INVEST IN TÜRKİYE

LEGAL GUIDE TO INVESTING IN TÜRKİYE

DEAR READERS,

A resilient and fast-growing economy, Türkiye offers business-friendly policies, a deep talent pool, and global market access at the nexus of East and West, to attract sustainable foreign direct investment (FDI). Türkiye's economic performance during the pandemic and global financial crises demonstrated the strength and diversification of its economy. As of 2023, Türkiye ranks as the world's 11th largest economy in terms of purchasing power parity (PPP).

Successful macro policies, uninterrupted reforms, and political stability under President Erdoğan's leadership have fueled an average growth of 5.4 percent for the Turkish economy from 2003 to 2023. During this period, Türkiye attracted USD 262 billion of FDI, emerging as a regional hub for research and development (R&D), design, production, logistics, and management, bolstered by reforms, incentives, strategic location, and a robust economic structure. Under the Türkiye Century vision presented by President Recep Tayyip and our recently released Türkiye Foreign Direct Investment (FDI) Strategy for 2024-2028, our goal is to elevate Türkiye from a regional economic hub to a global powerhouse. In pursuit of this goal, we will persistently work with dedication to ensure a prosperous future for Türkiye in its new century.

The legal environment in Türkiye has become increasingly investor-friendly in recent years, particularly in tax reform and judiciary improvements. Arbitration centers have become commonplace for local and international commercial disputes, offering world-class standards and rules, leveraging Türkiye's unique geopolitical location to provide efficient and cost-effective arbitration processes.

Additionally, alternative dispute-resolution mechanisms are gaining traction in the Turkish legal system. Türkiye ratified the United Nations Convention on International Settlement Agreements Resulting from Mediation (Singapore Convention) on March 11, 2021. This allows enforcement of commercial international mediation settlements in member states without full court proceedings, thereby reducing time and costs associated with litigation. Mediation is now compulsory for employment and commercial disputes before court procedures can be initiated.

The "Human Rights Action Plan," effective since April 2021, enhances legal predictability, transparency, and safeguards property rights for both companies and individuals. Türkiye continues to align its legal framework concerning FDI with European Union standards, closely monitored by relevant institutions. With ongoing reform efforts, Türkiye aims to elevate investment opportunities and strengthen its position as a regional safe haven.

The collaborative publication, "Legal Guide to Investment in Türkiye," authored in partnership with the Presidency of the Republic of Türkiye Investment Office and CMS, provides invaluable insights into Türkiye's legal environment. Tailored for international investors, corporations, individuals, and business executives, it serves as an essential resource for those exploring opportunities in Türkiye.

Explore Türkiye's legal environment for a profitable and successful investment journey during the "Türkiye Century."

A. BURAK DAĞLIOĞLU

The Presidency of the Republic of
Türkiye Investment Office, President

DIS-CLAIMER.

CON-TENT.

INTRODUCTION

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1.1 Geographic Overview

At the crossroads of Europe and Asia, Türkiye's geography offers excellent access to global trade routes by air, land and sea. Bordered by the Marmara, Black, Aegean and Mediterranean Seas, in addition to various land boarders, Türkiye offers convenient access to Europe, Asia and North Africa. Air travel is also easy with Istanbul offering two well connected international airports meaning you are no more than 4 hours away from most European and Middle Eastern destinations.

As of 2023, Türkiye had a population of more than 85 million people with a median age of 34. Therefore, in contrast to Europe, Türkiye's population is young and continuing to grow. The labour market is also considered to be highly skilled, and with 68 percent of the population currently of working age, Türkiye's population is a dynamic and highly lucrative resource.

With such an advantageous geographical position and the availability of a young and highly skilled workforce, many investors choose to have their regional head offices or manufacturing

1.2 Economic Overview

Türkiye's economy has performed remarkably well with its steady growth over the past decades. A sound macroeconomic strategy, prudent fiscal policies, and major structural reforms have all contributed to the integration of Türkiye's economy into the globalized world while also transforming the country into one of the major recipients of FDI in its region.

These reforms have increased the role of the private sector in Türkiye's economy, enhanced the efficiency and resiliency of the financial sector, and placed public finance on a more solid foundation. The reforms also strengthened the macroeconomic fundamentals of the country, allowing the economy to grow at an average annual real GDP growth rate of 5.4 percent from 2002 to 2023.

Significant improvements in such a short period of time have registered Türkiye on the world economic scale as an exceptional emerging economy. It is the 11th largest economy (GDP at PPP) in the world and the 3rd largest economy when compared with the EU countries, according to GDP figures in 2022.

Türkiye's impressive economic performance over the past 20 years has encouraged experts and international institutions to make confident projections about Türkiye's economic future. For example, according to the OECD, Türkiye is expected to sustain this growth momentum, and will be the 10th biggest economy in 2026, and the 5th largest economy in the world by 2052.

Source: OECD

Together with stable economic growth, Türkiye has also reined in its public finances; general government nominal debt stock to GDP fell to 38.84 percent from 72.1 percent between 2002 and 2020. Türkiye has been meeting the "EU's 60 percent Maastricht criteria" for public debt stock since 2004. Similarly, during 2003-2020, the budget deficit decreased from more than 10 percent to less than 3.4 percent as a ratio to GDP, which is one of the EU Maastricht criteria for the budget balance.

As the GDP levels increased to USD 717 billion in 2020, up from USD 236 billion in 2002, GDP per capita soared to USD 8,599, up from USD 3,581 in the given period.

The visible improvements in Türkiye's economy have also boosted foreign trade. Exports reached USD 170 billion by the end of 2020, up from USD 36 billion in 2002, while tourism revenues, which were around USD 14 billion in 2003, exceeded USD 34.5 billion in 2019.

Significant improvements in such a short period of time have registered Türkiye on the world economic scale as an exceptional emerging economy. It is the 11th largest economy (GDP at PPP) in the world and the 3rd largest economy when compared with the EU-27 countries, according to GDP figures in 2020.

Summary fact about Turkish economy:

- Institutionalized economy fuelled by USD 225 billion of FDI in the past 18 years.
- 11th largest economy (GDP at PPP) in the world and 3rd largest economy compared with EU-27 countries in 2020 (GDP, Eurostat).
- Robust economic growth with an average annual real GDP growth of 5.1 percent during2002-2020.
- GDP reached USD 717 Billion in 2020, up from 236 billion in 2002.
- Sound economic policies with prudent fiscal discipline.
- Strong financial structure that is resilient to global financial crises.

1.3 Legal System

The Turkish legal system is based on a codified civil law system. Under Turkish law, courts are either categorised as judicial courts or administrative courts. Within these two categories, sub-categories exist. For instance, the judicial courts, which constitute the broadest part of the Turkish judicial system, are sub-divided into 2 branches consisting of the civil courts and the criminal courts, whereas the administrative courts are sub-divided into administrative courts and tax courts.

Türkiye's judicial system has a multipartite structure. Consequently, within each of the sub-divisions described above, different levels exist. Türkiye has recently abandoned its two-tier system by introducing a three-tier-system. As a result, all courts consist of 3 levels as follows: first instance courts, district courts and supreme courts. The supreme courts of Türkiye consist of the Constitutional Court, the Court of Appeals, the Council of State and the Court of Jurisdictional Disputes.

Since Türkiye is a civil law country, legislation is the primary source of law. There is a certain order of priority for the implementation of the applicable legislation in which the Constitution prevails over international treaties followed by the codes and regulations, statutory decrees, and by-laws.

As a candidate country for accession to the European Union, Türkiye is harmonizing its legislation with the European Union legislation under the supervision of the Ministry of Foreign Affairs. To that end, Türkiye has, among others, introduced the Competition Law, Intellectual Property Law and the Consumer Protection Law, and repealed its civil code, code of obligations and commercial code and replaced them with the new Turkish Civil Code, the new Code of Obligations and the new Turkish Commercial Code. These laws are based on the Swiss Civil Code and Swiss Code of Obligations and follow the principles of European Union laws and regulations and the principles set out in Turkish and Swiss courts' decisions.

As in other civil law countries, the Turkish Civil Code governs the law of persons (e.g. birth, capacity and similar matters), family law, property law and the law of inheritance. The law of contracts and torts are the subject of the Code of Obligations. Finally, the Turkish Commercial Code regulates matters relating to merchants, trade, business entities (especially companies), commercial contracts and other matters such as negotiable instruments and insurance. In addition, customary law is also considered as a complementary source of law and guidance, especially if written sources are silent on a particular matter.

The Turkish administrative system and law is highly influenced by the French administrative system and law. Public administration in Türkiye consists of the central administration and local administrations. Within the central administration, there are (i) the executive branch and its regional divisions, (ii) autonomous bodies (i.e. regulatory authorities); (iii) 81 provinces (il) and (iv) 1,000 districts (ilçe), being sub-divisions of provinces. In each province and district, there is a governor (vali) and a district governor (kaymakam), respectively, appointed by the central administration. The governor and the district governor act as the representatives of the central administration within the province and district, respectively.

PROTECTION OF FOREIGN INVESTMENT

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2.1 Domestic Legislation on Foreign Investments

International treaties, the FDI Law and the Regulation on the Implementation of the FDI Law are the main legal sources governing foreign direct investment in Türkiye.

Under the FDI Law, which has introduced a more liberal system based on the principles of equal treatment and the free expatriation of proceeds, investors are only required to notify the Ministry of Treasury and Finance of their investment (e.g. greenfield investment, share transfer or otherwise) and the amount of foreign capital brought to Türkiye, except for opening a liaison office which is subject to the prior written consent of the Ministry of Industry and Technology.

Under some other principles introduced by the FDI Law such as the freedom to invest, valuation of non-cash capital and the employment of foreign personnel, foreign investors can freely establish an entity, open a branch and/or acquire shares of an existing company and conclude know-how/technical assistance agreements with domestic companies.

In line with the principle of equal treatment, foreign investors may establish a company with 100% foreign shareholding or acquire all of the shares of an existing Turkish company. However, exceptions to this principle exist. There are also restrictions related to certain strategic sectors.

2.2 International Treaties Regarding Foreign Investments

Aiming to improve its foreign investment climate, Türkiye has become a party to several bilateral and multilateral investment treaties. Importantly, Türkiye has also concluded double-taxation treaties with over 80 countries.

2.2.1 Bilateral Investment Treaties

Considering the importance of bilateral treaties which lead to stronger economic cooperation between the contracting states, Türkiye has been active in concluding bilateral treaties for the promotion and protection of investments.

2.2.2 Multilateral Investment Treaties

Türkiye is also interested in several multilateral investment treaties for the purpose of reinforcing economic collaboration with other countries. In this regard, Türkiye is a party to the World Trade Organization's Agreement on Trade Related Investment Measures, the United Nations Convention on Contracts for the International Sale of Goods and the Energy Charter Treaty.

[1] Except for regulated sectors where share transfers exceeding certain thresholds are subject to the prior written consent of the relevant regulatory authority.

2.3 International Dispute Resolution

Foreign investors may benefit from domestic arbitration or international arbitration to the extent there is an arbitration clause in their investment agreement. Domestic arbitration is governed by the Code of Civil Procedure, whereas for international arbitration, the parties may freely choose any institutional rules of arbitration, including without limitation the rules under the Turkish International Arbitration Law or the rules of the Istanbul Arbitration Centre which was established in 2019.

It is important to note that the arbitration rules of the Istanbul Arbitration Centre have introduced new concepts to Turkish law, such as fast-track arbitration, procedural timetable and emergency arbitrator.

Since Istanbul Arbitration Centre's arbitral awards are final, binding and enforceable just like court decisions, and Türkiye is a party to the New York Convention, Istanbul Arbitration Centre's arbitral awards are enforceable not only in Türkiye, but also in other countries that are party to the New York Convention.

