: Information memorandum enables the basic information for each bank. Every bank which receives information memorandum evaluate about the economic and financial conditions of borrower independently. In that regard, the information memorandum should be ready at beginning of process. It is generally completed at first week, but sometimes it prolapses to second week. Information memorandum for project finance borrowing is more vital than banks' borrowing, because project finance contents more complex transaction. Therefore, an information memorandum should be prepared with adequately information about borrower. After it is understood well by lenders, each bank has to declare its decision about presentation. The banks which receives information memorandum will answer

the invitation according to information memorandum. Therefore, information memorandum should be right information and it should be apprehensive easily by prospective participants.

If the borrower is highly rated or quoted on the stock exchange institutions, information memorandum about borrower may be arranged with reports which are issued by the rating agencies, brokers, the press, public disclosure platform or beneficiary resource of information.

An information memorandum should include all aspects of the borrower like company history, its product and service, type of clients and sales, business and marketing strategy highlights, key individuals, staff member, three years' past accounts, industry review, reason for loan, summary terms and conditions and financial statements.⁴⁰

Allocate participation and send invitations to bank: When the mandate is awarded and terms and conditions are agreed for transactions, arrangers prepare invitation to prospective participants. Before preparing invitation, the terms and conditions of facility should be discussed deeply, regarding to opportunity for primary and secondary market. After allocating of participation and sending invitations to the potential lenders, the reply of invitations is waited. If the reply is negative, the reply is demanded to send immediately to leader bank. The discussion about fees, portion of participation in syndication between leader bank and prospective lenders arises. If the discussion continues, the leader bank is obliged to change the terms and conditions of syndication loan, but it is counted as inexperience behavior, it results the loss of prestige. If the banks which receive invitations do not reply the invitation until the end of loan program, the leader banks want to accelerate the process and in order to do it; it puts the pressure on banks. It also can send an assessment reporting to banks. If they do not still reply, the leader bank can send invitations to other potential lenders or the leader banks give more time for reply to potential lenders.

⁴⁰ <http://sellingyourbusiness.com/glossary/information-memorandum/>

However, it causes to prolapse the process. In that regard, receiving any sort of reply is better than receiving no-reply for smoothly process of syndication.

After the invitation has been received to prospective participants, if the participant accepts the invitation, it sends satisfactory documents, if not, it is blazoned to arranger. To know to be declined invitation is quite important for arranger as soon as possible, because it should seek for other potential participants.

How to select banks is another discussion that the arranger must determine. Arranger must choose the banks which are received to invitation.

After preparing information memorandum, a roadshow is organized by arranger. It is a meeting with banks, and it provides the borrower with the opportunity to introduce itself to the interested banks. Roadshow means presentation is travelled from one financial center to another.⁴¹ After presentation, the borrower replies the questions which are asked by the banks which attend the roadshow. The roadshow is quite important for borrower, because it enables the borrower meets potential participants and the banks receive the first judgement about company. During roadshow, arranger assists the borrower and ensures the presentation goes well.

2. Week

Review/refine first draft of facility: The lack of first draft of facility is signed in management group. The criticism is evaluated by the leader bank. While some of criticize is rejected, some is accepted. According to prospective lenders' criticize, the first draft of facility is reviewed and refined. At that time, if there is no agreement between lenders and leader bank, the syndication loan facility may be spoilt.

Second draft of facility agreement from counsel: After the first draft of facility is reviewed and refined, second draft is sent to legal counsel again. The legal counsel arranges the loan facility to prevent disagreement between participants and borrower.

⁴¹ Tony Rhodes, *Syndicated Lending: Practice and Documentation*, 5th edition

Sent invitations and letters of confidentially to banks: After the second draft of facility is ready including advice of legal counsel, prospective lenders are sent invitation and requested their letter of confidentially.

3. – 5. Week

Sent information memorandum and loan documents to banks: Information memorandum which is prepared at the first week is sent to banks and loan document is sent to banks. A basic loan contract includes guarantees, documents that tender for lenders' security and ease, opinion of legal counsel, governmental approvals and foreign exchange works. The content of facility can be changed up to the sort of borrower. A loan documents should aim to set the commercial terms of loan, arrange legal and commercial relations between parts of facility, found how facility is managed, signify procedures to be followed in case of changing conditions and arrange legal and procedures relations with debt and its common creditors. In these regards, major aim of loan document is protection of money which is loaned and providing assurance of repayment of principal, interest and other commission and fees on time.⁴²

A loan agreement has some important part which is explained as below.

1- Counterparty of Loan Agreement

First part of loan documentation is explained the counterparty of loan. For instance, which banks arranger, lead manager, agent or just a participant are understood.

2- Definitions and interpretation

Second part clarifies legal, financial and accounting terms which are used in documentation. In addition, terms which are related the arrangement are explained briefly. These definitions should be correct and clear. Otherwise, it makes confusion and misstatement at a later date. If abbreviations are used in loan documents, they must be also explained briefly.

3- Facilities

⁴² Francis D. Logan, "Term Loan Agreements", International Financial Law, Euromoney, 1980, pp. 21-23

That part of loan agreement is told what lenders makes available to the borrowers like a dollar term loan facility in total amount equals to the Total Tranche Commitments which is explained in documents.

Financial Parties' right and obligations are clarified and it is written that right and obligations are based on loan agreements.

4- Purpose

The purpose of loan is specified because no banks intend to lend money without being aware of purpose for which it is used. Banks does not want to lend money to borrowers if the borrower misuses the loan.

5- Utilization

Under this topic, delivery and completion of utilization request, currency, total amount, the amount of each lenders' participation and what currency for each loan are clarified.

6- Repayment

This part explains how the loan is repaid and what the borrowers act according to loan agreement.

7- Prepayment and Cancellation

Early repayment of loan which is borrowed before is called as prepayment. Cancellation means that cancellation of commitment to lend which have not already borrowed. While there is no restriction on amount of prepayment for loan and timing, some of loan agreement arise cost for prepayment. Under this clause, right of repayment and cancellation in relation to a single and defaulting lender are clarified briefly.

8- Interest

Under this clause, calculation of interest, payment of interest, default interest and notification of rates of interest are clarified clearly.

9- Interest Periods

The condition of selection of interest periods, changes to interest periods and non-business (if an interest period would on a day which is not a business day, interest

period will instead end on the following business day or preceding business day. It changes up to the condition of agreement.) are signed under this clause.

10- Changes to the calculation of interest.

Under this clause, if there is absence of quotation for loan, in which reference bank will be factored, is determined. For instance, LIBOR or EURIBOR may be determined as reference bank, unless they supply a quotation on the Quotation Day, the applicable LIBOR and EURIBOR may be determined on basis of the quotation of remaining Reference Banks. Another reason for changing to the calculation of interest can be market disruption which is related to a Loan for any interest period.

11- Fees, Costs and Expenses

The rate, amount, calculation basis, payment dates and fees, cost and expenses are discussed under this clause. In addition, agency fee, arrangement and participation fees are classified.

12- Taxes and other deduction

By this clause, some terms about tax like protected party, tax credit, tax deduction and tax payment are defined what meaning in the loan agreement is and these terms are clarified briefly. In addition, some special tax like stamp tax, value added tax (VAT) and etc. are discussed which part of syndication loan will be responsible.

13- Increased Cost

This clause is clarified if lenders bank confront with increased cost because of regulatory or official statement. In that regards, lenders bank can charge the cost to borrower. Exception cost which cannot be charged to borrower also is clarified under this clause.

14- Cost and Expenses

The structure of transaction expenses, amendment cost, enforcement cost and reimbursement cost are determined. For instance, the borrower can reimburse all cost and expense in all circumstance.

15- Representative and Warranties

That defines the legal and financial state of the borrower. They enable warranty to lenders about not adversely changing in borrower's financial conditions since

previous statement were accepted. Under this clause, the binding obligations are determined which mean that obligations which are indicated in Financial Documents are in valid, legally binding, directly and unconditionally enforceable obligations.

