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From the Insurance and Private Pension Regulation and Supervision Agency:

## **Regulation On Working Principles Of The Pension Monitoring Center**

### **PART ONE**

#### **Purpose and Scope, Basis and Definitions**

##### **Purpose and Scope**

**ARTICLE 1 –** (1) The purpose of this Regulation is to govern the working procedures and principles regarding the establishment, organization, management and activities of the Pension Monitoring Center tasked by the Agency.

##### **Basis**

**ARTICLE 2 –** (1) This Regulation has been drafted pursuant to article 20/A of the Individual Pension Savings and Investment System Law No. 4632, dated March 28, 2001.

##### **Definitions**

**ARTICLE 3 –** (1) Definitions of the Regulation are as follows;

- a) Ministry: The Republic of Turkey Ministry of Treasury and Finance
- b) Pension Monitoring Center: The legal entity that is tasked by the Undersecretariat to monitor companies,
- c) Fund: The pension mutual fund,
- d) Law: The Individual Pension Savings and Investment System Law No. 4632, dated March 28, 2001
- e) Participant: The real person, whom an individual pension account is opened for and on behalf of pursuant to the pension contract,
- f) Agency: The Insurance and Private Pension Regulation and Supervision Agency
- g) Company: The pension company that is established pursuant to the law,

h) Board of Directors: The Pension Monitoring Center Board of Directors,

## **PART TWO**

### **Organizational Structure**

#### **Pension monitoring center**

**ARTICLE 4 –** (1) The Agency shall appoint a legal entity established pursuant to the provisions of private law as the Pension Monitoring Center for the execution of the public activities listed in Article 20/A of the Law.

(2) At least 51 percent of the Pension Monitoring Center's capital shall belong to the companies and each company shall hold equal shares. The Pension Monitoring Center shall have registered shares.

(3) Pension Monitoring Center partnership shall be obtained by acquiring shares from the shareholders or by creating new shares through capital increase. Share transfer shall be conducted according to the rules stated in the articles of association of the Pension Monitoring Center.

#### **Articles of association**

**ARTICLE 5 –** (1) Agency shall be required to amend the Pension Monitoring Center's articles of association and contract. Amendment proposals that have not been approved by the Agency shall not be included in the agenda or discussed at the general assembly. The registrar cannot register the amendments to the articles of association in the Trade Registry without the approval of Agency.

#### **The board of directors and organization**

**ARTICLE 6 –** (1) The Board of Directors is the governing and representative body of the Pension Monitoring Center. The Board of Directors shall consist of a representative appointed by the Ministry, a representative appointed by the Agency, a representative each elected by other shareholders, and the Pension Monitoring Center general manager.

(2) The Ministry and Agency representatives shall have at least 10 years of experience in public service and individual pension schemes. The board members that represent the other shareholders shall be a board member or general manager at the institutions and organizations they represent.

(3) The Board of Directors shall be chaired by the Agency representative.

(4) The board members' board membership status shall be terminated if they leave their positions at the institutions and organizations they represent.

(5) Pension Monitoring Center general manager shall be appointed from among the candidate(s) nominated by the board of directors upon approval of Agency.

(6) General managers, and if any, assistant general managers, shall possess the qualifications for the company general managers and assistant general managers required by the individual pension legislation.

(7) The general manager shall be responsible to the Agency for the relevant legislation and the monitoring duties assigned to the Pension Monitoring Center by the Agency.

### **PART THREE**

#### **Duties and Principles of Operation**

##### **Daily monitoring and audit**

**ARTICLE 7 –** (1) The Pension Monitoring Center shall perform the following operations so that Agency can conduct data-based daily monitoring and auditing of companies and individual pension intermediaries:

a) Develop the infrastructure necessary for the Agency to carry out the monitoring activities, collect the monitoring data from the companies, consolidate database records, keep the records electronically, and create an individual pension system electronic data warehouse based on a standard database layout and ensure the security of the stored data. Produce the participant's individual pension account data in parallel with the company records by querying the standardized data with the software application it selects.

b) Collect the monitoring data the companies upload onto allocated electronic media through secure lines in accordance with the principles set forth by Agency.

c) Monitor the individual pension account transactions based on the data provided by the companies to the individual pension system electronic data warehouse by the end of the business day, also, based on the principles set forth by individual pension legislation, the pension contracts, and the software-based verification rules that test compliance with the pension plans. Inform companies about the verification rules and the parameters to check.

d) Collect and consolidate relevant financial statement data with Agency -approved methods to check consistency of the companies' monitoring data with those in the financial statements. Report inconsistencies among such data to the Agency.