In addition, Türkiye is also a contracting state to the ICSID Convention. Consequently, for disputes arising out of or relating to an investment, between the Turkish State and a national of another contracting state, the parties may also opt in for arbitration under ICSID.

2.4 Mediation

The Singapore Convention ratified by Türkiye on 11 March 2021 allows the commercial international mediation settlement agreements to be enforced in member states without the need of a full court proceeding, limiting time and costs required in court proceedings. It also promotes mediation as an alternative dispute resolution mechanism for international commercial disputes and fills in the void for international mediation within the international trade law.

Additionally, certain fields of law foresee mandatory mediation with the principle reasoning of reducing the number of disputes brought before courts as well as encouraging parties to choose mediation as their means of dispute settlement.

It should also be noted that in addition to mandatory mediation, voluntary mediation is also regulated under Turkish law system. The Law on Mediation on Civil Disputes regulates the mediation system of Türkiye and determines the principles of the mediation procedure.

BUSINESS STRUCTURES UNDER TURKISH LAW

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3.1 Corporate Structures

3.1.1 Joint Stock Company

(a) Overview

A joint stock company is governed by its articles of association which fundamentally provide corporate information (such as title, registered office, share capital etc.) and corporate governance rules (such as number of directors, manner of representation, and reserved matters, if any).

As a general rule, the establishment of a joint stock company is not subject to any regulatory or governmental consent, except for certain specific sectors (i.e. banking, energy, holding companies etc.). A joint stock company is formed upon registration with the relevant trade registry.

(b) Shareholding

The Turkish Commercial Code allows the incorporation of single shareholder joint stock companies with no upper limit on the number of shareholders a company may have. It should be noted, however, that pursuant to the Capital Markets Law, a company is deemed to have become public if it has more than 500 shareholders. The shareholders of joint stock companies may be individuals or legal entities and there is no restriction on their nationality.

(c) Mandatory Corporate Bodies

(i) Board of Directors

A joint stock company shall be managed and represented by a board of directors, appointed by the shareholders. The board of directors shall consist of at least one director, who may be an individual or a legal entity. Directors are appointed through the articles of association at incorporation and by the general assembly at later stages for a maximum term of three years.

(ii) General Assembly

There are certain reserved matters that only the general assembly can decide. Such matters include without limitation amendments to the articles of association, appointment of the members of the board of directors, distribution of profits or sale of a significant portion of the company's assets.

(d) Liability

Joint stock companies are primarily liable for public debts such as taxes and social security premiums. In the event of such debts not being paid by the company, these may be collected from the directors with such directors having the right of recourse to the company. However, the shareholders of joint stock companies will not be liable for the public debts of the company so long as they are not also directors.

Criminal liability of directors may arise from a number of pieces of legislation, however, in each case, only to the extent that a director was given special power and responsibility for conducting or monitoring the particular transactions which resulted in any of the laws being breached.

(e) Share Tranfers

The share transfer procedure will differ depending on whether or not share certificates exist. Execution of a delivery protocol will suffice if no share certificates have been issued. If certificates have been issued, the

[2] In the case of publicly traded joint stock companies, share records are kept at the Central Registry of Companies (Merkezi Kayıt Kuruluşu). Therefore, no share certificates are issued for the shares of listed companies, whether they are bearer shares or registered shares. Therefore, the transfer of shares in publicly traded joint stock companies is carried out by notifying the Central Registry Agency of the relevant share transfer.

delivery of bearer share certificates will result in the transfer of those shares, while both endorsement and delivery are required for the transfer of registered share certificates . Still, regardless of share certificates are printed or not, most investors tend to negotiate and sign share purchase agreements to govern and regulate the commercial relationship between the parties.

Save for a board resolution in order for share transfers to be registered in the share ledger of the company, approval by any corporate body of the company is not required for share transfers in joint stock companies unless the articles of association stipulate otherwise. Likewise, registration before and/or approval from any governmental authority is not required for the transfer of the shares of joint stock companies. However, there are exceptions for regulated sectors if certain thresholds of shareholding have been exceeded or where the share transfer results in the purchaser being the sole shareholder of the company.

(f) Mergers

The Turkish Commercial Code permits two types of mergers: one being the merger of a company into another and the other being the establishment of a new company by the merger of two or more companies. A merger shall only take place if it is approved by the general assembly meetings of the concerned companies. Upon the finalisation of the merger, the acquired company shall be automatically dissolved.

(g) Spin Offs

Joint stock companies may spin-off the entirety or a portion of their assets and/or liabilities to an existing or a newly established company, in consideration of which the transferor company or its shareholders acquire the shares of the spun-off company.

3.1.2 Limited Liability Company

(a) Overview

The rules governing the establishment of a limited liability company are almost identical to a joint stock company, except that in specific regulated sectors (such as certain financial services sectors), it is not possible to operate as a limited liability company.

(b) Shareholding

The Turkish Commercial Code allows limited liability companies to be incorporated with a single shareholder, although the maximum number of shareholders permitted for such companies is 50. Individuals and legal entities of any nationality may be shareholders in a limited liability company.

(c) Mandatory Corporate Bodies

(i) Managers

A limited liability company shall be managed and represented by one or more managers appointed by the shareholders. At least one of the managers must also be a shareholder. Should any manager be a foreign national, a tax identification number must be obtained for them in Türkiye.

Except for the fact that managers can be appointed for an unlimited term, the rules governing, among others, the appointment of managers, their liabilities, delegation of duties and electronic meetings are identical to those of a joint stock company.

(ii) General Assembly

Similarly with a joint stock company, certain decisions are reserved to be exclusively adopted by the shareholders of a limited liability company; however, such list is more extensive for limited liability companies as it also includes, among others, approval of any share transfer and squeeze-out of existing shareholder through a court order.

(d) Liability

The managers of a limited liability company are subject to the same liability regime as the directors of a joint stock company. However, this is not the case for the shareholders of a limited liability company. Accordingly, the shareholders of a limited liability company may be personally liable for the unpaid public debts (such as tax or social security premiums) of the company if the company cannot fulfil its obligation to pay such public debts.

Other than this liability, shareholders shall be limited to the unpaid portion of their share capital contribution.

(e) Share Tranfers

The share transfers of limited liability companies are subject to more formalities than those of joint stock companies. However, these are not prohibitive.

(f) Mergers

Please see 3.1.1(f) (Joint Stock Company, Mergers) above.

(g) Spin Offs

Please see 3.1.1(g) (Joint Stock Company, Spin-Offs) above.

3.1.3 Other Forms

In addition to the more prevalent joint stock company and limited liability company, the Turkish Commercial Code also allows for the establishment of general partnerships (kollektif şirket), limited partnerships (komandit şirket) and partnerships limited by shares (sermayesi paylara bölünmüş komandit şirket).

(a) General Partnership

General partnerships are companies established, and maintained, by at least two individuals for the purpose of operating a commercial undertaking and where the shareholders are liable without limitation towards company creditors.

(b) Limited Partnership

Limited partnerships are companies established for the purpose of operating a commercial undertaking and where certain shareholders have limited liability and certain shareholders have unlimited liability towards creditors.

(c) Partnership Limited by Shares

In contrast to general partnerships and limited partnerships, whose share capital are not divided into shares, the share capital of partnerships limited by shares, as the name suggests, is divided into shares, which are transferrable. Partnerships limited by shares must be established and maintained by at least five shareholders, at least one of whom must have unlimited liability towards creditors.

3.2 Joint Ventures

A joint venture is generally considered an ordinary partnership (adi ortaklık), which is not a legal entity under Turkish law. There is no specific legislation governing joint ventures in Türkiye which are governed by the laws applicable to the type of company established. It is a common practice to enter into a shareholders' agreement to govern the relationship between the joint venture parties and the maintenance of the joint venture. The provisions of such joint venture agreements may be incorporated into the articles of association of the established company, subject to such provisions not conflicting with any applicable legislation.

3.3 Branches

All companies may establish branches in Türkiye; however, it is not possible to conduct activities in certain sectors (such as energy) through branches. Except for regulated markets, the establishment does not require consent from a governmental authority, hence a simple resolution by the management body of the company (i.e. the board of directors for joint stock companies) is sufficient. At least one branch manager must also be appointed for each branch. For any foreign national representative, a tax identification number would have to be obtained.

3.4 Liaison Offices

Companies established abroad may establish liaison offices in Türkiye for the purpose of conducting market research and feasibility studies. As such, liaison offices are not allowed to conduct any commercial activities.

3.5 Accounting and Audit Requirements

The board of directors of joint stock companies and the board of managers of limited liability companies are tasked with preparing the annual activity report and financial tables of the relevant company.

As a general principle, companies, alone or together with their subsidiaries and affiliates, meeting certain criteria shall be subject to independent auditing. Also, certain companies shall be independently audited regardless of whether they fulfil the mentioned criteria. Where a company is subject to independent auditing, independent auditors are appointed by the general assembly on an annual basis.

3.6 Establishment Procedures for Joint Stock and Limited Liability Companies

3.6.1 Required Documents

As the establishment of a company must be registered with the relevant trade registry in the location of the company's registered office, the documents requested by each trade registry may slightly vary.

One of the material documents required for establishing a company in Türkiye if the legal entity shareholder is not a Turkish company, is an extract from the relevant authority where that legal entity is resident, detailing its incorporation date, share capital and areas of activity, among other things.

Other documents generally required by all trade registries are a bank letter evidencing deposit of at least 25% of the subscribed share capital (which is only applicable to joint stock companies, not required for limited liability companies) by each shareholder according to their shareholding ratio, a receipt evidencing payment of 0.04% of the share capital to the Competition Authority and notarised copies of the articles of association of the new company.

3.6.2 Steps of Establishment

Figure 3: : Summary of establishment process

3.7 Dissolution

3.7.1 Joint Stock Companies and Limited Liability Companies

A joint stock or limited liability company may be dissolved based on the grounds for dissolution set forth under its articles of association, by a general assembly resolution, or upon the declaration of bankruptcy by competent court. They may also be dissolved by a competent court's verdict upon the application of either of the shareholders, creditors or the Ministry of Trade if a board of directors cannot be formed or due to the inability of the general assembly to convene.

Minority shareholders are entitled to request the dissolution of the company from a competent court on the basis of valid grounds, such as the continuous breach of the shareholding rights of minority shareholders by the majority shareholders, and the majority shareholders placing a higher emphasis on their personal interests rather than the interests of the company.

A joint stock company or a limited liability company may also be dissolved upon the fulfilment of their term where a term has been set forth under the articles of association. A joint stock company may also be dissolved upon the realisation of its area of activity or the same becoming impossible.

Dissolution results in the commencement of the liquidation process. During the liquidation phase, all debts of the company shall be paid through the collection of its receivables and the sale of its assets. If there are assets remaining, those assets shall be distributed to the shareholders pro rata to their shareholding and the completion of the liquidation process shall be registered with the relevant trade registry.

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3.7.2 Branches

The parent company may close a branch at any time through the adoption of a resolution by its management body (i.e. the board of directors for joint stock companies). Such resolution shall be registered with the relevant trade registry and announced in the Turkish Trade Registry Gazette.

3.7.3 Liaison Offices

The Ministry of Industry and Technology may revoke activity permits of liaison offices due to conducting commercial activities or not submitting the annual form on their activities within the prescribed time period (please see 3.4 (Liaison Offices) for further information). The parent company may also close a liaison office upon notification to the Ministry of Industry and Technology.

LABOUR LAW

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4.1 General Information

The most significant piece of labour legislation in Türkiye is the Labour Law. Other significant pieces of legislation relating to employment matters are as follows:

(a) the provisions of Article 14 of the Law No. 1475 which govern severance payments,
(b) the Occupational Health and Safety Law, and
(c) Law on Trade Union and Collective Bargaining Agreements.