16- Information Undertaking

Under that clause, the borrower's corporate characteristics during the life of the loan are discussed. It protects lenders against material adverse change in financial statement of borrower, and it maintains restriction before the financial statement of borrower has been worn. If any lender requests miscellaneous information like documents which are despatched to borrower's shareholder or creditors, the borrower shall supply sufficient copies to agent for all lenders. The information about borrower which has to be supplied if requested may be sorted as below.

- Financial Statement
- Information – Miscellaneous
- Compliance Certificates (It may be requested to be signed by CFO or Head of International Banking of borrower.)
- Requirements as to Financial Statements
- Notification of Default

17- Events of Default

Generally, default may occur when the debt position of borrower deteriorates which affects the repayment of loan adversely.

Events of default may occur when;

- The borrower does not pay on due date any amount payable pursuant to a Financial Documents.
- The borrower does not comply with requirements of loan agreement.
- The borrower misrepresent to lenders about itself which affects the throughout the life of loan adversely.

On the other hand, some actions are counted as default for lenders. Event of default may occur for lenders when;

- Any member of group is cancelled or postponed to procure fund within applicable grace period. (Cross Default)

-A member is unable to pay its debts against its creditors.

Even if adverse changing of borrowers' financial statement is observed, some actions can be taken to be rectified the borrower like renegotiation with borrower or observing whether the default is permanent or not.

18- Changes to the Lenders

Under this clause, the rights and obligations of lenders are clarified and the condition of new lenders, existing lender and the fees which the new lenders have to pay Agent Bank, relations between new lenders and existing lenders are discussed.

19- Governing Law

Generally, English Law governs the agreement. Thus, issue about interpretation and any-contractual agreements will connect the law which is chosen.

20- Enforcement

Under this clause, jurisdiction and assignment of agent for service of process. Jurisdiction may be preferred where borrower operates.

Wait for banks to obtain individuals credit approvals: After the banks are received, banks are expected to obtain individuals credit approvals. It may become between 3. and 5. week.

Negotiate facility from borrower: When the loan agreement document is ready between lenders, loan agreement facility is negotiated from borrowers. It may last 1,5 week.

Sign Draft facility agreement with borrower: The draft facility which is negotiated with borrower is signed with borrower. It happens immediately after negotiation facility from borrower.

6. and 7. Weeks

Wait for banks review facility agreement: Facility documents are sent to the banks for review, then the banks are waited for feedback through facility agreement.

Collect loan administration details: Some loan administrative details are collected from member of syndication.

Make final allocation: Final allocation may not be same the allocation which is determined previously. While some reasons arise the supply of syndication loan, some causes to decrease.

The supply of syndication loan can arise when,

- The condition of market goes better or adverse changing of economic conditions is not expected.
- The financial statement and position of borrower go better.
- The price is fine for lenders over the market.
- Many banks join the syndication.

In that regards, if the affection which provide to supply syndication loan as explained above happens its reverse, the supply of loan will decrease. If the supply is surplus, the borrower may obtain all, or it may take how much it demands. Therefore, the amount of loan which is provided by lenders may be cut with same percentage; this system is also called as scale back.⁴³

In contrast, the shortage of supply may be seen and it is perceived as unsuccessfully attempt. Both of borrowers and leader have to confront with losing of their reputation. At that time, the loan agreement can be changed to give more rights to lenders against borrower or the attempt may be deleted.

Arrange Signing Ceremony: Signing ceremony is to bring all parties of loan to finish the transaction. This part of loan is quite important; because it is first time that all managers of borrower and lenders meet for conclude the transaction.⁴⁴ Thanks to

⁴³ McDonald, p. 181

⁴⁴ Rhodes, p. 193

signing ceremony, the loan is met with the publicity. A well-organized signing ceremony is required for success of syndication.

The place of signing ceremony is also important topic which has to be determined. In order to obtain higher reputation, it may be arranged in London where one of the financial center is.

After the parties of syndication loan sign the loan facility, terms and condition of agreement are binding for all parts of loan.

8. week

Signing Closing: In order to close syndication facility, the parties of facility must sign the documents.

After signing closing, the agreement of syndication facility is ensured among parties of facility.

Transfer syndications files to facility agents: All documentation about syndication loan is ended up and

Drawdown: The loan is ready to transfer from lenders to borrower.

The path of post-mandate phase can be altered according to unforeseen events such as failure of completing to be agreed with documentation within a given time for borrower and arranger. It may result the delay of facility. Sometimes, lenders are agreed that the agent bank signs the documentation on the behalf of them, not for borrower. It shortens the envisaged time for post-mandate transaction.

3.8.3 Post-Signing Phase

The last phase is the post-signing phase, and it goes on until repayment of all borrowing. Its duration can be between six months or longer than 18 years. This phase consists of operational process of syndication process, satisfactory of lenders

and borrower for conditions precedent and drawdown. While the borrower determines about the issuance of drawdown notices, selection of interest periods and changing currencies in multi-currency loans, facility determines about fees, interest and repayment of principal and the supply and delivery of financial and other information.

3.9 Syndication Loan regarding to Balance Sheet of Banks

Like other institution, a bank's balance sheet comprises of assets and liabilities. In financial accounts, an asset is an economic resource which can be tangible or intangible. Assets are used to be owned or produce value. Basically, assets refer the value of ownership that can be change into cash.⁴⁵ On the other hand, liability is referred as the dispensation of future economic benefits. Liability compels the institution to transfer or exclusivity of particular assets.⁴⁶

3.9.1 Assets

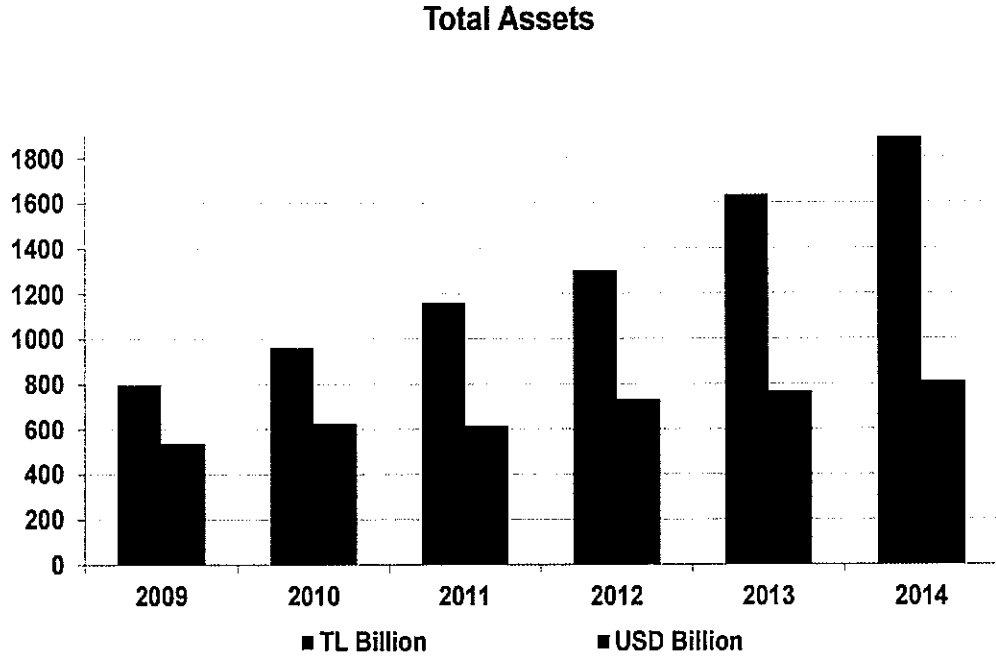
Once a bank becomes a participant of a syndication facility, it is called as lender, and how much the bank lends is shown in its assets. When assets in Turkish Banks are observed, loan and securities are more dominant than other assets. A syndication facility is showed under loan. Typically, assets are comprised of reserved, securities, loan and other assets. Reserves are spread two parts. One is required reserve which Turkish Central Bank pushes the banks to acquire it. If a bank cannot match the required reserve, it can face some sanction which affects bank negatively; especially bank may face reputation risk.