e) Conduct verification at the source by accessing the company database when necessary and within the limits of the data requested by Agency. Complete the procedure by accessing the company's database on secure lines or its mirror database on interfaces developed especially for this purpose, or an applicable electronic image of the database.

f) Provide Agency with information on the changes that must be made to the communication protocol and other similar technical implementation principles to ensure effective communications and monitoring.

g) Ensure that the State Contribution works and transactions are carried out in accordance with the principles determined by the Agency.

h) Collaborate with the relevant institutions and organizations to obtain the required data in accordance with the procedures and principles determined by the Agency and establish common platforms for the use of employers, employees or companies.

i) Ensure the execution of fund-related works and transactions within the scope of the Law, the relevant legislation and the duties to be assigned by the Agency.

### **Storing participant information**

**ARTICLE 8 –** (1) The Pension Monitoring Center shall electronically store the participant information sent by companies and the pension contract information. It shall monitor the accumulations and investment transactions for each participant and consolidate the participants' individual pension accounts and funds.

(2) If tasked by Agency, it shall finalize the requests for transfer between companies and for similar matters.

### **Monitoring reports**

**ARTICLE 9 –** (1) The Pension Monitoring Center shall create monitoring reports according to the method and manner approved by Agency and submit them to it through the secure lines. It shall notify Agency about any practices that it deems to be in violation of the legislation with regard to companies' operations.

### **Transactions related to individual pension intermediaries**

**ARTICLE 10 –** (1) The Pension Monitoring Center shall conduct the procedures regarding the individual pension intermediaries registry and the individual pension intermediaries exam.

(2) The Pension Monitoring Center may offer training and pilot tests on-site or electronically through distance learning for the individual pension intermediary and company personnel.

(3) The Pension Monitoring Center shall monitor the compliance of the activities of Individual Pension Intermediaries with the legislation, measure their performance and report the results to the Agency.

(4) It shall execute the duties assigned within the scope of the relevant legislation in the disciplinary procedures carried out by the Agency regarding Individual Pension Intermediaries.

### **Statistical analyses**

**ARTICLE 11 –** (1) The Pension Monitoring Center shall conduct the following statistical analysis operations:

a) Perform future modeling and analyses with the data it gathers and make the necessary recommendations for secure and transparent operation of the individual pension system.

b) Keep track of the participants' demographic parameters in accordance with the constant measurement principle and produce actuarial tables, including annuity and morbidity and mortality tables.

c) Upon request from the Agency, companies or the Association of the Insurance, Reinsurance, and Pension Companies of Turkey, and if deemed appropriate by the Board of Directors, develop up-to-date or future standard product profitability tests, and carry out the projection, data analysis and survey studies necessary for the impact of legislative changes on the industry and the development of the individual pension system.

### **Pension plans**

**ARTICLE 12 –** (1) The Pension Monitoring Center shall keep a record of the companies' pension plans and all additional benefits provided under the contract for daily monitoring and public disclosure

purposes. It shall execute the necessary technical controls and report the results to the Agency to ensure that pension plans are in compliance with daily monitoring.

(2) The Pension Monitoring Center, along with the company, shall conduct testing before implementation to ensure compliance of the approved pension plan with the daily monitoring. Agency shall be informed about the verification rules agreed as a result of testing.

#### **Testing the technical infrastructure compliance**

**ARTICLE 13 –** (1) The Pension Monitoring Center shall test the companies' technical infrastructure compliance with daily monitoring and audit pension operation licensing and submit its report to Agency. Upon commissioning by Agency, it shall conduct technical infrastructure testing and evaluation of the companies currently in operation.

(2) The Pension Monitoring Center shall issue the necessary warnings to companies for any technical infrastructure deficiencies to avoid disruptions of data transfer for the daily monitoring of the individual pension system. It shall inform Agency about any ongoing disruptions.

#### **Notification and complaints**

**ARTICLE 14 –** (1) The Pension Monitoring Center shall notify the public, companies and the participants in line with the principle of impartiality, and assess complaints. The Pension Monitoring Center conducts the following notification procedures:

a) Inform the public about the individual pension system and the results of the statistical studies it has conducted concerning the companies.

b) Inform the parties within the scope of the relevant legislation regarding the individual pension system's operation, pension plans, individual pension intermediaries registry, the funds, and similar matters. Develop control systems to identify incorrect practices arising from incomplete or erroneous information. Utilize its call center or other communication tools to conduct these operations.

c) Create special information reports upon request from the companies, on the condition of not violating trade secrets, and send a copy to the Agency.

d) Present the consolidated contract and accumulation information of the participants in accordance with the procedures and principles determined by the Agency.