Moreover, the Turkish Code of Obligation includes a chapter on employment agreements, which will be applicable in cases where the above-mentioned legislation does not address the matter in question.

4.2 Employment Agreement

As the main objective of employment agreements is to protect the employee and maintain a social balance between the employee and the employer, the legal rights and benefits granted to employees under the Labour Law are mandatory and cannot be excluded or altered contractually to the detriment of the employee. However, contractual arrangements which enhance the legal rights and benefits granted to employees under the Labour Law are permitted.

Although it is mandatory to execute a written agreement in case of definite term employment agreements executed for, employment agreements not in writing are still valid. However, the employee may demand from the employer a document bearing his signature and stating the general and, if any, special terms of employment at any time.

4.2.1 Definite – Indefinite Term Employment Agreements

An employment agreement between an employer and employee will be deemed to be for a fixed term if it is concluded in writing and any one of the following conditions exists:

(a) if it is concluded for a definite term,
(b) if its term depends on an objective condition such as completion of a certain task, or
(c) if its term is subject to the completion of a certain aim.

A fixed-term employment agreement cannot be renewed more than once, save where there is a material reason which justifies renewal.

If an employment agreement does not meet the above conditions, it will be considered an indefinite term employment agreement.

4.2.2 Part-time – Full-time Employment Agreements

If the weekly working hours of the employee are considerably lower (i.e., at least 33 percent) than those of a full-time employee, the employment agreement is deemed to be a part-time employment agreement which can be for an indefinite term or fixed term.

4.2.3 Outsourcing

Under Turkish law, sub-contractor employees can only be employed for auxiliary works (e.g. security, cleaning, and catering) and other works that need technologic expertise which are not part of the core business of the employer.

4.3 Obligation of Employing Disabled Personnel

With a view to support the participation of disabled people in the labour market, Turkish law requires that employers employing fifty or more people in one workplace must hire a certain number of disabled personnel. Otherwise, an administrative fine shall be imposed on the employer or the representative of the employer.

4.4 General Terms of Employment

4.4.1 Remuneration

Payment of salary is the main obligation of the employer under Turkish law. The employee's main salary must be monetary and cannot be paid in kind. The net salary does not include premiums, bonuses, social benefits, and other side benefits to be provided to the employee. The salary amount cannot be less than the minimum salary determined by the Minimum Wage Determination Commission in every two years at the latest.

Currently, the mandatory minimum wage applicable in Türkiye for 2024 is TRY 17,002.00 net (approximately EUR 515) for full-time employees.

4.4.2 Working Time

(a) Probation Period

Within the probation period agreed on by the parties, which cannot exceed 2 months, both parties may terminate the employment agreement without serving a termination notice and without any compensation.

(b) Standard Working Hours

The working hours of the employee are the times when the employee dedicates his/her work to the employer within or outside the workplace; whether working physically or not. Working hours cannot be more than 45 hours per week.

(c) Overtime Work

Legal overtime is calculated as the number of hours worked beyond the employee's normal working day. If an employee works overtime, the employer is required to pay the employee an additional 50 percent of his/her daily salary for weekdays or 100 percent on Sundays and holidays. Alternatively, the employee may benefit from additional vacation time in lieu of overtime payment. In such case, every hour worked is equal to 1 ½ hours of vacation time.

Overtime work is conditional upon the consent of the employee. If the employer fails to obtain such consent, the Labour Law provides for a monetary fine.

(d) Balancing Schemes

With a view to providing flexible working hours for employees, standard weekly working hours can be distributed unequally to the days of the week provided that the working hours do not exceed 11 hours per day. Implementation of a balancing scheme is conditional upon the consent of the employee.

(e) Working on Weekends and Public Holidays

Work is generally prohibited on public holidays unless it is agreed otherwise under the employment agreement. Those required to work during a public holiday are entitled to extra salary equivalent to the portion of their monthly salaries corresponding to the duration of the public holiday.

4.4.3 Annual Paid Leave

Under Turkish law, the minimum paid vacations to be provided to employees vary in accordance with the duration of the employee's employment as follows:

DURATION OF EMPLOYMENT	PAID VACATION
1 TO 5 YEARS (INCLUSIVE)	14 DAYS
5 TO 14 YEARS (INCLUSIVE)	20 DAYS
15 YEARS AND MORE	26 DAYS

4.4.4 Restrictive Covenants

(a) Non-disclosure

According to the non-disclosure obligation, which is a part of the employee's obligation of loyalty towards the employer, the employee may not disclose, or use for his/her own benefit, any secret that he/she learns during his/her employment. Otherwise, the employer is permitted to rightfully terminate the employment agreement.

(b) Non-competition

The employee and employer are free to negotiate a prohibition on working for the employer's competitors after termination of employment, and to provide a penalty in case of breach.
A non-compete clause is valid only if the employee has had access to some customer-related or industry-related information that he/she could not have independently acquired. Moreover, the non-compete provision must have a reasonable duration, which should not exceed 2 years. The applicable territory must also be well defined.

4.4.5 Changes in the Working Conditions

Under Turkish law, substantial changes to the working conditions stipulated in the employment agreement or personnel guidelines attached to the employment agreement may only be made upon notification to the employee in writing. If the employee does not accept such changes within 6 days as of the notification date, he/she is not bound with the changes. In that case, the employer has the right to terminate the employment agreement by complying with the applicable notice periods and by explaining in writing that the change in the working conditions is based on a valid reason.

4.5 Employment of Foreign Nationals

4.5.1 Criteria for Employers to Employ Foreigners

In order to employ a foreigner, the employer must meet certain criteria with respect to its company's minimum paid capital, its gross sale amounts, its exportation amounts and the number of Turkish employees it employs in its company.

For all criteria to be met by the employers and the foreigner employees please see:
https://www.csgb.gov.tr/uigm/calisma-izni/calisma-izni-degerlendirme-kriterleri/
https://www.calismaizni.gov.tr/calisma-izni-hakkinda/degerlendirme-kriterleri/

4.5.2 Work Permit

As per the International Work Force Law, foreigners who would like to work in Türkiye are required to obtain a work permit. Such requirement is applicable for (i) foreign employees to be employed in Türkiye, and (ii) foreigners who would like to engage in their own business.

(a) Types of Work Permits

There are 3 types of work permits: (i) a temporary work permit which can be applied for by the employer on behalf of the employee, (ii) a permanent work permit which can be applied for by the foreigner upon fulfilling the necessary conditions (e.g., having held a temporary permit for a specific period), and (iii) an independent work permit which can be applied for by the foreigner if he/she would like to be self-employed, upon fulfilling the necessary conditions.

(b) Work Permit Application Producere

Work permit applications can be made from Türkiye or from abroad through the representative agencies of Türkiye (i.e., the consulates or embassies). Work permit holders who applied from outside of Türkiye must enter Türkiye within six months from the date the permit begins - otherwise, the work permit will be cancelled. Applications for permanent and independent work permits must be made through National Electronic Notification System operated by Post and Telegraph Organization with an electronic signature.

4.5.3 Exceptions and Exemptions to Work Permits

Under the International Labour Force Law, certain exceptions/exemptions may be granted (i.e. being exempted from (i) certain requirements and/or procedure for work permit applications or (ii) obtaining a work permit) to the persons having certain qualifications.

4.5.4 Residence Permit

A residence permit is required if the foreigner will be staying in Türkiye for more than 90 days in a 180-day period. Though the work permit gives the right to work and reside in Türkiye, foreigners who apply for a work permit from Türkiye must have a valid residence permit, and residence permit itself does not substitute for work permit.

Applications for residence permits are made either to the consulates of the country of nationality or residence of the foreigner or to the governorates in Türkiye. For detailed information regarding residence permit applications please see:
https://en.goc.gov.tr/general-information41

4.5.5 Citizenship by Investment

As per the recent amendment in the Regulation on Implementation of the Turkish Citizenship Law, foreigners can become a Turkish citizen together with their spouses and young or dependent children by the decision of President, in case one of the conditions indicated in the regulation is met.

4.6 Termination of Employment

4.6.1 Overview

Turkish law distinguishes among (i) termination for valid cause and (ii) termination for just cause. It is also possible for the employer and the employee to agree on a mutual termination.

4.6.2 Notice Periods

Notice periods shall be calculated in accordance with the duration of the employee's service as set forth below (unless a longer notice period is provided for in the individual or collective employment agreement):

DURATION OF EMPLOYMENT	NOTICE PERIOD
UP TO 6 MONTHS	2 WEEKS
FROM 6 MONTHS TO 18 MONTHS	4 WEEKS
FROM 18 MONTHS TO 36 MONTHS	6 WEEKS
36 MONTHS OR MORE	8 WEEKS

4.6.3 Employment Protection

Any termination by the employer in contradiction of the provisions providing employees with protection against unilateral termination shall be deemed invalid and employers shall be obliged to pay compensation to the employees.

In this respect, the employer must have a valid cause to terminate the employment agreement if:

(a) the employer is employing thirty or more employees,

(b) the employee has been employed for at least 6 months, and

(c) the employment agreement has an indefinite term.

If a valid cause exists, the employer shall serve a written termination notice on the employee by observing the notice periods above. The reason for termination must be included in the notice. Upon termination, the employer shall pay all monetary rights and entitlements that the employee has earned during the term of his/her employment (e.g. salary, vacation payments, notice payment, severance indemnification). In the event the employer wishes to immediately terminate an employee's employment, it can do so by paying the relevant notice payment in lieu of waiting until the end of the notice period.

4.6.4 Immediate Termination based on Cause

Moreover, both the employer and the employee are entitled to terminate an employment agreement for a just cause. In that case, neither the employer nor the employee is required to observe notice periods and can terminate immediately even without having to serve a written notification to the other party (although having such notification in place would be advisable for evidentiary purposes).

4.6.5 Collective Dismissal/Collective Redundancies

Collective dismissal will be deemed to have occurred if the following numbers of employees' employment has been terminated on the same date or different dates within a period of 1 month:

TERMINATED EMPLOYEES	TOTAL EMPLOYEES
10	20 TO 100
11 TO 30	101 TO 300
30	301 OR MORE

In case of collective dismissal, compelling reasons such as technological or organisational reasons relating to the enterprise, work place or work must exist.

4.6.6 Severance Payment

Severance payment is a type of tax-free compensation payable upon termination of the employment to employees who have at least 1 year of service, save where termination has occurred due to an unethical conduct or the employee has resigned. Severance equals a month's pay for each year of employment but is currently capped at TRY 35,058.58 (approximately EUR 1,060) for 2024.

4.7 Transfers of Undertakings

In case of a transfer of the whole or a part of the business from an employer to another, on the date of transfer, all employment agreements with all of their rights and obligations in that workplace or in the part thereof shall be transferred from the transferor employer to the transferee employer. Transfer of undertakings does not require the consent of the employee, nor can the employee terminate his /her employment agreement on the grounds of such transfer.

4.8 Unions and Collective Bargaining Agreements

Any person considered as an employee who is over the age of 15 may become a member of a trade union or more than a trade union operating in the same industry. The trade unions may enter into collective bargaining agreements in order to arrange employees' and employers' economic and social relationships at work.

4.9 Employment Disputes

Under Turkish law, labour courts have specific jurisdiction over employment related matters.

4.9.1 Mandatory Mediation

As per the Code of Labour Courts No. 7036, prior to initiating the procedures before the court, the parties must try to resolve the dispute through mediation for the certain types of employment disputes.

If the mediator's involvement resolves the dispute, then the same dispute cannot be litigated before the courts. Where agreement cannot be reached via mediation, parties' rights to sue are reserved.

4.10 Social Security System

The Social Security Law regulates the social security rights of the workers, government officials and self-employed persons and covers the social risks such as (i) work accidents and occupational illnesses, (ii) healthcare, (iii) childbirth and childcare, (iv) disability, (v) seniority, (vi) death, and (vii) unemployment. The Social Security Institution is the relevant authority.