The amount of total assets from 2009 to 2014 is observed to increase dramatically. Total asset is raised for each year, according to previous year. While rate of increasing from 2009 to 2010 was approximately %25, from 2010 to 2011 was about %20, from 2011 to 2012 was %4, from 2012 to 2013 was %28, and from 2013 to 2014 was %15. If assets are assessed on Dollar, although from 2009 to 2014 are observed increasing, it is not significant as the increasing of Turkish Liras.

⁴⁵ Sullivan, Arthur; Steven M. Sheffrin (2003). Economics: Principles in action. Upper Saddle River, New Jersey 07458: Pearson Prentice Hall. p. 272

⁴⁶ Definition and Recognition of the Elements of Financial Statements p.4

Figure 7 : Total Asset of Turkish Banks



Source: Banking Regulation and Supervision Agency

When the amount of total assets which banks in Turkey are compared by the end of third quarter in 2014 for first-ten banks, while Ziraat Bank is the first banks which has approximately 2,4 billion TL, Türk Ekonomi Banks is the tenth one which has about 0,6 billion TL.

Table 8 : First ten banks which have assets at most

	Banks	Total Asset (Million)
1	Türkiye Cumhuriyeti Ziraat Bankası A.Ş.	238.347
2	Türkiye İş Bankası A.Ş.	230.989
3	Türkiye Garanti Bankası A.Ş.	214.891
4	Akbank T.A.Ş.	202.044
5	Yapı ve Kredi Bankası A.Ş.	168.713
6	Türkiye Halk Bankası A.Ş.	149.809
7	Türkiye Vakıflar Bankası T.A.O.	147.266
8	Finans Bank A.Ş.	74.545

9	Denizbank A.Ş.	70.192
10	Türk Ekonomi Bankası A.Ş.	61.449

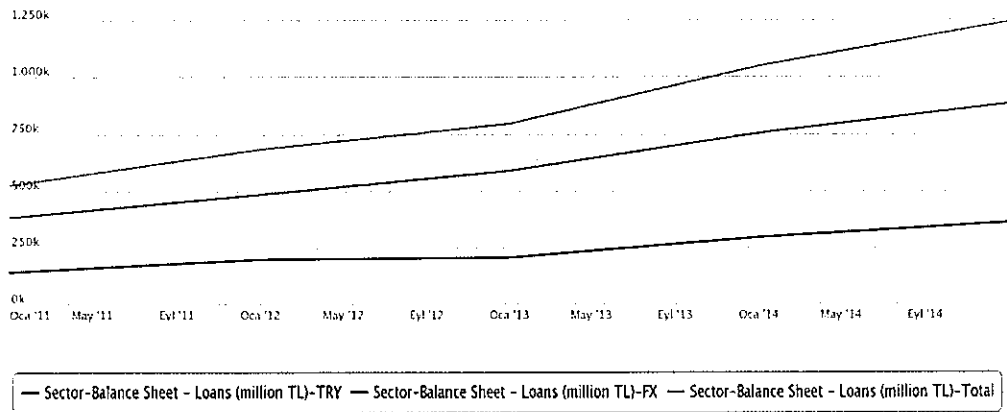
Source: The Banks Association of Turkey

3.9.2 Loans

Loan is a debt process which is procured by one financial institution to another corporation with an interest rate. In other words, it is direct relationship between borrower and lender, and lender repays it with interest and principal.⁴⁷ With a loan agreement, principal amount, interest rate and date of repayment are determined. Loans which are given as syndication loan are shown under loans.

Total loans are observed to increase from January in 2011 to September in 2014. Not only for TL, but also for FX loan is increased which is given by the Banks in Turkey.

Figure 8 : Total Loans of Turkish Banks



Source: Banking Regulation and Supervision Agency

When the types of loans are compared, corporation and SME loans are increasing more than individual loans. In 2014, 2013 and 2010, corporate and SME loans increased more than individual, in 2009 and 2011, individual loans increased more. When the details of individual loans are observed, the volume of credit cards and automobile loan decreased regarding to previous year. The volume of mortgage never shrank, but the percentage of increasing was observed in 2011, 2012 and 2014.

⁴⁷ <http://www.nber.org/books/jaco42-1>

Table 9 : Types of Loan (percentage change for annual)

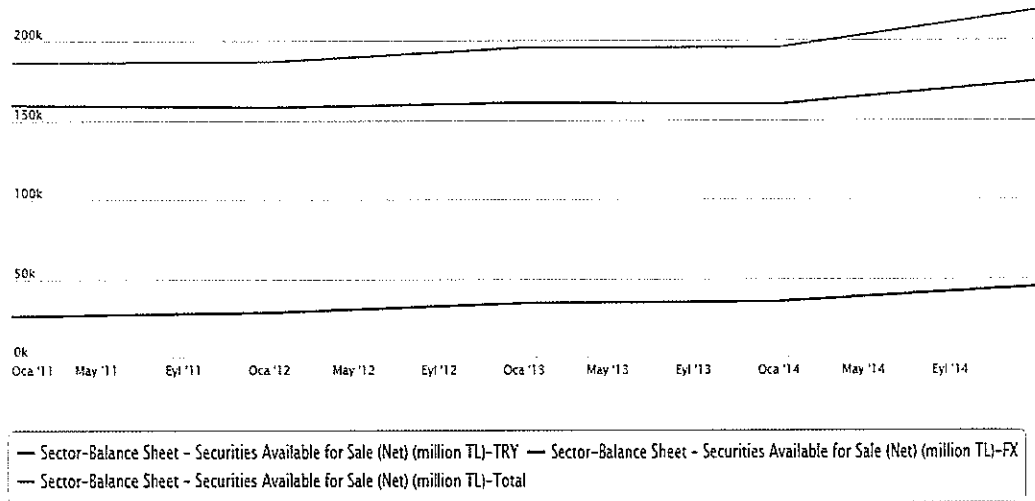
	2009	2010	2011	2012	2013	2014
Total	8	34	28	16	31	16
Individual Loan	14	30	29	20	26	1
-Credit Cards	13	17	26	31	23	-7
-Mortgage	16	34	22	15	28	14
-Automobile Credit	-16	22	26	9	6	-20
Corporate Loan	5	36	28	14	34	24
SME Loan	1	46	28	22	37	27

Source: Banking Regulation and Supervision Agency

3.9.3 Securities

Securities are the second important assets after loans. These types of securities which other institutions issue bond and commercial paper as a debt procure income for banks. There are two types of securities. One is security which is issued by government, another one is issued by private institution. Not only banks can acquire securities from domestic financial market, but also they acquire from international financial market. The amounts of securities which banks acquire are almost same over the years.

Figure 9 : Total Securities of Turkish Banks



Source:BRSA

3.9.4 Reserves

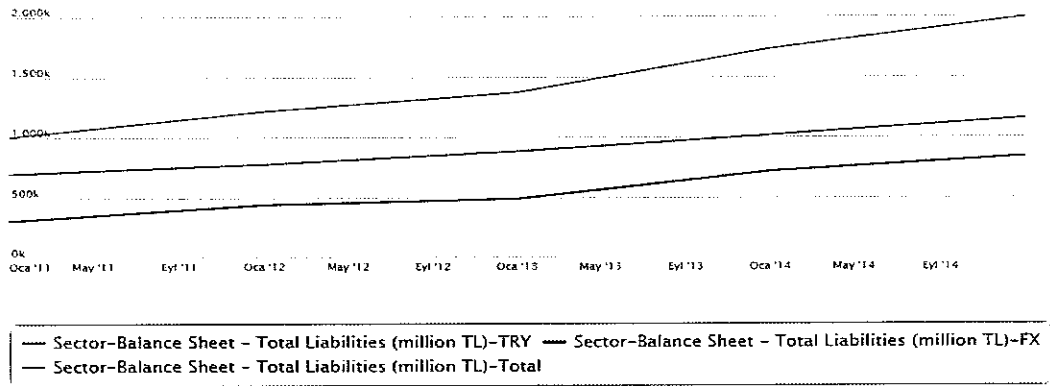
The banks in Turkey have two types of reserves. One of them is required reserve which central bank compels to the banks. Banks must hold in reserve against deposits which is applied by their customers. This money must be in the bank's vaults. The rate of required reserve is specified by central bank and it is one of the monetary tools for central bank. Another reserve is that banks can determine freely. With free reserve, banks can match the unexpected money requirements.

