Türkiye's Fund Crisis Tests Corporate Refinancing

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Turkish corporates that fund themselves through short-term bank lines and local bonds are seeing both channels narrow at the same time.

Since mid-September, fund liquidations and a loss of investor confidence have sharply curtailed access to the lira corporate debt market, particularly for mid-sized issuers. Bank lending remains selective and subject to growth limits. For companies whose maturities run in months rather than years, the issue is shifting from the cost of funding to access to it.

In NNCA's view, what began as a fund-market problem could develop into a corporate liquidity problem. Unless the CBRT's current refinancing exemption is extended, the pressure is likely to intensify in the first quarter of 2027, when bond maturities fall outside its scope.

A Funding Model Built on Rollovers

With bank credit growth capped and commercial loan rates high, mid-sized companies increasingly turned to the local market. The lira corporate bond market grew to more than TL 1 trillion by the end of September, and mutual funds held about a third of it.[1]

For many mid-caps, the result was a balance sheet funded by short bank lines alongside bonds and commercial paper, rolled continuously. The model works as long as both channels stay open.

What Has Changed

On 15 and 16 September, two portfolio managers could not meet redemption requests amid an investigation into alleged market manipulation. The Capital Markets Board (SPK) ordered the liquidation of 131 funds held by 455,758 investors.[2] Industry fund assets have since declined by approximately TL 1.5 trillion.[1]

The market channel narrowed first. Redemption pressure has limited the market's capacity to absorb new corporate bonds, and at least one issuer linked to the crisis has missed a bond payment.[1]

The bank channel offers only partial relief. Bank loans that refinance domestic lira bonds of non-bank issuers maturing by year-end are exempt from the commercial credit growth limit; the CBRT has said the aim is to ensure creditworthy issuers are not constrained by the limit.[3] New working capital, investment lending and later maturities remain within the limit, and banks still apply their own credit judgement.

Much of the money withdrawn from funds has moved into bank deposits, according to the central bank governor.[4] But that liquidity does not automatically become usable corporate credit: lending growth limits and banks' risk appetite determine how far the banking system can replace the lost market funding.

The two channels these companies rely on have become more selective at the same time.

How a Funding Gap Becomes a Liquidity Problem

The pressure is a function of rollover frequency. A company that refinances every three to six months meets the new conditions within one or two cycles, well before any change shows in its operating results.

High nominal borrowing costs compound the refinancing pressure, absorbing cash even where companies succeed in rolling their debt.

We see three further channels that could carry the pressure beyond the direct issuers. Factoring and leasing companies also use the local bond market to fund their activities. Reduced access could therefore tighten both receivables finance and equipment financing for SMEs.

Post-dated cheques link payment obligations across supply chains, allowing a missed payment to transmit pressure beyond the original borrower.

Shareholders facing additional collateral requirements on pledged shares may have less capacity to support operating companies and, in some cases, may seek cash distributions from them.

The starting point is already stretched. Konkordato applications reached a record 2,008 in 2025, before the crisis began.[5] The Economic Policy Research Foundation of Türkiye (TEPAV) has warned that the crisis could lead to more unpaid bank loans and leave companies short of cash.[6]

Why It Matters Now

The year-end exemption sets the timetable, and policy could change the depth of the problem. Treasury and Finance Minister Mehmet Şimşek has said he would view positively a Credit Guarantee Fund (KGF) credit framework for private-sector bonds, aimed at companies not involved in the alleged manipulation, funded from KGF's own resources and without a Treasury guarantee.[7] The size of any such programme, and whether the exemption is extended, are likely to be the main variables.

A rapid reopening appears unlikely while investigations continue and confidence remains fragile. Separately, MSCI's warning of a possible reclassification consultation adds uncertainty for equity investors.[8]

A two-tier recovery is plausible: larger issuers retain access,[1] while mid-sized borrowers remain dependent on selective bank lending and alternative funding. Unless the refinancing exemption is extended, first-quarter 2027 maturities will test how far those channels can replace fund demand.

International lenders can provide medium-term funding outside the domestic bank credit growth framework. The strongest candidates are borrowers with sustainable debt-service capacity, appropriate currency alignment and eligibility under Türkiye's FX borrowing rules. The value is a maturity profile that reduces dependence on repeated short-term refinancing.

Diligence is likely to extend accordingly: to exposure to the liquidated funds, pledged shares, dependence on market funding, and related-party balances with any financial affiliates.

The underwriting task is to establish whether operating cash flow supports the debt, how long the funding gap can be bridged, and what maturity profile the business can sustain.

If access to funding does not return in time, a temporary liquidity problem could become a lasting credit problem for otherwise sound companies.

Notes

1. Bloomberg, “Turkey’s Fund Turmoil Puts Corporate Bonds and Small Issuers on Edge”, October 2026, citing Ak Yatırım: size and fund ownership of the lira corporate bond market, the decline in fund assets, the missed payment by Tera Yatırım Bankası on 5 October 2026, and continued issuance by large issuers.

2. Capital Markets Board (SPK), liquidation decision of 17 September 2026; Bloomberg, “Turkey Turns to Two Big Banks to Liquidate Troubled Funds”, 18 September 2026.

3. CBRT, letter to banks on the TL commercial loan growth limit, announced 26 October 2026, as reported by CNBC-e. The exemption covers TL loans used to repay domestic lira debt instruments of non-bank private-sector issuers maturing by end-2026.

4. CBRT Governor Fatih Karahan, remarks to the Plan and Budget Committee of the Grand National Assembly, 6 October 2026.

5. Konkordato applications; Bloomberg, 27 January 2026, as reported by Bloomberg HT.

6. TEPAV, Monetary Policy Assessment, 20 October 2026.

7. Treasury and Finance Minister Mehmet Şimşek, public remarks, 20 October 2026.

8. MSCI, “MSCI Implements a Freeze on the MSCI Turkey Indexes”, 15 October 2026. MSCI said that if sufficient progress is not evident by June 2027, it will consider additional measures, including a consultation on reclassifying the MSCI Turkey Indexes to Frontier or Standalone Market status.

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