4.10.1 Contributions for Social Insurance and Taxes

The main financing tool of the Turkish social insurance system is the contributions paid by employers and employees along with the state contribution.

All premiums are paid by the employer on behalf of the employee via withholding.

Where the employee and the employer have agreed on a net salary, the employer will assume the costs related to social security. In this case, the employer will be obligated to gross-up such net salary to include social security premiums thereon. Consequently, the employer shall deduct the relevant social security premium amounts from the gross salary and pay that amount to the social security agency.

Where the employee and the employer have agreed on a gross salary, the employee will assume the costs for social security. In this case, the employer will be obligated to calculate the portion of the gross amount that corresponds to social security premiums, deduct this amount from the gross salary and pay the same to the social security agency

Social security premium rates are, in principle, as follows:

TYPE OF RISK	EMPLOYEE'S SHARE	EMPLOYER'S SHARE	TOTAL
SHORT- TERM RISK	-	2%	2%
DISABILITY, PENALTY AND DEATH RISKS	9%	11% [5]	20%
GENERAL HEALTH INSURANCE	5%	7,5%	12,5%
UNEMPLOYMENT INSURANCE	1%	2%	3%
TOTAL	**15%**	**22,5%**	**37,5%**

PROPERTY RIGHTS

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5.1 Acquisition of Title and Ownership Rights

Turkish law recognises lands, independent and permanent rights (such as usufruct rights) perfected into the land registry records and independent units registered under the Condominium Law as real property. An individual or a legal entity may own property in the form of full ownership, co-ownership or joint ownership.

5.1.1 Title to Immovable Property

(a) Registration System

Registration is mandatory in order to be recognised as the titleholder and enforce ownership rights. Due to the public nature of the Turkish Land Registry and Cadastre Information System (TAKBIS), a third party may rely on the content of the land register as any establishment or transfer of a right made by a person registered in the land register as the right holder will be upheld.

(b) Acquisition by Individuals (i.e., real persons)

(i) Acquisition by Turkish individuals: There is no restriction on Turkish individuals acquiring real property in Türkiye.
(ii) Acquisition by non-Turkish individuals: Citizens of those countries listed by the President may acquire real property and rights in rem in Türkiye, subject to certain restrictions.

(c) Acquisition by Legal Entities

Acquisitions by legal entities of real property in Türkiye can be classified into three sub-categories.

(i) Acquisition by Turkish legal entities with full local shareholding: There is no restriction preventing Turkish legal entities with full local shareholding from acquiring the ownership of real property in Türkiye.

(ii) Acquisition by Turkish legal entities with foreign shareholding: The acquisition by Turkish legal entities with foreign shareholding of real property in Türkiye shall require prior written consent of the relevant governorship where the real property is located, if the foreign shareholders own 50% or more of the shares, or have the privilege to appoint or dismiss the majority of the members of the board of directors of such company. If the foreign shareholder owns less than 50% of the shares or have no such privilege, no prior written consent of the relevant governorship shall be sought.

Acquisition by non-Turkish legal entities: The acquisition of real property by non-Turkish legal entities is allowed only if the purpose of such acquisition relates to petroleum exploration and extraction, touristic developments, or in industrial zones.

[3] If the employers make the required social security payments timely and duly, this rate shall be decreased by 5 points.

5.1.2 Title to Movable Property

There are two ways of acquiring the title to a movable property: (i) acquisition by way of taking the possession of an unclaimed movable property, or (ii) acquisition by way of transfer of title.

Under the general rule, in order for the title of the movable property to be transferred, parties must be in mutual agreement regarding transfer of possession, the transferor must be entitled to transfer the property, and the transferee must take the possession with the intention of being the owner of the movable property.

5.2 Non-Possessory Rights

5.2.1 Lease

Lease relationships are governed under the provisions of the Turkish Code of Obligations. Parties are entitled to conclude lease agreements with a fixed term or indefinite term at their own discretion. There is no statutory form for lease agreements; however, it is a general practice to have written lease agreements.

5.2.2 Rights in Rem

There are different types of rights in rem granting its holder certain benefits except for ownership rights, such as:

(a) "usufruct rights" granting the right to use and benefit from the property,

(b) "occupancy rights" granting the right to reside in the property,

(c) "right of constructions" granting the right to construct a building without owning such property,

(d) "transit rights" granting the right to pass from one location to another, and

(e) "resource rights" granting the right to use, for example, water supply in an adjacent property.

5.3 Intellectual Property Rights

5.3.1 Overview

Under Turkish law intellectual property rights are protected through two main laws: (i) the Law on Intellectual and Artistic Works, and (ii) the IP Law. Accordingly, the intellectual properties recognised and protected under Turkish law are as follows:

(a) **Copyrights:** Copyrights consist of **(i)** literary works, **(ii)** works of fine arts, **(iii)** musical works, and (iv) cinematographic works.

(b) **Trademarks:** Trademarks are defined as signs distinguishing the goods and services of one enterprise from the goods and services of another.

(c) **Patents & Utility Models:** Patent is a protection for inventions that are novel, technically complex and industrially applicable. Utility models are known as petty patents and are similar to patents in terms of being new and industrially applicable; however, inventive step criteria are not required for utility models.

(d) **Designs:** Design rights provide protection to the characteristics of a design in terms of its line, shape, form, colour, material or texture.

(e) **Geographical Indications:** Geographical indications are defined as signs which indicate a product which is specific to a place, area, region or country in terms of its quality, reputation or other characteristics.

5.3.2 Protection of Intellectual Property

Under Turkish law, certain intellectual properties such as copyrights are automatically protected upon production of work, whereas other intellectual properties such as trademarks, patents, utility models, designs and geographical indications, are required to be registered with the Turkish Patent and Trademark Institution in order to be afforded protection. Upon registration, the protection period may vary between the categories of intellectual property in question.

5.3.3 Breach of Intellectual Property

When an intellectual property is infringed, the owner of such intellectual property right shall have the right to file a lawsuit for **(i)** the detection and the cessation of infringement against those who copy and/or distribute the copyright without the owner's permission; **(ii)** the prevention of the potential infringement in case of risk relating to future infringements; or **(iii)** the compensation of the direct and indirect damages suffered by the owner as a result of the infringement.

Infringement of an intellectual property right may also constitute a crime under Turkish law, which could result in criminal prosecution and high monetary penalties.

5.3.4 Recent Changes to Industrial Property Regime in Türkiye

The IP Law has introduced significant changes to the protection of intellectual and industrial property in Türkiye. It unifies separate pieces of statutory decrees (kanun hükmünde kararname) and reconciles the provisions for prosecution and enforcement of intellectual properties rights (i.e. trademarks, patents, utility models, designs and geographical indications).

As of January 10, 2024, the examination authority for trademark cancellation applications will be transferred to the Turkish Patent and Trademark Office (Turkish Patent). Therefore, trademark cancellation requests must be submitted to the Turkish Patent and Trademark Office instead of the Civil Courts of Intellectual and Industrial Rights. This regulation is in line with existing EU directives.

ACCESS TO FINANCE AND INSURANCE

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6.1 Banks and Financial Institutions

6.1.1 Banks

The establishment of banks and the commencement and undertaking of banking activities in Türkiye are regulated by the Banking Law which entered into force on 1 November 2005, and the secondary legislation which entered into force thereunder. The Banking Law is (among others) applicable to (i) banks established in Türkiye, (ii) branches of foreign banks in Türkiye, (iii) representative offices of foreign banks in Türkiye, and (iv) financial holding companies.

The regulating authority for the banking sector in Türkiye is the Banking Regulation and Supervision Agency (BRSA), a public legal entity with administrative and financial autonomy which was established in June 1999 and started its operations in 2000.

In accordance with the Banking Law, only certain types of banks can be established in Türkiye. These are deposit banks, participation banks, and development and investment banks. Both the establishment and the commencement of operations of a bank require permits from the BRSA.

In order to establish a bank, firstly an opening permit approving the establishment needs to be obtained from the BRSA. The Banking Law and its secondary legislation provide the terms and conditions for the establishment of a bank. For instance, a bank can only be established as a joint stock company, must meet capital adequacy requirements, and must satisfy specific eligibility criteria in relation to its shareholders and board members.

Foreign banks may open a branch in Türkiye. A branch of a foreign bank is entitled to conduct all banking activities stated under the Banking Law and it is treated as if it is a Turkish bank licensed by the BRSA. A foreign bank can also open a representative office in Türkiye instead of a branch; however, this requires a specific license from the BRSA. A representative office is not allowed to enter into commercial transactions or engage in revenue generating activities in the Turkish market.

6.1.2 Financial Institutions

Other than banks, financial institutions subject to the Banking Law are as follows :

(i) Financial Leasing Companies (20)
(ii) Factoring Companies (49)
(iii) Financing Companies (20)
(iv) Savings Financing Companies (6)
(v) Financial Holding Companies (3)
(vi) Asset Management Companies (25)
(vii) Electronic Money Companies (14)
(viii) Payment Companies (26)
(ix) Auditing Firms (32)
(x) Corresponding Offices of Foreign Banks (39)
(xi) Credit Rating Institutions (135)
(xii) Authorized Rating Institutions (1)

The rules and principles governing the establishment and operation of those institutions are very similar to the rules and principles applicable to the banks.
One particular institution is the financial holding company which is an investment vehicle to invest in financial institutions. The BRSA is entitled to specify the scope of financial holding companies, to oblige the establishment of a financial holding company, and to set the principles and procedures in relation to capital adequacy, internal systems, consolidated supervision and the coordination of supervision of the financial holding companies.

[4] The number of active institutions, as of 8 February 2024, for each financial institution listed above are provided in brackets.

6.2 Available Financing Structures

Different types of loans and financial structures can be offered by Turkish banks to their customers as short-, medium- or long-term financings solutions for a variety of purposes.

In cases where the borrowing customer is a consumer, any financing to be provided to such customer would additionally be subject to the Consumer Protection Law and its secondary legislation.

In cases where the borrowing customer is a legal entity, loans can be utilised under general standard form loan agreements or under project specific loan agreements. Project finance and acquisition finance methods can also be adopted and depending on the necessities of the project in question, the financing can be provided on a non-recourse, limited recourse or full recourse basis. Depending on the type of loan and other aspects of the financing, the financing can be provided as secured or unsecured, revolving or non-revolving, with a fixed or floating interest rate, in local currency and/or foreign currency, by a single lender or a lenders' syndicate, or as a club loan and so forth.

It is also worth noting that in an acquisition financing it is not legally possible to take security over the assets of the target company due to the financial assistance restriction.

Other services typically provided by banks to commercial clients in the Turkish market include different services such as cash loans, non-cash loans, letters of guarantee and letters of credit, export financing, foreign trade financing, project finance, derivatives, and forward transactions.

6.3 Cost of Financing

The costs of financing can mainly be divided into two groups; the payments to be made to the bank providing the financing, and applicable taxes. In terms of taxes, stamp duty, the banking and insurance transaction tax (banka ve sigorta muameleleri vergisi) (BITT), and the resource utilisation support fund (kaynak kullanım destek fonu) (RUSF) are the most important taxes.

The payments to be made to the bank providing the financing usually consist of interest, commissions, fees (such as arrangement fee, commitment fee, prepayment commission, cancellation commission), costs and expenses associated with the loan. Interest would accrue on the cash loan while non-cash loan commission would accrue on the non-cash loans. These may be diversified and vary depending on the type of financing obtained and can also bear different names.

It should be noted that the above are matters that can be freely agreed by the parties based on their discretion and commercial agreement, as long as both parties are deemed as merchants (tacir) within the meaning of the Turkish Commercial Code . However if one of the parties is a consumer, then all of the payments to be made to the bank must comply with the legal requirements and restrictions in relation to the protection of the consumers.