3.9.5 Liabilities

Once a bank applies for a syndication facility and obtains it, how much the bank borrows is shown in its liabilities. Liabilities comprise of borrowing and shareholder equity. Deposits are dominant part for borrowing.

Total Liabilities are observed to increase over the years for TL and FX. While total liability was approximately 1 billion in January 2011, in September 2014, it is seen as double the amount of 2011.

Figure 10 : Total Liability of Turkish Banks

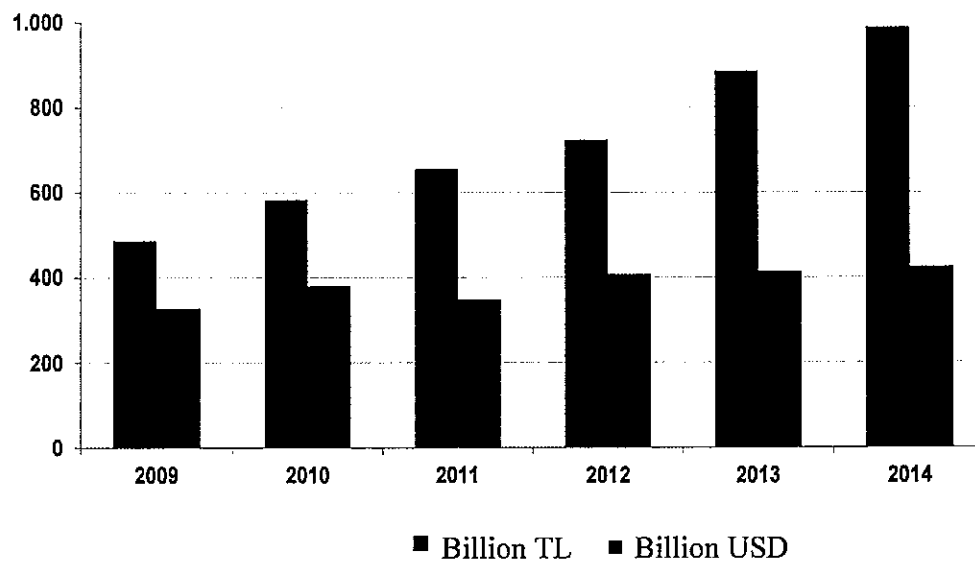


Source: Banking Regulation and Supervision Agency

3.9.6 Deposits

Deposits are one of the most important pillars for Turkish Banks. The amount of deposits has increased from 2009 to 2014. While the amount of deposits has increased by %18 from 2009 to 2010, %5 from 2011 to 2010, %13 from 2012 to 2011, %21 from 2013 to 2012 and for the last year was %16. Like assets for USD, total deposits in USD are almost same over the years.

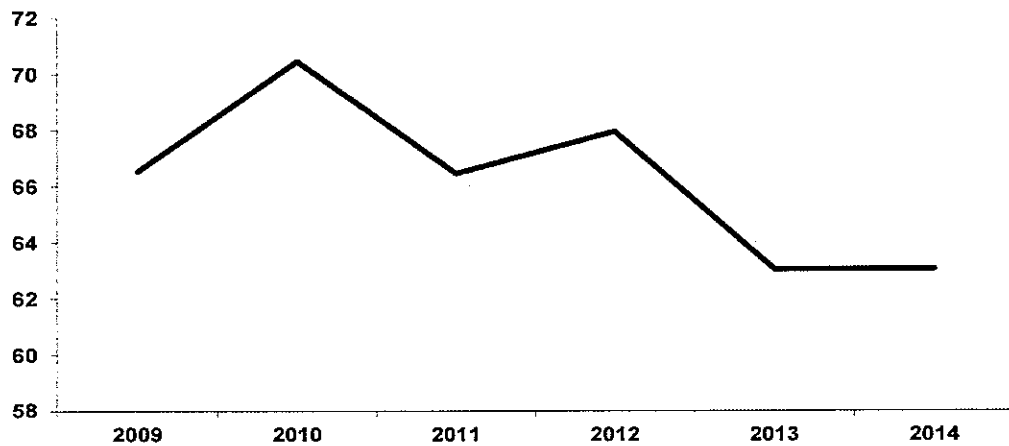
Figure 11 : Total Deposits of Turkish Banks



Source: The Banks Association of Turkey

The rate of TL deposits in total deposits fluctuates over the years. In 2009, the rate was %66, in 2010, the rate has increased to %72, for the following year, the rate decreased to %66, and while the rate has increased in 2012, in 2013 and 2014, the rate has decreased. While total deposits are increasing, shrinking the rate of TL deposit in total deposits may refer that deposits in FX has increased.

Figure 12 : TL Deposits/ Total Deposits (Percentage)



Source: Banking Regulation and Supervision Agency

3.9.7 Borrowings

Syndication Loan

Syndication loan is one of the beneficial resources for Turkish Bank sector. Unlike bilateral credits, the banks can acquire more funds and serve it to domestic financial market or guard against short position. Over the years, the importance of syndication loan has increased, because the syndication facility is one of the beneficial tools that prevent maturity mismatch risk. When the last quarter of 2010 and 2011 are compared, from 2010 to 2011, the amount of syndication loan has increased by 162%, from 2011 to 2012, the volume has increased by 14%, from 2012 to 2013, it has increased 190%, however, in 2014, the rate was -13%. When the last five year is compared, the volume has been decreased only in 2014.

Table 10: Total Syndication Loans

Years	Terms	Syndication Loans(for Foreign Trade Finance) (million TL)-FX
2014	12	39.122,01
2014	9	39.799,08
2014	6	37.962,63
2014	3	38.233,13
2013	12	36.916,72
2013	9	34.547,42
2013	6	31.019,01
2013	3	28.474,58
2012	12	26.860,00
2012	9	26.557,79
2012	6	26.893,24
2012	3	25.558,46
2011	12	28.174,80
2011	9	29.559,73
2011	6	25.567,40
2011	3	22.473,81
2010	12	21.333,90

Source: Banking Regulation and Supervision Agency

Borrowings from syndication loan for first-ten banks which has largest asset are shown as below.

Ziraat Bank

Table 11 : Funds Borrowed for Ziraat Bank

Date	Funds Borrowed	Maturity
2014	211.500.000USD+430.000.000EUR	1 year

2013	288.500.000USD+322.500.000EUR	1 year
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Source: Ziraat Bank, Annual report 2013 and 2014

A syndication loan which was obtained in 2013 was a milestone in Ziraat Bank's history, because Ziraat Bank has realized its first syndicated loan facility in 2013. The syndication was realized in March 2013 with the participation of 40 banks from 20 different countries. The facility transaction contract with a 1 year maturity and a value was concluded as USD 288,5 million and EUR 322,5 million, totaling around USD 700 million. The loan carried an interest rate of Libor+100 basis points and EURIBOR+100 basis points.

The value of the syndication facility in 2014 was concluded as 211,5 million USD and 430 million EUR. The syndication was realized with the participation of 39 banks from 21 different countries. The loan carried an interest rate of Libor+90 basis points and EURIBOR+90 basis points. The arranger bank was the Bank of America Securities Limited.