(2) The Pension Monitoring Center shall independently examine verbal complaints, provided that they are also in writing and taken under record, and make assessments, and if necessary, request the relevant persons, institutions and organizations to provide the information and documents required for the examination. If necessary, it shall notify Agency, based on the nature of the complaint.

(3) When the participants request information, the Pension Monitoring Center may request information and documents to verify the participant's information so that the notification can be done securely.

(4) The Pension Monitoring Center may conduct surveys, studies, research and similar work by directly or indirectly contacting the participants, individual pension intermediaries, and other persons, institutions and organizations.

#### **Promotion of the individual pension system, and relations with international institutions**

**ARTICLE 15 –** (1) The Pension Monitoring Center may organize joint actions for the benefit of the public and for the promotion and improvement of the individual pension system.

(2) Upon approval of Agency, the Pension Monitoring Center shall contact domestic and foreign institutions regarding its area of operation, become a member of current or planned domestic or foreign institutions, exchange technical information, and hold meetings, panels and training programs.

#### **Other duties**

**ARTICLE 16 –** (1) If commissioned Agency, the Pension Monitoring Center shall build and operate the monitoring infrastructure in the life insurance and other insurance branches, and conduct technical infrastructure testing and evaluation for these types of insurance.

(2) The Pension Monitoring Center shall perform other duties as commissioned by Agency with regard to life insurance and other insurance branches, and the intermediaries operating in these branches.

(3) Execute the necessary data integration as a party to the data-sharing protocols related to all public and private institutions and organizations on a subject basis for the execution of the operations required for the individual pension system in accordance with the procedures and principles determined by the Agency.

(4) Execute the duties assigned by the Agency regarding the pension operations of an association, provident fund, legal professional organization or similar organization, or a group or employer that makes a pension commitment to its members or employees.

(5) Ensure the execution of the duties assigned within the scope of the Law and the relevant legislation, and the duties to be assigned by the Agency.

## **PART FOUR**

### **Various and Last Provisions**

#### **Financial contribution and remuneration**

**ARTICLE 17 –** (1) Companies shall make a contribution in accordance with their shares in order to ensure that the Pension Monitoring Center has sufficient financial assets.

(2) The Pension Monitoring Center shall set the prices for its services based on financial factors and financial adequacy. It shall create and send to the Undersecretariat by the end of December each year the projected price rate for the next calendar year. When necessary, it may change the price rate within the year, provided that it notifies Agency.

(3) The Pension Monitoring Center shall send the independent audit report and annual report (if any) to the Agency.

#### **Sending information and documents**

**ARTICLE 18 –** (1) The institutions, organizations and persons that fall under the scope of the law shall submit to the Pension Monitoring Center complete and accurate information and documents required by the Center to perform its duties.

(2) In the event of incorrect or incomplete information or documents, technical issues that may result in a mistake, failure or error shall be corrected by the responsible parties according to the demands of the Pension Monitoring Center.

(3) The Pension Monitoring Center shall develop scoring methodologies to measure the quality of data, determine data compliance with the relevant scoring methodology and report it to the Agency to ensure the accurate, complete, consistent and timely transmission of the data obtained from the companies, and increase the quality of currently stored data.

#### **Storing confidential information**

**ARTICLE 19 –** (1) Board of Directors, general manager and assistant general managers, experts and other employees of the Pension Monitoring Center shall not use the information and documents or software and hardware details they have obtained through their capacity during or after the execution of these duties, and shall not publish them or share them with third parties. Accordingly, the Pension Monitoring Center shall have its employees sign non-disclosure agreements.

(2) The provisions in the first paragraph shall also apply to organizations providing services such as information technology, hardware, network services, call center and direct sales on behalf of the Pension Monitoring Center. Non-disclosure agreements shall be signed with the organizations providing these services.

(3) Paragraphs 6, 7 and 8 of Article 23 shall apply to the executives and employees of the Pension Monitoring Center with regard to storing confidential information.

#### **Repealed Regulation**

**ARTICLE 20 –** (1) The Regulation on Working Principles of the Pension Monitoring Center, published in the Official Gazette No. 26754 dated January 12, 2008, has been repealed.

#### **Validity**

**ARTICLE 21 –** (1) This Regulation shall enter into effect on the date of its publication.

#### **Execution**

**ARTICLE 22 –** (1) The President of the Insurance and Private Pension Regulation and Supervision Agency shall execute the provisions of this Regulation.