As to the taxes arising in relation to the financing, special attention should be given to stamp duty, BITT and RUSF as several significant exemptions are provided for in the legislation of each tax.

6.4 Security and Collateral

6.4.1 Types of Collateral

Under Turkish law, security interests on a variety of assets can be granted as collateral for a financing. It is possible to establish mortgages on immovable assets, pledges on (public listed and privately held) shares, on bank accounts, on receivables, on intellectual property and on movable assets, and to assign rights and receivables under contracts and insurances.

6.4.2 Enforcement

The enforcement of security shall be subject to procedures of the Enforcement and Bankruptcy Law. The general principle under Turkish law (i.e., lex commissoria principle) prohibits a secured party to take over the ownership of the secured assets. It also restricts the security provider to contractually provide an undertaking to transfer the ownership of the secured assets to the secured party in an event of default. However, Turkish law allows that after the occurrence of an event of default, the security provider will transfer the ownership of the secured assets for the purposes of settling the outstanding debt as an off-set. There are other exceptions in the other legislation to the lex commissoria principle (e.g., the Law regarding Pledges on Movable Property for Commercial Transactions) as well.

6.5 Hedging and Derivatives

Derivative transactions include hedging transactions and over the counter (OTC) transactions and are regulated under the Turkish capital markets legislation and by the Capital Markets Board. There are also certain terms and conditions under the Decree No. 32 on the Protection of the Value of Turkish Lira ("Decree No. 32").

Derivative transactions can be entered into with a Turkish bank or a Turkish intermediary institution, provided that the bank or intermediary institution has a specific license from the Capital Markets Board for that purpose.

6.6 Foreign Exchange Control

Loans to be borrowed in foreign currency and indexed to foreign currency from Turkish or foreign banks are regulated under the Decree No. 32 and its secondary legislation. Per this decree, persons residing in Türkiye cannot borrow foreign currency loans in Türkiye or from foreign countries.

Additionally, there are certain restrictions for Turkish legal entities borrowing loans (i) in foreign currency and (ii) indexed to foreign currency from local or foreign banks. Accordingly, no foreign currency loans can be extended to a Turkish legal entity unless such entity has foreign currency income or meet the exceptions laid out in the Decree No. 32.
Although new restrictions on foreign currency denominated or indexed payments was introduced on 2018by the Executive Order of the President amending the Decree No. 32, as a result of which, denomination in foreign currency had become prohibited for many agreements, this blanket prohibition was later softened up to an extent through certain exemptions; including agreement for sale/lease of movable property, employment contracts, service contracts, works contracts, technology contracts, and public contracts.

[5] Any legal entity shall be considered as a commercial party under the Turkish Commercial Code.

6.7 Capital Markets

The Capital Markets Law is the main piece of legislation which governs the structure of all organised markets, capital markets institutions and their activities, capital markets instruments and their issuance and offerings, main requirements for public companies and The Capital Markets Board is responsible for regulating the activities of, among others, public companies, capital markets institutions (financial intermediaries including banks acting as intermediary, mutual funds, investment companies; real estate investment companies and private equity/venture capital investment companies, appraisal companies, rating firms and other institutions which engage capital markets activities) and the investors in the concerned markets.

Also, upon the enactment of Law No. 7061 which has introduced amendments to the Capital Markets Law, crowdfunding has become one of the permitted and regulated methods of raising equity in Türkiye regulated by the Capital Markets Board.

Determining the operational principles of the capital markets and introducing and developing new instruments also fall under the regulatory scope of the Capital Markets Board.

The Capital Markets Board supervises entire procedures for offering and issuance of all types of securities. The Capital Markets Board is also entitled to apply certain sanctions against the parties breaching the capital markets legislation, including administrative penalties and licence revocations. Further, the Capital Markets Board can file criminal complaints concerning insider trading and market manipulation which are subject to criminal sanctions including imprisonment.

With the Capital Markets Law, Borsa Istanbul was established as the sole securities exchange so as to combine all previous exchanges operating in Turkish capital markets under a single institution; where dual listing practice is promoted. In this respect, foreign companies listed on several exchanges around the world can be dual listed on Borsa Istanbul upon approval of their prospectus / issuance certificate by Capital Markets Board without any further conditions, provided that the conditions for the market value of the listed shares are met. Such conditions differ depending on BIST market type (for different listing requirements for each BIST market, please see: Borsa Istanbul).

6.8 Insurance

The establishment of insurance and reinsurance companies and their activities in Türkiye are regulated by the Insurance Law, the Turkish Commercial Code and the Code of Obligations and certain other laws and the secondary legislation entered into force thereunder.

An insurance company can only be established as a joint stock company or a cooperative. There is no license requirement for establishment. However, an insurance company, once established, must obtain a license from the Undersecretariat of Treasury to start its operations. Each license is specific to a certain branch of insurance (i.e. life, non-life, life-pension or re-insurance) and each insurance company must hold relevant license to operate in the corresponding market.

The legislation provides for certain requirements in relation to the shareholders, the board members and the capital adequacy and reserve requirements of an insurance company (such as minimum share capital, educational background of the board members etc.)

The Insurance Association of Türkiye is a professional organisation and as per the Insurance Law, all insurance and reinsurance companies must be a member of the Insurance Association of Türkiye.

A wide range of different insurances are offered by the insurance companies, such as fire insurance, earthquake insurance, flood insurance, construction insurance (construction all-risk insurance), loss of profit insurance, credit insurance (for trade receivables), third party liability insurance, professional liability insurance, employers liability insurance, surety insurance, product liability insurance, machinery breakdown insurance, electronic equipment insurance, glass insurance, land vehicles insurance (voluntary), insurance on risk arising out of transportation of goods, health insurance. Insurance, as a principle, is procured on a voluntary basis, however there are certain mandatory insurances that must be procured pursuant various laws and regulations (such as traffic insurance, mandatory earthquake insurance (DASK), transportation insurances for passenger transportation through land route and sea transportation, dangerous waste liability insurance).

Director and officer liability insurance is also available at several insurance companies in Türkiye covering losses arising out of or caused while performing their duties during their term of office.

ENVIRONMENTAL LAW

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The Environmental Law and its secondary legislation regulate the protection of the environment and sanction any action which may cause pollution to the environment. The Ministry of Environment, Urban Development and Climate Change acts as the regulatory authority through its provincial directorates.

7.1 Environmental Permits and Licenses and Environmental Impact Assessments

7.1.1 Overview

Pursuant to the Environmental Law, environmental permits and licenses and environmental impact assessments are governed by the Regulation on Environmental Permit and License and the Regulation on Environmental Impact Assessment, respectively.

7.1.2 Environmental Impact Assessment

Depending on the environment risk profile that the activity of an entity possesses, such entity may be required to obtain an environmental impact assessment report. For large-scale industrial investment, it is almost always mandatory to obtain a report analysing whether the investment would have significant adverse effects on the environment. The Regulation on Environmental Impact Assessment ("EIA") specifies the types of activities that are subject to environmental impact assessment. Companies involved in projects listed in the EIA Regulation are required to prepare an EIA report.

In cases where applicable law requires an EIA for an activity, a positive EIA is a prerequisite for participation in public tenders, incentives and approval of project plans.

7.1.3 Environmental Permits

Investors are obliged to obtain either a "Environmental Permit" or "Environmental Permit and License" depending on the impact of their activities on the environment. Both the Ministry and the Directorates of Environment, Urban Development and Climate Change are authorised to issue the permits and/or licenses in relation to several environmental factors and technical sufficiency.

As a general rule, entities active in industrial such as energy, mining, construction and building materials, metal, chemical, and waste management sectors and industries are required to obtain either an "Environmental Permit" or an "Environmental Permit and License".

7.1.4 Other Environmental Obligations

Although most of the environmental obligations are covered by **(i)** Environmental Law, **(ii)** Environmental Permits and Licenses Regulation and **(iii)** Environmental Impact Assessment Regulation, other (in particular sector-specific) environmental obligations are included in other regulations such as the Regulation on Control of Industrial Air Pollution, the Regulation on Control of Environmental Noise, the Regulation on Protection of Wetlands, Waste Management Regulation, and the Regulation on Control of Vegetable Waste Oils.

7.1.5 Sanctions

The Environmental Law introduces a strict no-fault liability regime for non-compliance with the law. Polluters are liable for the loss occurred due to their actions, regardless of the degree of fault. Although most sanctions exist in the form of an administrative fine, violating the Environmental Law and its secondary legislation may also lead to criminal liability for the polluter.

COMPETITION LAW

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8.1 Overview

The Turkish Commercial Code and the Competition Law are the primary sources protecting competition in Turkish markets. The Turkish Commercial Code deals with unfair competition arising out of deceptive and misleading practices whereas the Competition Law regulates prohibited actions and exemptions thereto, abuse of dominant position, clearances for certain mergers and acquisitions exceeding the relevant monetary thresholds and administrative measures to protect the markets. The Competition Authority is the main body responsible for monitoring and enforcing the Turkish competition legislation, which are substantially aligned with European Union competition legislation.

8.2 Prohibited Actions

As general rule, the Competition Law prohibits any and all agreements and concerted practices the object, effect or possible effect of which is to, directly or indirectly, prevent, distort or restrict competition in a market for goods and services unless a block or individual exemption is granted by the Competition Authority. The main purpose of the prohibitions and controls provided for in the competition rules is to prevent cartels and monopolies in the markets for goods and services. A non-exhaustive and sample list of instances that are deemed to be in breach of the Competition Law could be found below:

(a) determining **(i)** purchase or sale prices or **(ii)** factors such as cost and profit or **(iii)** conditions governing the purchase and sales of goods and services,

(b) sharing or controlling market of goods or services and sources of supply of the market,

(c) controlling the supply or demand or determining such factors outside of the relevant market,
aggravating or restricting activities of competitors, or eliminating other undertakings that operate in the market by boycotts or other practices, or preventing newcomers from entering into the market,

(d) except for exclusive dealership agreements, applying dissimilar conditions to equivalent transactions with other trading parties, and

(e) making the conclusion of contracts subject to **(i)** purchase of another good or service, **(ii)** display of another good or service, or **(iii)** re-supply of goods and services in contradiction to the nature of the agreement or commercial usage.

Nonetheless, the Competition Law allows each undertaking to defend against such liability by demonstrating that their actions do not constitute a breach of the Competition Law on the basis of economic rationale.

Pursuant to an official enquiry and investigation, the Competition Authority may impose administrative fines and apply other necessary measures such as cancelling the agreement or reversing any benefit derived therefrom. Depending on the instance, the Competition Authority may fine **(i)** each concerned undertaking up to 10% of its Turkish turnover generated in the financial year preceding its decision's date; and **(ii)** each director or employee of such undertaking that had a determining effect on the infringement up to 5% of the concerned undertaking's fine.

It should be noted that these sanctions may not be imposed or may be reduced, taking into account the nature, effectiveness and timing of the cooperation, on undertakings and associations of undertakings and their employees who actively cooperate with the Authority under the Leniency Programme in order to disclose the infringement.

8.3 Exemptions

Prohibited agreements or practices may benefit from an exemption established or granted by the Competition Authority. Exemptions provided under the Turkish competition legislation can be classified under two sub-sections: block exemptions and individual exemption.

To benefit from any of the block exemptions, the relevant agreement or practice must fulfil certain criteria set forth under each corresponding communiqué of the Competition Authority including without limitation a market share below certain percentages depending on the market. Exemption will stand if the criteria are met.

Where an agreement or practice does not or cannot benefit from any of the block exemptions, parties may request the Competition Authority to grant an individual exemption.

The Competition Authority may grant an individual exemption for a limited or unlimited term and/or make it subject to the fulfilment of certain conditions. It has the full authority to revoke any exemption previously granted if circumstances change, conditions are not met, or it is understood that misleading information has been submitted.