Is Bank

Table 12 : Funds Borrowed for Is Bank

Date	Funds Borrowed	Maturity
May 2014	400.000.000USD+672.000.000Eur	1 year(with 1 year extension option)
September 2014	326.000.000USD+756.000.000Eur	1 year(with 1 year extension option)
May 2013	441.000.000USD+631.000.000Eur	1 year(with 1 year extension option)
September 2013	391.000.000USD+651.500.000Eur	1 year(with 1 year extension option)

Source: Is Banks, Annual Report 2013 and 2014

Is Bank completed two successful syndication loan in May and September 2014. Is bank acquired 400.000.000 USD and 672.000.000 Eur by syndication loan during 2014. The loan which was used in May and September 2014 was arranged by Standard Charter Bank, and loan in May 41 financial institution from 15 different

countries in September 41 financial institution from 18 different countries joined this facilities. The loan in May was released by two parts as 400 million USD and 672 million EUR. The loan in September was released as 326 million USD and 756 million EUR. Both loans maturity are 1 year and Is Bank has an option to extend maturity for each loan. The cost of the loans was LIBOR+0,90% and Euribor+0,90%.

Is Bank has also obtained syndicated loan facility in May and September 2013. 47 international banks from 19 different countries participated in to the facility which amounted USD 441.000.000USD and 631.000.000Eur for May 2013, 391.000.000USD and 651.500.000Eur for September 2013. The loan carried an interest rate of Libor+100 basis points and EURIBOR+100 basis points for each loan.

Turkey Garanti Bank

Table 13 : Funds Borrowed for Turkey Garanti Bank

Date	Funds Borrowed	Maturity
May 2014	1.100.000.000EUR	1
November 2014	1.300.000.000USD	1
May 2013	1.100.000.000EUR	1
Novemver 2013	1.200.000.000EUR	1

Source: Turkey Garanti Bank, Annual report 2013 and 2014

In November, syndicated loan of USD 1.3 billion was renewed for 1 year with an all-in cost of Libor/Euribor +0.90%. 39 financial institution from 18 different countries participated to the facility. The loan is used by two tranch as 785.000.000EUR and 318.750.000USD.

In May 2014, syndicated loan of EUR 1.1 billion was renewed for 1 year with an all-in cost of Libor/Euribor +0.90%. 45 financial institution from 16 different countries participated to the facility. The loan is used by two tranch as 840.300.000EUR and 361.400.000USD.

In November 2013, syndicated loan of USD 1.2 billion was renewed for 1 year with an all-in cost of Libor/Euribor +0.75%

In May 2013, syndicated loan of EUR 1.1 billion was renewed for 1 year with an all-in cost of Libor/Euribor +1.0%.

Akbank

Table 14 : Funds Borrowed for Akbank

Date	Funds Borrowed	Maturity
March 2013	348.000.000USD+790.000.000EUR	1
August 2013	419.500.000USD+779.000.000EUR	1
March 2014	221.800.000USD+817.700.000EUR	1
August 2014	367.700.000USD+851.400.000EUR	1

Source: Akbank, Annual report 2013 and 2014

Akbank has realized two different syndication facilities during 2013.

In March 2013, Akbank acquired a US\$ 1.4 billion syndicated loan with the participation of 44 banks. The loan consists of two tranches of US\$ 348 million and EUR 790 million and it is structured into two slices: a one year and a two-year slice. The cost of the facility was Euribor+1.00% and Libor+1.00% for the one-year slice and Euribor+1.25% and Libor+1.25% for the two-year slice. This represents a more than 100% rollover of the maturing syndicated loan.

On August 16, 2013, Akbank secured a US\$ 1.5 billion syndicated loan facility in a deal with 38 participating banks. The cost of the loan, structured in two tranches of US\$ 419.5 million and EUR 779 million with a one year maturity, totaled Libor/Euribor+0.75%. This syndicated loan represents a full rollover of the maturing August 2012 syndicated loan with a 60 basis-point reduction in the Bank's borrowing costs.

Like 2013, Akbank has obtained two different syndication loans during 2014.

In March 2014, Akbank acquired a US\$ 1,35 billion syndicated loan with the participation of 34 banks. The loan consists of two tranches of US\$ 221,8 million

and EUR 817,7 million and it is structured into two slices. The maturity of loan was one year. The cost of the facility was Euribor+0,90% and Libor+0,90% .

In August 2014, Akbank acquired a US\$ 1,5 billion syndicated loan with the participation of 44 banks. The loan consists of two tranches of US\$ 367,7 million and EUR 851,4 million and it is structured into two slices. The maturity of loan was one year. The cost of the facility was Euribor+0,90% and Libor+0,90% .

Yapi Kredi Bank

Table 15 : Funds Borrowed for Yapi Kredi Bank

Date	Funds Borrowed	Maturity
September 2014	340.000.000USD+760.750.000EUR	1
April 2014	319.100.000USD+852.600.000EUR	1
April/September 2013	2.700.000.000USD	1

Source: Yapi Kredi Bank, Annual report 2013 and 2014

Yapi Kredi Bank obtained two different syndication loans during 2014.

In September 2014, Yapi Kredi Bank has obtained a US\$ 1,3 billion one-year syndicated loan with the participation of 44 banks from 17 different countries. The facility was structured into two tranche which is amount of \$340 million and 760.75 million Eur. The cost of the loan was Libor+0.90% for the U.S. dollar tranche and Euribor+0.90% for the euro tranche. The arranger of facility was Bank of America Merrill Lynch.

In April 2014, it signed a one-year syndication loan, two slice loan for the equivalent of almost US\$ 1, 5 billion with 51 of its relationship banks. The deal has secured the bank US\$ 319,1 million and € 852,6 million to refinance a loan signed last April. The cost of facility was priced at LIBOR+90 basis points, 10 basis points less than the 2013 loan. While the agent bank was Bayerische Landesbank, Wells Fargo Bank acted as coordinating bank.

Yapı Kredi bank renewed 100% rollover of US\$ 2.7 billion syndications in April and September 2013. The maturity of loan was one year.

Turkey Halk Bank

Table 16 : Funds Borrowed for Turkey Halk Bank

Date	Funds Borrowed	Maturity
2014	511.500.000EUR+112.000.000USD	1
2013	562.000.000EUR+259.000.000USD	1

Source: Turkey Halk Bank, Annual report 2013 and 2014

Halkbank revolved its € 511,5 million and US\$ 112 million with a one-year syndicated loan through a consortium which is consisted of 34 banks from 17 countries in 2014. The facility was priced as Libor + % 0,90 and Euribor+ % 0,90.

Halkbank obtained € 562 million and US\$ 259 million with a one-year syndicated loan through a consortium which is consisted of 41 banks from 19 countries in 2013. The facility was priced as Libor + % 1 and Euribor+ % 1.

Turkey Vakifbank

Table 17 : Funds Borrowed for Turkey Vakifbank

Date	Funds Borrowed	Maturity
April 2013	555.170.000EUR+251.500.000USD	1
September 2013	471.000.000EUR+151.000.000USD	1
April 2014	525.000.000EUR+270.500.000USD	1
September 2014	528.750.000EUR+168.500.000USD	1

Source: Vakifbank, Annual report of 2013 and 2014

T. Vakiflar Bank has obtained two different syndication facilities during 2013.

In April 2013, the bank acquired a US\$ 980 million with one-year syndicated loan with the participation of 38 banks. The loan consists of two tranches which is

amounted to US\$ 251,5 million and 555,17 million EUR. The cost of the facility was Euribor+1.00% and Libor+1.00% .

In the second half of 2013, with the participation of 27 banks from 17 different countries, the Bank secured another one-year syndicated loan facility amounting to US\$ 802 million with two tranches of US\$ 151 million and EUR 471 million at Libor+ 0.75% and Euribor + 0.75%. The coordinator and agent bank was ING Bank. With two transactions, the Bank obtained a total of US\$ 1.78 billion in syndicated loans in 2013.

In addition, the other participation and arranger banks were The Bank of Nova Scotia, Barclays Bank PLC, BNP Paribas, Commerzbank, Rabobank, Deutsche Bank AG, Erste Group Bank AG, Goldman Sachs Bank, ING Bank, National Bank of Abu Dhabi, Natixis, Standard Chartered Bank and Wells Fargo.

Like 2013, the bank applied two different syndication facility during 2014.

In April 2014, the bank procured a US\$ 995 million with one-year syndicated loan with the participation of 35 banks. The loan consists of two tranches of US\$ 270,5 million and 525 million EUR. The cost of the facility was Euribor+0,90% and Libor+0,90% .

In the second half of 2014, with the participation of 26 banks from 16 different countries, the Bank secured another one-year syndicated loan facility amounting to US\$ 850 million with two tranches of US\$ 168,5 million and EUR 528,75 million at Libor+ 0.90% and Euribor + 0.90%. The coordinator and agent bank was ING Bank. With two transactions, the Bank obtained a total of US\$ 1.85 billion in syndicated loans in 2014. Other arranger banks were Sumitomo Mitsui Banking Corporation, Barclays Bank PLC, BNP Paribas, Commerzbank, Deutsche Bank AG, Erste Group Bank AG, Goldman Sachs Bank, ING Bank, National Bank of Abu Dhabi, Natixis, Rabobank, Standard Chartered Bank, Wells Fargo, HSBC and Halkbank Bahreyn.

Finansbank

Table 18 : Funds Borrowed for Finansbank

Date	Funds Borrowed	Maturity
2014	397.000.000USD+356.000.000EUR	1
2013	167.000.000USD+265.000.000EUR	1

Source: Finansbank, Annual report 2013 and 2014

In 2014, Finansbank obtained a one-year term syndicated loan from international financial markets at an amount of USD 397 million and EUR 356 million with the participation of 26 banks. The cost of facility was Libor/Euribor+1%.

In 2013, the bank obtained a one-year term syndicated loan at an amount of USD 167 million and EUR 265 million. The cost of facility was Libor/Euribor+1%.

Denizbank

Table 19 : Funds Borrowed for Denizbank

Date	Funds Borrowed	Maturity
2013	328.000.000USD+503.000.000EUR	1

Source: Denizbank, Annual report 2013 and 2014

In 2013, the Denizbank acquired a US\$ 1 billion with one-year syndicated loan with the participation of 47 banks from 23 different countries. The loan consists of two tranches which is amounting to US\$ 328 million and 503 million EUR. The cost of the facility was Euribor+0,75% and Libor+0,75% . The co-arranger banks were Bank of America, BONY Mellon, Citi, Commerzbank, HSBC, ING Bank, JPMorgan Chase, Mizuho, Nova Scotia, Raiffeisen Banking Group, LBBW, Sberbank, Standard Chartered, Unicredit and Wells Fargo.

In 2014, Denizbank has not applied any syndication facility.

Turkey Ekonomy Bank

Table 20 : Funds Borrowed for Turkey Economy Bank

Date	Funds Borrowed	Maturity
2014	180.000.000USD+335.000.000EUR	1
2013	310.000.000EUR+140.000.000USD	1

Source: Turkey Economy Bank, Annual report 2013 and 2014

In 2014, the bank acquired a US\$ 625 million with one-year syndicated loan with the participation of 32 banks. The loan consists of two tranches which is amounted to US\$ 180 million and 335 million EUR. The cost of the facility was Euribor+0,90% and Libor+0,90% .

In 2013, TEB received a US\$ 553 million with one-year syndicated loan with the participation of 26 banks. The loan consists of two tranches € 310 million and \$ 140 million which amounts to US\$ 553 million. The cost of the facility was Euribor+0, 75% and Libor+0, 75%.

4 A STUDY of SYNDICATED LOAN⁴⁸

A process of syndication loan for XYZ Bank and effecton of syndication on maturity are shown as below.

4.1 Process of Syndication Loan

In order to understand how syndication loans work, a study of syndicated loan process is clarified for XYZ Bank.

XYZ Bank is assumed to desire to acquire 439.000.000 USD and 1.053.750.000 Eur which is dual currency loan. The maturity of loan is expected to be one year. Totally, the bank procures 1.845.000.000USD with one-year syndicated loan with the participation of 8 banks.

First of all, the term and condition is clarified according to bank's need. It is determined with department of international and investor relations. International and

⁴⁸ The implimentation of syndication loan is originated regarding to Tony Rhodes, Syndicated Lending: Practice and Documentation, 5th edition.

investor relations department prepares a warrant about syndication to present to Board of Director of XYZ Bank. A typical warrant which is prepared to present must include the amount of the facility required, the purpose of it, desired maturity, market pricing level and target pricing level, and other factors probably to influence the Bank in awarding the mandate. After presenting the warrant, the board of director decides whether the syndication loan is applied or not. After the board of director agrees with syndication loan, the department expects to obtain approval for syndication.

After approval is obtained for syndication loan from Board of Director, the Bank starts to prepare an invitation which includes price and the amount of participation, and the invitation is sent to relationship banks, and it is expected that relationship banks will reply. While affirmative or negative responses of arranger bank and banks which are invited to syndication facility are waited, counsel firms are specified.

After the bank determines about arrange banks, the process of authority from the borrower begins. Between XYZ Banks and banks which join syndication facility are signed a pact. At that time, it is important to obtain a letter from the borrower authorising the arranger to release the information memorandum to banks. The arranger should obtain written authority from the borrower before releasing any part of the information memorandum. The letter should also consist of a statement from the borrower about the accuracy and completeness of the information provided. A typical borrower's letter authorising release of the information memorandum is shown as below.

**To: ING Bank
Gentleman,**

We refer to the proposed facility which you are arranging for XYZ Bank, the principal terms of which are reflected in the attached Information Memorandum. We have studied the Information Memorandum which has been prepared on the basis of information which we have provided to you and we confirm that we are fully responsible for all material statements, facts and opinions in the Information Memorandum, and that the Information Memorandum does not contain any untrue statement of a material fact nor does it omit to state any fact which is material for disclosure to a potential participant in the context of the proposed facility. We further confirm that the forecasts contained in such document were made after due and careful

consideration on our part based on the best information available to us and are fair and reasonable in the circumstances now prevailing. We hereby authorize and request of you to submit the Information Memorandum to banks selected by you as potential participants in the proposed facility.

Very truly yours,
 By: XYZ Bank
 [XX.XX.XXXX]

The arranger bank sends draft documentation to the borrower. A summary of terms and conditions should be as below with list of arranging banks which join syndication loan.

XYZ BANK
USD 113.000.000 and EUR 125.000.000 Dual Currency Term Loan
Facility
Summary of Term and Condition

1. Parties

Borrower	XYZ BANK
Arranging Banks	ING Bank, Barclays Bank PLC, BNP Paribas, Deutsche Bank, Standard Chartered Bank, Wells Fargo Bank, Bank of America Merrill Lynch International Limited
Facility Agent	ING Bank
Lenders	The Arranging Banks or their affiliates

2. Facilities

Type of Facility	Dual Tranche, dual currency term loan facility
Facility Amount	USD 439.000.000 and EUR 1.053.750.000 made available in two tranche
Final Maturity	364 Days from the date of drawdown
Purpose	The borrower shall apply all amounts borrowed by its under facility for the pre-finance of export contracts and general trade finance.
Availability	The facility will be available for both tranches for 10 business days from date of signing of the facility agreement. If any amount is undrawn, at the end of Availability Period, undrawn amount will be cancelled, and it is not reinstated.
Interest Rate	In relation to the USD tranche, LIBOR (London Interbank Offered Rate) is appropriate; In relation to the Eur tranche, EURIBOR(Euro Interbank Offered Rate) is appropriate. If any rate is below zero, EURIBOR/LIBOR will be assumed to be zero. Interest will add up on a daily basis and will be repaid at the end of each interest period.