8.4 Abuse of Dominant Position

The Competition Law defines a "dominant position" as "...the power of one or more undertakings in a particular market to determine economic parameters such as price, supply, the amount of production and distribution, by acting independently of their competitors and customers...". The Competition Authority considers various factors in determining whether an undertaking is in a dominant position in a particular market, such as market share, barriers to market entry, economic power of the dominant undertaking etc.

The Competition Law lists certain forms of abuse on a non-exhaustive basis, however any direct or indirect abusive action affecting any concerned market shall be unlawful and prohibited.

8.5 Merger and Acquisition Transactions

A prior clearance of the Competition Authority is required for transactions resulting in a change of control if certain thresholds on the turnover of the transaction parties and/or the target have been exceeded. The transactions requiring clearance could be in the form of a merger, share transfer, asset transfer or otherwise. Accordingly, clearance of the Competition Authority shall be required if:

(a) the aggregate Turkish turnover of the transaction parties exceeds TRY 750,000,000 and the Turkish turnovers of at least two of the parties each exceed TRY 250,000,000; or

(b) the Turkish turnover of the transferred assets or business in acquisitions or the Turkish turnover of any of the parties in mergers exceeds TRY 250,000,000 million and the worldwide turnover of at least one of the transaction parties exceeds TRY 3,000,000,000.

However, the local thresholds of TRY 250,000,000 are not required for the acquisition of technology companies that operate or conduct R&D activities in Turkey or provide their services to users in Turkey. Therefore, if the target company qualifies as a technology company, the transaction will be notifiable if (i) the aggregate turnover of the parties to the transaction in Turkey exceeds TRY 750,000,000 or (ii) the worldwide turnover of at least one of the parties to the acquisition exceeds TRY 3,000,000,000. Pursuant to the Communiqué Concerning the Mergers and Acquisitions Calling for the Authorization of the Competition Board No. 2010/4, a technology company (referred to as a technology company in the Turkish Competition Law) is defined as a company or related asset that operates in the fields of digital platforms, software and game software, financial technologies, biotechnology, pharmacology, agrochemicals and health technologies.

8.6 Investigations and Complaints

The Competition Authority may start investigations against any party which is infringing the Competition Law ex officio or upon complaint. An investigation may consist of three stages: **(i)** preliminary investigation, **(ii)** investigation, and **(iii)** oral hearings.

In case of a preliminary investigation, the Competition Authority appoints experts which will collect relevant information and provide the Competition Authority with their opinion in writing within 30 days. The Competition Authority shall evaluate the outcome of the preliminary investigation within 10 days following receipt of the experts' written opinion and decide whether to start an investigation.

Upon initiation of an investigation, the Competition Authority shall inform the relevant undertakings of the investigation within 15 days and such undertakings are granted a 30-day period in order to submit their first written defences together with sufficient information on the matter. The parties shall have the right to request a hearing.

With the recent amendment to the Turkish Competition Law, the investigated undertakings or associations of undertakings are allowed to present commitments during the preliminary investigation or the investigation with regards to the elimination of related competition concerns. The Competition Authority may decide to terminate the investigation or not to initiate the investigation by making the commitments binding for the investigated parties if the commitments are deemed adequate.

Another recently added implementation to the investigation process is the settlement procedure. Accordingly, the Competition Authority may initiate a settlement process ex officio or upon the request of the related parties considering the procedural advantages of finalizing the procedure earlier and the differences of opinion related to the presence and scope of the violation.

During the settlement procedure, the Competition Authority shall set a timeframe for the related parties to submit a settlement text in which they admit the presence and the scope of the violation. The settlement shall be finalized upon a decision which involves the determination of the violation and an administrative penalty. A reduction of up to 25% could be applied by means of the administrative penalty.

PUBLIC PROCUREMENT REGIME

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The public procurement regime is subject to the Public Procurement Law that governs the pre-tender and tender phases, and the Public Procurement Contracts Law that governs the contract and post-contract phases. The Public Procurement Authority, an autonomous public legal authority, has been established in order to supervise and administer the tender process and to secure the application of procedures and principles specified under the Public Procurement Law. The Public Procurement Law, the Public Procurement Contracts Law and their secondary legislation apply to all tenders concerning the procurement of goods, services and construction works of certain public bodies.

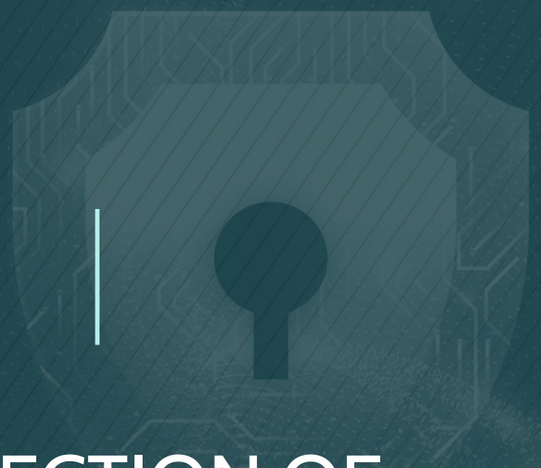
9.1 Procurement Process

Procurements may be held via the open procedure, restricted procedure or negotiated procedure. Open and restricted procedures are most used methods. Open procedure is where all bidders may submit their bids, whereas the restricted procedure is in which only bidders who are invited by the contracting administration following the pre-qualification stage may submit their bids. The restricted procedure is more common where goods, services or work to be procured requires a certain experience and/or speciality or consists of the procurement of a high technology (such as national defence procurement).

Tenders are prepared by the contracting administration by calculating the estimated cost, preparing administrative and technical specifications and determining the procedure and rules of qualification. Regarding the tender process itself, all documents including the offer letter and the bid bond (not being less than 3% of the offered price) shall be placed in an envelope and submitted to the relevant administration. Offers are evaluated by the tender commission. Upon evaluation, the successful bidder is notified and will be entitled to enter into a contract on the condition that a performance bond in the amount of 6% of the tender price is provided within 10 days following such notification.

9.2 Disputes

Bidders and potential bidders have the right to follow several administrative routes to raise their complaints before the contracting administration and the Public Procurement Authority. This complaint procedure is a mandatory administrative procedure and must be exhausted before filing a lawsuit before an administrative court.



PROTECTION OF PERSONAL DATA

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Until recently, Türkiye did not have specific legislation governing protection of personal data. The situation has changed upon the enactment of the Data Protection Law. The Data Protection Law has introduced solid principles of data protection in Türkiye that follow the principles of European Union regulations. The Data Protection Law aims to protect fundamental rights and regulate the transfer, processing, and storage of personal data. It applies to individuals whose personal data are processed and to individuals or legal entities who process personal data wholly or partially through automatic means or through non-automatic means, provided that the process is a part of a data registry system.

In principle, pursuant to the Data Protection Law, personal data cannot be processed or transferred (domestically or abroad) without the explicit consent of the data subject. The exceptions to this rule are in line with, but more broadly drafted than the relevant regulation of the European Union on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

The Data Protection Law classifies certain data as "sensitive personal data" which includes biometric and genetic data of individuals together with data regarding their race, ethnic background, philosophical and political view, religion, union affiliations, health and/or sexual life.

There have been significant amendments to the Data Protection Law that will come into force on 1 June 2024. The most important changes which significantly facilitate compliance with global data protection standards, include the following

- The provision of alternative bases for the processing of special categories of personal data;
- A new regime for cross-border data transfers;
- the provision of an additional administrative penalty; and
- transitional provisions.

10.1 Processing of Special Categories of Personal Data

With the amendments, significant changes have been made regarding the legal bases for processing of special categories of personal data.

Accordingly, there will be no explicit distinction between the processing of personal data relating to health and sexual life and the remaining sets of sensitive personal data, which means that the processing of all sensitive personal data will be subject to a more streamlined legal regime.

In addition, the legal basis for the processing of sensitive personal data has been broadened and the explicit consent of the data subject will not be required for the processing of sensitive personal data for (i) the establishment, exercise, and protection of a right and (ii) the fulfilment of legal obligations relating to employment, occupational health and safety, social security, social services, and social welfare.
Similarly, foundations, associations or other non-profit organizations or entities established for political, philosophical, religious or trade union purposes may process the special categories of personal data of their current and former members and of persons who are in regular contact with these organizations and entities.

10.2 Cross Border Data Transfer

Within the scope of the amendments, there will be noticeable changes to the conditions for cross-border data transfers.

The Data Protection Law so far prioritized the requirement of explicit consent for cross-border transfers. In the absence of explicit consent, it was possible to transfer personal data abroad based on a written commitment by data controllers in Türkiye and the foreign recipient, whereby the data controller and the foreign recipient undertook to provide adequate protection for the personal data concerned. However, this has remained an exceptional method for cross-border data transfers as these undertakings are subject to approval by the Personal Data Protection Board, which has granted few approvals so far.

Considering these facts, the amendments are designed to provide further relief for cross-border data transfers, particularly in the absence of explicit consent for such transfers.

Some of the key changes include the following:

- Personal data may be transferred abroad in accordance with the adequacy decision of the Personal Data Protection Board with respect to international organizations or sectors, as opposed to adequacy with respect to an entire country.
- Personal data may be transferred abroad based on agreements concluded between public institutions and organizations or professional organizations in Türkiye and professional organizations with public institutions and organizations or international organizations located abroad, provided that the Personal Data Protection Board's approval is obtained.
- 7Group companies engaged in common economic activities may transfer personal data abroad if there are binding corporate rules approved by the Personal Data Protection Board.
- Personal data may be transferred abroad if a standard contract, the content of which is determined and announced by the Personal Data Protection Board, is signed between the parties to the data transfer, provided that these agreements are notified to the Personal Data Protection Board within five working days.
- In cases where the national interests of Türkiye and the data subject would be seriously damaged, personal data may be transferred abroad with the permission of the Personal Data Protection Board after obtaining the opinion of the relevant public institutions and organizations.

The previous provision regarding cross-border data transfers with explicit consent will remain in force until September 1, 2024.

10.3 Administrative Fines

Administrative fines have been revised with specific respect to the new cross border data transfer regime. Accordingly, a monetary fine ranging between TRY 50,000 to TRY 1,000,000 shall be applicable in case the execution of a standard contract as mentioned above is not notified to the Turkish Data Protection Authority.

INVEST IN TURKIYE

10.4 Data Protection Authority

The Data Protection Authority has been established in order to supervise implementation of the Data Protection Law and publish its secondary legislation. Data controllers either individuals or legal entities, (i) residing abroad or (ii) who employ more than 50 employees annually or (iii) have an annual balance-sheet total exceeding 25,000,000 TRY must register to the data controller's registry by (VERBIS). Turkish residents which do not meet this threshold are not subject to such registry obligation unless they process sensitive personal data. Data controller's registry will include the identity of data processor, the purpose of processing, receiver groups to which personal data are transferred, personal data considered to be transferred to foreign countries, measures taken for personal data security, and the maximum time for personal data to be stored. The Regulation on the Data Controller Registry has exempted public notaries, associations, foundations, and workers' unions (established per relevant laws and providing that the respective legal entity only processes data limited to their scope of activities), attorneys and certified public accountants and sworn-in certified public accountants from the obligation to register.

Following registration, data processors must ensure that processed data is collected for specified, explicit and legitimate purposes and not further processed in a way incompatible with those purposes. Within this context, while processing personal data the data controller must hold an inventory, which includes the details of data processing with a company policy covering how and when the personal data, retained by the data controller will be destroyed.

Legal entities residing abroad must appoint a representative authorized to communicate with the Data Protection Authority and notify necessary information during registration.

Additionally, the data subject must be informed of the identity of the controller; the purpose of the data processing; third parties to whom the data may be transferred and the purpose of such transfer; the methods and legal reasons for collection of personal data; and data subject's rights.