	Interest will be calculated on the basis of the actual number of days elapsed in a year of 360 days.				
Interest Period	Three or six months at the option of the Borrower or such other periods as may be agreed between borrower and the Facility Agent. Interest period cannot extend beyond final maturity.				
Margin	0,50% per annum				
Default Interest	Margin on any unpaid sum will be increased by 1%per annum.				
LIBOR/EURIBOR	EURIBOR and LIBOR will be determined by the reference to the applicable rate on the Reuters screen pages or their replacement or, if it is not available, firstly interpolation is applied and secondly, reference banks are considered.				
Commitment Fee	Nil				
Arrangement and Participation Fee	The borrower pays total arrangement participation fees equals to 0,30% flat in the relevant currency on the total principal amount of each tranche of the facility on the earlier of 5 days after date of the signing of the facility agreement or date of drawing under facility. Each lender is paid fees which are based on their aggregate commitment to the facility with following schedule.				
	Title	Aggregate Commitment	Flat Fee Payable on amount committed	Margin	All
	Mandated Lead Arranger and Bookrunner	From (including) USD 50 Million or EUR 40 million	0,400%	0,500%	0,900%
	Lead Arranger	From (including) USD 40 Million or EUR 30 million to (not including) USD 50 Million or EUR 40 million	0,350%	0,500%	0,850%
	Arranger	From (including)	0,335%	0,500%	0,835%

		USD 25 Million or EUR 15 million to USD 40 Million or EUR 30 million			
	Lead Manager	From (including) USD 20 Million or EUR 10 million to(not including) USD 25 Million or EUR 15 million	0,275%	0,500%	0,775%
	Manager	From (including) USD 10 Million or EUR 8 million to USD 20 Million or EUR 15 million	0,200%	0,500%	0,700%
	Participant	Less than USD 10 Million or EUR 8 million(not including)	0,150%	0,500%	0,650%
Repayment	All standings under facility (interest is included) will be paid in full on Final Maturity.				

3. Conditions Precedent

Condition Precedent	1 - Signed facility agreement and related documents
	2 – All fees, costs and expense due from borrower under facility agreement is paid no later than the date of advance.
	3-i)copies of the constitutional documents and certificates of incorporation; ii) a copy of a resolution of the board of directors; iii) evidence of repayment and cancellation of the Existing Facilities; iv)a copy of the Original Financial Statements.
	4- Facility shall be used for prefinancing of export contracts and for general trade purpose.
	5-Facility agent should receive the borrower’s most recent audited consolidated financial statements.
On-going conditions	1 – The ongoing truth and accuracy of the repeating representations and warranties in the facility agreement. 2 – The ongoing absence of any default upon the first day of each interest period.

4. Certain Documentation Matter

Representation and Warranties	The Borrower and Guarantor make certain representations in the Facilities Agreement in regard of <ul style="list-style-type: none"> • status; • power and authority; • administration; • no default; • no encumbrance; •non-conflict with other obligations and constitutional documents; • offering obligations; • validity and admissibility in evidence; • financial statements • no material adverse change.
Undertakings	The borrower will provide to the lenders about financial information.
	I) The English version of the Group’s and borrower’s annual audited consolidated accounts within 120 days of the end of each financial year.
	II) The English version of the Group’s and borrower’s interim consolidated accounts within 90 days of the end of first half of each financial year.

	III) A financial covenant compliance certificate which is signed by the Chief Financial and Head of International Banking Officer.
Financial Covenants	I)The borrower has to hold a minimum capital adequacy ratio which is announced by Bank for International Settlement and Banking Regulation and Supervision Agency of Turkey.
	II) The borrower has to maintain TL 10 billion as a minimum of consolidated tangible net worth.
	III) The ratio of net worth to total liability of the borrower cannot be less than 5%.
Events of default	Demand Repayment Events are incorporated in the Facilities Agreement, including: non-payment; misrepresentation; failure to comply with any other obligation; cross default; insolvency proceedings; unlawfulness; material adverse change
Taxes and other Deductions	The borrower shall compensate any loss of lenders. If borrower makes a tax payment and it is assumed the tax is attributable, then Finance Party shall pay an amount to Borrower.
Assignment and Transfer	Any lender may transfer its rights and obligations and assign its interest in the facility to another bank. The borrower may not assign or transfer any of its rights under facility agreement.
Expenses	All costs and expenses with value added taxes which are generated by the facility agent and the lenders under facility agreement will be borne by borrower.
Stamp Duty	The borrower will indemnify the facility agent and the lenders for any stamp duty or similar taxes incurred in connection with the facility.
Governing Law	English law is appropriated.
Jurisdiction	The borrower will submit the courts of England.

Arranging banks which join syndication loan is shown as below.

Arranging Bank	USD Tranche A	EUR Tranche B
ING Bank		450.000.000
Barclays Bank PLC		300.000.000
BNP Paribas		200.000.000
Deutsche Bank		103.750.000
Standard Chartered Bank	200.000.000	
Wells Fargo Bank	154.000.000	
Bank of America Merrill Lynch International Limited	50.000.000	
The City Bank	35.000.000	
Total	439.000.000	1.053.750.000

After the draft facility agreement is discussed between parties of syndication facility, XYZ Bank applies for legal opinion to its legal department. A legal opinion to borrower should be as below.

Legal opinion of Turkish legal advisers to the Borrower

XX September XXX

From: XYZ Bank

To: The Finance Parties named as original parties to the Agreement (as defined below).

Dear Sirs,

1. I have acted on behalf of XYZ Bank in connection with an agreement dated XX September XXXX and made between XYZ Bank as Borrower, the Joint Arrangers (each as defined therein), ING Bank N.V. London Branch as Agent and the financial institutions defined therein as Lenders.
2. Terms defined in the Agreement shall have the same meaning herein.
3. In connection with the preparation of this opinion, I have examined:

a copy of the Agreement as executed by the Borrower;

a copy of the articles of association of the Borrower and the resolution described in paragraph 1(c) of Schedule 2 (Conditions Precedent) to the Agreement;

originals or copies, certified or otherwise identified to my satisfaction, of such documents, certificate, governmental records and other

instruments as I have deemed necessary for purposes of this opinion;

duly executed Arrangement Fee Letter (the Arrangement Fee Letter) of even date herewith and made between the Borrower and the Agent (for the account of Joint Arrangers); and

duly executed Agency Fee Letter (the Agency Fee Letter) of even date herewith and made between the Borrower and the Agent.

The Agreement, the Arrangement Fee Letter and the Agency Fee Letter shall hereinafter be referred to collectively as the Opinion Documents.

4. I have also conducted such other investigations of law and fact as I have deemed necessary for purposes of this opinion.
5. Based on the foregoing, I am of the opinion that the statements set out in Clause 17 (*Representations and warranties*) of the Agreement are true and not misleading at the date of this opinion.
6. I am also of the opinion that:
 - (a) the Agreement has been validly executed on behalf of the Borrower by duly authorised persons;
 - (b) it is not necessary under the laws and constitution of the Republic in order to enable the Finance Parties or any of them to enforce their rights under the Opinion Documents or by reason of the execution of the Opinion Documents or the performance by each of them of its obligation thereunder, that any of them should be licensed, qualified or otherwise entitled to carry on business in the Republic;
 - (c) none of the Finance Parties is or will be deemed to be resident, domiciled or carrying on business in the Republic by reason only of the execution, performance and/or enforcement of the Agreement.
7. This opinion is provided by us for the benefit of the Finance Parties named as original parties to the Agreement. It may not be relied on for any other purpose or by any other person, and this opinion should not be shown to anyone else without our written consent, provided that it may be shown to, but not relied upon, by:
 - (a) anyone to whom an addressee is required to disclose it in order to comply with any law, regulation, court order or request of any supervisory body of an addressee or in connection with any judicial proceedings applicable to that addressee;
 - (b) anyone to whom an addressee is required to disclose it in connection with any actual or potential dispute or claim relating to the Finance Documents;
 - (c) the professional advisers and auditors to the addressees;

- (d) credit insurers in connection with the Agreement;
- (e) Affiliates of the addressees and their respective professional advisers and auditors;
- (f) and a potential New Lender and/or sub-participant, and their respective professional advisers and auditors.

I am a member of the Bar of Istanbul and express no opinion as to matters governed by any laws other than the laws of the Republic.

Yours faithfully,

Chief of Legal Counsel

XYZ Bank

The signature date is explained in regarding to the facility which is reached an agreement, and facility is signed. After signature, XYZ Bank sends a utilization request to agent bank. The utilization request should be as below.

Utilisation Request

- From: XYZ Bank
- To: ING Bank
- XX September XXXX

XYZ Bank – Dual Tranche Dual Currency Term Loan Facility Agreement dated XX September XXXX (the Agreement)

1 We refer to the Agreement. This is the Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2 We wish to borrow a Tranche A and Tranche B Loan on the following terms:

Facility: Tranche A and Tranche B

Currency: Dollars and Euro

Proposed Utilisation Date: XX September XXXX or, if that is not a Business Day, the next Business Day)

Tranche A amount: USD 439.000.000

Tranche B amount: EUR 1.053.750.000

Interest Period: 3 months in respect of the Tranche A Loan] /
3 months in respect of the Tranche B Loan]

3 We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.

4 The proceeds of the Tranche A Loan should be credit to XYZ Bank's Head Office's account number 1111111 held with **Wells Fargo, NA New York**, and Tranche B Loan should be credited to Head Office's account number 2222222 held with **Standard Chartered Bank, Germany Branch**.

5 We hereby authorise you to deduct the fees referred to in Clause 11.1 (*Arrangement Fee*) from the proceeds of the Loan.

6 This Utilisation Request is irrevocable.

Yours faithfully,
Authorised signatory for
XYZ Bank

After utilization request, according to term and condition of facility, amount of syndication loan is transferred to borrower's account and it is recorded to financial account system. The fund which is provided from syndication loan is booked under 349 account.

4.2 Data and Analysis

One of the major difficulty which has to be solved for Turkish Banking system is maturity mismatch. Because, while duration of the loan is longer than deposits. In order to solve it, banks need to obtain long maturity credit. In addition, in order to match long term requirement, the banks apply the long term loans such as syndication loan and securization.

The balance sheet of a bank which is obtained from Public Disclosure Platform has been discussed how syndication loan influences the maturity of liability. The annual financial report of the bank provides information about the maturity of liabilities and deposits. However, the maturity is split as demand note, until 1 month, between 1 and 3, 3 and 12, 12 and 60, above 60 months in the financial report. The study assumes the maturity as below.

	Assumed maturity months
demand note	0
until 1 month	1
1-3 months	2
3-12 months	7,5
12-60 months	36
above 60 months	60

The maturity of liabilities and deposits which are obtained from Public Disclosure Platform is exhibited as below.

	demand note	until 1 month	1-3 months	3-12 months	12-60 months	above 60 months	Total
Interbank deposits	5.991	4.340.899	452.338	22.912	-	-	4.822.140
Other deposits	16.752.913	44.970.026	19.229.378	5.909.177	19.415	-	86.880.909
Loans	-	1.237.218	850.182	6.529.162	2.560.240	3.750.246	14.927.048
Bor. from money markets	-	15.596.871	233.330	349.241	-	205.860	16.385.302
Securities	-	717.590	2.188.013	2.364.232	5.187.922	-	10.457.757
Misc. liabilities	-	2.781.158	56.601	-	-	-	2.837.759
Other liabilities	-	602.206	283.189	9.687	37.883	2.221.605	3.154.570
Total	16.758.904	70.245.968	23.293.031	15.184.411	7.805.460	6.177.711	139.465.485

Source: Public Disclosure Platform (Thousand)

According to information which is procured from the financial report, the weighted average maturity is found as 190 days. The loans which is provided from abroad and domestic financial environment and deposits are included for calculation of weighted average maturity. When the only deposits are calculated, the number becomes 44 days.

In order to observe how syndication loan influences the weighted average maturity, the amount of syndication loan is taken out from loans which is maturity between 3-12 and the weighted average maturity is calculated again. The bank applied two syndication loan in 2014. The total amount of syndication loan which is applied in 2014 is 1.845.000.000 USD. The currency is accepted as 2,22TL against 1 Usd.

Therefore, syndication loan is 4.095.000.000TL. When syndication loan is taken out, the weighted average maturity is cut 2 days, and becomes 188 days. Although 2% of total liability is consisted of syndication loan, it increases the average maturity.

Eventually, although syndication loan makes up a low percentage, it raises the average maturity, so, the more the bank obtains syndication loan, the more average maturity increases. If the bank increases the maturity of liabilities, it manages liquidity effectively. The increasing of maturity of liability and liquidity provides that bank obtains reputation.

5. CONCLUSION

In this study, types of sources provided from international financial market and their risks are clarified briefly. Evaluation of syndication loan in Turkey and world is depicted. Banks which apply for syndication loan that is one of the most preferable foreign borrowings are sought and the importance of syndication loan as a source of financing for Turkish commercial banks is emphasized. In addition, at the end of the study, an implementation of a syndication loan is demonstrated briefly.

The commercial banks in Turkey have difficulty in finding source from domestic financial market, because the most important source is deposits and in Turkey, average day of deposit is significantly low. Therefore, banks turn to international financial market. There are options for international borrowings like syndication loan, securitization and bilateral loans. If the bank demands huge fund which cannot be matched by a single lender, bilateral credit is not beneficial, the bank should apply securitization or syndication loan. In Turkey, according to data of BRSA, syndication loan is more preferable than securitization because, syndication loan is more flexible than securitization. As long as Turkish Banks acquire fund from international financial market, risk of maturity mismatch may be diminished.

About the evaluation of syndication loan in world and in Turkey is informed within the study and when the volume of syndication loan in Turkey and world is compared, Turkey has low amount of syndication loan.

The loan which is provided from international finance market is a significant indicator of profit, stability and reputation. In Turkey, typically, the fund which is provided from syndication loan is directed to finance foreign trade. Therefore, the banks should determine the volume of foreign trade for the following years.

The importance of syndication loan is a bank's balance sheet is emphasized. If a bank becomes a member of syndication facility, the bank records in its assets. If a bank borrows, it is shown on liability. From the last quarter in 2010 to the last quarter in 2014 within quarter financial statement, syndication loan which is (not) for

foreign trade finance is shown, it is observed the amount of syndication loan which is borrowed is increased.

In Turkey, the first ten banks which have most assets are seemed to be successful for acquiring fund from international financial market. In addition to substantial capital structure and huge volume of balance sheet, prestigious is another important determinant to acquire fund from international market. When the spread which is added to LIBOR/EURIBOR is compared between 2013 and 2014, the spread is seemed to diminish. As long as Turkish Bank has substantial capital structure and prestigious, they borrow easily from international market, and spread is diminished.

The study is completed with implementation of a syndication loan. It is assumed that XYZ Bank desires to acquire 439 million USD and 1.053,75 million Eur which is dual currency loan, and the maturity of loan is expected to be one year. The total amount is 1.845.000.000 USD. The term and condition of facility between lenders and borrower is generated and in regard to the facility, syndication loan lets XYZ Bank use the loan. In the thesis, in study of syndication loan, the process of syndication loan is transmitted and it is explained how the department of the banks works. In the second part of the study of syndication loan, it is explained how the syndication loan affects the maturity of liability, the balance sheet is compared with syndication loan and without syndication loan, and it is figured out that syndication loan extends the maturity of liabilities.

Turkish Banks do not face any problem repayment of syndication loan, and they easily renew their syndication loan. For the following year, Turkish Banks borrow fund easily from international financial market, and spread which is added to LIBOR/EURIBOR is getting lower from years to years. Syndication transactions are of great importance in the sense that they will support the Bank's effectiveness in the international and capital markets.

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