(a) Data subjects have the right to apply to data controller to:

(b) learn whether or not their personal data are processed;

(c) request information if their personal data are processed;

(d) learn the purpose of the processing of their personal data and whether this data is used for intended purposes;

(e) know who the third parties are to whom their personal data is transferred within Türkiye or abroad;

(f) request rectification of incomplete and inaccurate data;

(g) request the deletion or destruction of personal data under certain conditions;

(h) request notification of their requests and actions taken in relation to (e) and (f) to whom personal data have been transferred;

(i) object to the processing, exclusively by automatic means, of their personal data, which leads to an unfavourable consequence for data subject; or

request compensation for damages arising from the unlawful processing of their personal data.

Non-compliance with the aforesaid principles and procedure may lead to a monetary fine of up to TRY 9,463,213 and a custodial sentence from 1 to 4 years for breaching terms related to the protection of personal data under Turkish Criminal Code.

Finally, the Data Protection Law does not apply to data processing:

(a) by data subjects concerning their purely personal activities or those of family members living in the same dwelling, provided that the data are not disclosed to third parties and data security obligations are complied with.

(b) for official statistical and planning purposes after anonymization.

(c) for artistic, historical, literary, and scientific purposes, or within the scope of freedom of expression without violating national defence, national security, public security, public order, economic security, the right to privacy or personal rights, or without constituting a crime.

(d) within the scope of preventive, protective and intelligence activities carried out by authorised public institutions and organizations.

by judicial/execution authorities in the context of investigation, prosecution, criminal and execution proceedings.

BANKRUPTCY AND ENFORCEMENT LAW

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11.1 Enforcement Proceedings

Enforcement proceedings are legal actions initiated by creditors before enforcement offices in order to obtain receivables which were not fulfilled for any reason.

The competent authority for enforcement proceedings are the enforcement offices. Each proceeding must be initiated before the authorized Enforcement Office by means of jurisdiction. According to the general rule for the authorized enforcement offices, the enforcement office of the jurisdiction where the debtor is located will be authorized. Additionally, the Bankruptcy and Enforcement Law No. 2004 governs special rules for the authorization of enforcement offices.

There are two main types of enforcement proceedings under Turkish Law: (i) enforcement proceedings with judgement and (ii) enforcement proceedings without judgement. All proceedings are initiated with the submission of the request executed by the creditor to the enforcement office. In case of an enforcement proceeding with judgement, a judgement of the court or a corresponding document must be submitted with the request. Upon the submission of the request, the enforcement office communicates an order of payment to the debtor.

In enforcement proceedings without judgement, if the debtor does not object to the order of payment in a certain period of time (seven days), the proceeding becomes definite, and the process will proceed with the seizure phase. Following the seizure of the rights, receivables and assets of the debtor, the sales phase will begin in which the income obtained from the sales of the seized assets will be used for the closure of the debt.

On the other hand, if the debtor objects to the order of payment in due course, the enforcement proceeding would be suspended. In such case, the creditor would have two options to advance the enforcement proceedings: (i) applying to the enforcement office for the removal of the objection due to an acknowledgement of the debt or an official document/receipt, and (ii) initiating a lawsuit for the annulment of the objection. In any case, if the enforcement proceeding advances after the annulment or removal of the objection, the proceeding will be sustained as if there were not any objections procedurally.

In addition to the presence of a judgement of the court or a corresponding document, the major difference of enforcement proceedings with judgement is the fact that in principle, the debtor is not allowed to object to the order of payment. However, the debtor is granted the right to object to the order of payment under certain conditions such as prescription of the debt or extinguishment. The general procedure of enforcement proceedings with judgement is similar to enforcement proceedings without judgment except for the objection of the debtor.

11.2 Bankruptcy

Unlike enforcement proceedings, the procedure of bankruptcy could only be applied to certain type of persons. Accordingly, real and legal person merchants, persons who are deemed as merchants by the Turkish Commercial Code No. 6102 and persons who are deemed as merchants with the special provisions of various legislation could be subjected to a bankruptcy procedure.
There are certain conditions for the initiation of the bankruptcy procedure. In order to initiate a general bankruptcy or the bankruptcy method pertaining to commercial deeds, the receivable must be a monetary debt or a receivable of security deposit. There are also special bankruptcy reasons such as the liabilities of a capital company being more than the assets.
There are three types of bankruptcy that could be initiated by the creditor, namely non-fraudulent insolvency, insolvency of bills of exchange, direct insolvency.
Firstly, if the creditor chooses a proceeding related bankruptcy, he/she will apply to an enforcement office in order to initiate the process. Upon the request and the payment order, if the debtor does not pay the debt, the creditor will apply to the commercial court of first instance for a bankruptcy lawsuit. If the court renders an adjudication of bankruptcy, the related enforcement office will determine the bankrupt's assets (iflas masası), the method of insolvency (i.e. cancellation of insolvency, simple insolvency or ordinary insolvency) will be determined based on the total amount of the assets and whether such amount is enough for the total debts and the insolvency costs. Upon this determination, the enforcement office will assemble the creditors' meeting at least twice. In these meetings, several decisions with regards to the procedure (e.g. the determination of order table, selection of the bankruptcy administration etc.) are taken. Once the necessary decisions are taken in the meetings, the procedure will proceed with the sales and the partition of the income between the creditors.
Secondly, if the creditor chooses a direct bankruptcy, he/she will apply to the commercial court of first instance directly for the adjudication of bankruptcy without applying to the enforcement office. The rest of the procedure will be the same as the proceeding related bankruptcy.
On the other hand, according to the Article 376 of the Turkish Commercial Code, if a company loses two-thirds (2/3) of its share capital, the shareholders must either top up the share capital or resolve that the company continue its operations with the remaining one-third (1/3). Additionally, if the Board of Directors of a company identify that the assets of the company are not sufficient for the total debts based on a balance sheet which they obtain upon the doubts of the company being in debt, the Board of Directors will be obliged to notify the competent commercial court of first instance and demand the bankruptcy of the company.

11.3 Concordatum

Concordatum is basically an official agreement between the debtor and the creditor(s) which enables the debtors to pay their debts by extending the redemption period or deducting the amount of debt.
Debtors who are unable to pay their due debts or under a danger of being unable to pay their debts once they are due could demand to initiate a concordatum from the authorized commercial court of first instance. The party who applies for a concordatum must present a concordatum scheme/plan to the court indicating how, when and with which rates the debts will be paid and the measures that will be taken in order to strengthen the financial status.
Upon the application, the court shall render a temporary respite and appoint a trustee in concordatum. If it is observed that the financial status of the debtor improves, the court will render a permanent respite and the trustee in concordatum will make an announcement for the creditors, requesting them to notify their receivables. Respectively, the creditors who notify their receivables will be invited to discuss the concordatum project.
If the half of the creditors and as an amount, half of the total debt amount or twenty five percent of the creditors and two-thirds of the total debt amount approves the project, the concordatum will be accepted. Upon the acceptance, the accepted project will be delivered to the authorized court and the court will assess the project based on the principles set forth in the Bankruptcy and Enforcement Law No. 2004. Once the court confirms the project, it will become binding for all parties.

On the other hand, provided that the court rejects the concordatum project, the court may initiate the bankruptcy proceedings.

NATIONALITY AND FOREIGNERS LAW

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12.1 Acquiring Turkish Citizenship

Turkish citizenship could be a birth right or acquired afterwards.
Where Turkish citizenship is not obtained by birth, there are several different ways an individual can acquire the same, such as marriage or investment whose details are set forth under Section 4.5.5.
Even though each procedure requires meeting different criteria, the general conditions determined by the Turkish Citizenship Law No. 5901 are listed below:

(a) Being an adult and having the power of discernment according to the related person's national law or according to Turkish law if the person in question is stateless,

(b) Being a resident in Türkiye for at least five (5) years retrospectively at the date of application,

(c) Confirming the desire to reside in Türkiye by way of behaviour,

(d) Not having a disease which pose danger to public health,

(e) Having a good morale,

(f) Speaking Turkish at a sufficient level,

(g) Having an income or a profession in Türkiye sufficient for sustaining a livelihood, and

(h) Not possessing any danger to national security and public order.

12.2 Loss of Turkish Citizenship

Turkish citizenship could be lost by the decision of the competent authority, or it could be renounced by the individual.

Regarding the initial, the competent authority shall give such decision in cases of; (i) an application to the competent authority by a Turkish citizen to renounce Turkish citizenship (çıkma), (ii) expatriation of persons who commit certain actions (e.g., voluntarily working for a state who is at war against Türkiye) (kaybettirme), or (iii) cancellation of Turkish citizenship (e.g., in cases where the Turkish citizenship was acquired based on incorrect information) (iptal).

On the other hand, persons who fulfil one of the following conditions will have the right to renounce Turkish citizenship through their choice:

(a) Being an adult and having the power of discernment according to the related person's national law or according to Turkish law if the person in question is stateless,

(b) Being a resident in Türkiye for at least five (5) years retrospectively at the date of application,

(c) Confirming the desire to reside in Türkiye by way of behaviour,

(d) Not having a disease which pose danger to public health,

(e) Having acquired Turkish citizenship through a parent who previously acquired Turkish citizenship.

12.3 Foreigner's Status and Rights in Türkiye

In addition to special protection rights provided to certain types of individuals such as refugees, stateless persons, immigrants, Blue Card holders and conditional refugees, foreigners are also granted certain general rights in Türkiye , such as the right to enter, reside and work in Türkiye . Please refer to Section 4.5.5 for further information on residence and working of foreign persons in Türkiye .

APPENDIX 1
DEFINITIONS

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"Banking Law" means the Banking Law, Law No. 5411, which was published in the Official Gazette dated 01.11.2005 and numbered 25983(Duplicate);

"Borsa Istanbul" means Borsa Istanbul Anonim Sirketi, which was established on 30.12.2012;

"BRSA" means the Banking Regulation and Supervision Board of the Republic of Türkiye;

"Capital Markets Board" means the Capital Markets Board of the Republic of Türkiye;

"Capital Markets Law" means the Capital Markets Law, Law No. 6362, which was published in the Official Gazette dated 30.12.2012 and numbered 28513;

"Central Bank Communiqué No. 6 relating to Decree No. 88/12944" means the Communiqué No. 6 on the Resource Utilisation Support Fund pursuant to the Decree dated 12.05.1988 and numbered 88/12944, which was published in the Official Gazette dated 26.08.1989 and numbered 20264;

"Central Registry Agency" means the central securities depository for capital market instruments, which the Capital Markets Board decides to be dematerialised;

"Code of Civil Procedure" means the Code of Civil Procedure, Code No. 6100, which was published in the Official Gazette dated 04.02.2011 and numbered 27836;

"Code of Labour Courts" means the Code of Labour Courts, Code No. 7036, which was published in the Official Gazette dated 12.10.2017 and numbered 30221;

"Code of Obligations" means the Turkish Code of Obligations, Code No. 6098, which was published in the Official Gazette dated 04.02.2011 and numbered 27836;

"Commercial Enterprise Pledge Law" means the Commercial Enterprise Pledge Law, Law No. 1447, which was published in the Official Gazette dated 28.07.1971 and numbered 13909 and which was abolished upon the entry into force of the Law regarding Pledges on Movable Property for Commercial Transactions;

"Competition Authority" means the Turkish Competition Authority;

"Competition Law" means the Competition Law, Law No. 4054, which was published in the Official Gazette dated 13.12.1994 and numbered 22140;

"Condominium Law" means the Condominium Law, Law No. 634, which was published in the Official Gazette dated 02.07.1965 and numbered 12038;

"Constitution" means the Constitution of the Republic of Türkiye, which was published in the Official Gazette dated 09.11.1982 and numbered 17863;

"Constitutional Court" means the Constitutional Court of the Republic of Türkiye;

"Consumer Protection Law" means the Consumer Protection Law, Law No. 6502, which was published in the Official Gazette dated 28.11.2013 and numbered 28835;

"Council of State" means the Council of State of the Republic of Türkiye ;

"Court of Appeals" means the Court of Appeals of the Republic of Türkiye;

"Court of Jurisdictional Disputes" means the Court of Jurisdictional Disputes of the Republic of Türkiye;

"Data Protection Authority" means the Data Protection Authority of the Republic of Türkiye;

"Data Protection Law" means the Data Protection Law, Law No. 6698, which was published in the Official Gazette dated 07.04.2016 and numbered 29677;

"Decree No. 32" means the Decree on the Protection of the Value of Turkish Currency numbered 32, which was published in the Official Gazette dated 11.08.1989 and numbered 20249;

"Directorate of Public Security" means the Turkish Directorate of Public Security;

"Energy Charter Treaty" means the Energy Charter Treaty, which entered into force in April 1998;

"Enforcement and Bankruptcy Law" means the Enforcement and Bankruptcy Law, Law No. 2004, which was published in the Official Gazette dated 19.06.1932 and numbered 2128;

"Environment Impact Assessment Affirmative" means the affirmative decision issued by the Ministry of Environment and Urbanisation pursuant to the Environmental Impact Assessment Regulation;

"Environment Impact Assessment Negative" means the negative decision issued by the Ministry of Environment and Urbanisation pursuant to the Environmental Impact Assessment Regulation;

"Environmental Impact Assessment Regulation" means the Environmental Impact Assessment Regulation, which was published in the Official Gazette dated 25.11.2014 and numbered 29186;

"Environmental Law" means the Environmental Law, Law No. 2872, which was published in the Official Gazette dated 11.08.1983 and numbered 18132;

"Environmental Permit" means the environmental permit issued by the Ministry of Environment and Urbanisation pursuant to the Regulation on Environmental Permits and Licenses;

"Environmental Permit and License" means the environmental permit and license issued by the Ministry of Environment and Urbanisation pursuant to the Regulation on Environmental Permits and Licenses;

"EU Member State" means a member state of the European Union;

"European Union" means the economic and political union of 28 member states, established through the Maastricht Treaty of 1993;

"FDI" means foreign direct investment;

"FDI Law" means the Foreign Direct Investment Law, Law No. 4875, which was published in the Official Gazette dated 17.06.2003 and numbered 25141;

"GDP" means the gross domestic product, as defined by the OECD, of the Republic of Türkiye;

"General Directorate of International Workforce" means the General Directorate of International Workforce of the Ministry of Family, Labour and Social Services;

"General Directorate of Land Registry and Cadastre" means the Turkish General Directorate of Land Registry and Cadastre;

"Hague Convention Abolishing the Requirement of Legalisation for Foreign Public Documents" means the Hague Convention Abolishing the Requirement of Legalisation for Foreign Public Documents of 05.10.1961;

"ICSID Convention" means the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, which entered into force on 14.10.1966;

"IMF" means the International Monetary Fund;

"Industrial Air Pollution Control Regulation" means the Industrial Air Pollution Control Regulation, which was published in the Official Gazette dated 03.07.2009 and numbered 27277;

"Insurance Law" means the Insurance Law, Law No. 5684, which was published in the Official Gazette dated 14.06.2007 and numbered 26552;

"International Work Force Law" means the International Work Force Law, Law No. 6735, which was published in the Official Gazette dated 13.08.2016 and numbered 29800;

"IP Law" means the Intellectual Property Law, Law No. 6769, which was published in the Official Gazette dated 10.01.2017 and numbered 6769;

"Istanbul Arbitration Centre" means the Istanbul Arbitration Centre, which was established through the Istanbul Arbitration Centre Law, Law No. 6570 and published in the Official Gazette dated 29.11.2014 and numbered 29190;

"Labour Health and Safety Law" means the Labour Health and Safety Law, Law No. 6331, which was published in the Official Gazette dated 30.06.2012 and numbered 28339;

"Labour Law" means the Labour Law, Law No. 4857, which was published in the Official Gazette dated 10.06.2003 and numbered 25134;

"Law No. 1475" means the Former Labour Law, Law No. 1475, which was published in the Official Gazette dated 01.09.1971 and numbered 13943 and which was abolished upon the entry into force of the Labour Law;

"Law No. 7061" means the Law on the Amendment of Some of the Tax Laws and Other Laws, Law No. 7061 which was published in the Official Gazette dated 05.12.2017 and numbered 30261;

"Law on Intellectual and Artistic Works" means the Law on Intellectual and Artistic Works, Law No. 5846, which was published in the Official Gazette dated 05.12.1951 and numbered 5846;

"Law regarding Pledges on Movable Property for Commercial Transactions" means the Law regarding Pledges on Movable Property for Commercial Transactions, Law No. 6750, which was published in the Official Gazette dated 28.10.2016 and numbered 29871;

"Lease Law" means the Law on the Lease of Real Estate, Law No. 6570, which was published in the Official Gazette dated 27.05.1955 and numbered 9013 and which was abolished upon the entry into force of the Code of Obligations;

"Minimum Wage Determination Commission" means the Minimum Wage Determination Commission of the Ministry of Family, Labour and Social Services;

"Ministry of Environment and Urbanisation" means the Ministry of Environmental and Urbanisation of the Republic of Türkiye and its regional divisions;

"Ministry of Family, Labour and Social Services" means the Ministry of Family, Labour and Social Services of the Republic of Türkiye and its regional divisions;

"Ministry of Foreign Affairs" means the Ministry of Foreign Affairs of the Republic of Türkiye and its regional divisions;

"Ministry of Trade" means the Ministry of Trade of the Republic of Türkiye and its regional divisions;

"Ministry of Treasury and Finance" means the Ministry of Treasury and Finance of the Republic of Türkiye and its regional divisions;

"National Intelligence Agency" means the Turkish National Intelligence Agency;

"New York Convention" means the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which entered into force on 07.06.1959;

"OECD" means the Organisation for Economic Co-operation and Development;

"Oil Waste Control Regulation" means the Oil Waste Control Regulation, which was published in the Official Gazette dated 30.07.2008 and numbered 26952;

"Packaging Waste Control Regulation" means the Packaging Waste Control Regulation, which was published in the Official Gazette dated 24.08.2011 and numbered 28035;

"Public Disclosure Platform" means the electronic system under which notifications required to be announced to the public pursuant to Turkish capital markets legislation are disclosed;

"Public Procurement Authority" means the Turkish Public Procurement Authority;

"Public Procurement Contracts Law" means the Public Procurement Contracts Law, Law No. 4735, which was published in the Official Gazette dated 22.01.2002 and numbered 24648;

"Public Procurement Law" means the Public Procurement Law, Law No. 4734, which was published in the Official Gazette dated 22.01.2002 and numbered 24648;

"Radiation Safety Regulation" means the Radiation Safety Regulation, which was published in the Official Gazette dated 24.03.2000 and numbered 23999;

"Regulation on Assessment and Management of Environmental Noise" means the Regulation on Assessment and Management of Environmental Noise, which was published in the Official Gazette dated 04.06.2010 and numbered 27601;

"Regulation on the Data Controllers Registry" means the Regulation on Data Controllers Registry, which was published in the Official Gazette dated 30.06.2017 and numbered 30286;

"Regulation on Environmental Permits and Licenses" means the Regulation on Environmental Permits and Licenses, which was published in the Official Gazette dated 10.09.2014 and numbered 29115;

"Regulation on Financial Holding Companies" means the Regulation on Financial Holding Companies, which was published in the Official Gazette dated 01.11.2006 and numbered 26333;

"Regulation on the Implementation of the FDI Law" means the Regulation on the Implementation of the Foreign Direct Investment Law, which was published in the Official Gazette dated 20.08.2003 and numbered 25205;

"Regulation on the Implementation of the Turkish Citizenship Law" means the Regulation on the Implementation of the Turkish Citizenship Law, which was published in the Official Gazette dated 06.04.2010 and numbered 27544;

"Regulation on Mitigating the Impacts and Preventing the Severe Industrial Accidents" means the Regulation on Mitigating the Impacts and Preventing the Severe Industrial Accidents, which was published in the Official Gazette dated 30.12.2013 and numbered 28867(Duplicate);

"Regulation on Protection of Wetlands" means the Regulation on Protection of Wetlands, which was published in the Official Gazette dated 04.04.2014 and numbered 28962;

"Repealed Code" means the former Code of Obligations, Code No. 818, which was published in the Official Gazette dated 08.05.1926 and numbered 366;

"Repealed Turkish Civil Code" means the former Turkish Civil Code, Code No. 743, which was published in the Official Gazette dated 04.04.1926 and numbered 339;

"Social Security Institution" means the Social Security Institution of the Republic of Türkiye and its regional divisions;

"Social Security Law" means the Social Security Law, Law No. 5510, which was published in the Official Gazette dated 16.06.206 and numbered 26200;

"Stamp Duty Law" means the Stamp Duty Law, Law No. 488, which was published in the Official Gazette dated 11.07.1964 and numbered 11751;

"Swiss Civil Code" means the Civil Code of the Swiss Confederation, which was adopted on 10.12.1907 and in force since 1912;

"Swiss Code of Obligations" means the Code of Obligations of the Swiss Confederation, which was adopted in 1911 and in force since 01.01.1912;

"TAKBIS" means the Turkish Land Registry and Cadastre Information System;

"Trade Union and Collective Bargaining Agreements Law" means the Trade Union and Collective Bargaining Agreements Law, Law No. 6356, which was published in the Official Gazette dated 07.11.2012 and numbered 28460;

"TRY" means the official currency of the Republic of Türkiye;

"Turkish Citizenship Law" means the Turkish Citizenship Law, Law No. 5901, which was published in the Official Gazette dated 12.06.2009 and numbered 27256;

"Turkish Civil Code" means the Turkish Civil Code, Code No. 4721, which was published in the Official Gazette dated 08.12.2001 and numbered 24607;

"Turkish Commercial Code" means the Turkish Commercial Code, Code No. 6102, which was published in the Official Gazette dated 14.02.2011 and numbered 27846;

"Turkish International Arbitration Law" means the International Arbitration Law, Law No. 4686, which was published in the Official Gazette dated 05.07.2001 and numbered 24453;

"Turkish Patent and Trademark Institution" means the Patent and Trademark Institution of the Republic of Türkiye ;

"Turkish Republic of Northern Cyprus" means the Turkish Republic of Northern Cyprus, which was established on 15.11.1983;

"Turkish Statistical Institute" means the Statistical Institute of the Republic of Türkiye;

"Turkish Trade Registry Gazette" means the Turkish Trade Registry Gazette in which legally required corporate and commercial affairs are announced;

"Turquoise Card" means the work permit issued by the Ministry of Family, Labour and Social Services to foreigners in Türkiye;

"Turquoise Card Regulation" means the Turquoise Card Regulation, which was published in the Official Gazette dated 14.03.2017 and numbered 30007;

"Türk Eximbank" means Turkish Export Credit Bank, a state-owned bank acting as the Turkish government's major export incentive instrument in Türkiye 's sustainable export strategy;
"Undersecretariat of Treasury" means the Undersecretariat of Treasury of the Ministry of Treasury and Finance;

"United Nations Convention on Contracts for the International Sale of Goods" means the United Nations Convention on Contracts for the International Sale of Goods, which entered into force on 01.01.1988;

"USD" means the official currency of the United States of America;

"Waste Management Regulation" means the Waste Management Regulation, which was published in the Official Gazette dated 02.04.2015 and numbered 29314;

"World Trade Organization's Agreement on Trade Related Investment Measures" means the World Trade Organization's Agreement on Trade Related Investment Measures, which was concluded in 1994 and which entered into force in 1995.

INVEST IN TÜRKİYE