BRIEF OVERVIEW OF THE AMENDMENTS MADE IN THE FINANCIAL RESTRUCTURING FRAMEWORK AGREEMENT

The Banks Association of Turkey (the "**TBB**") has amended the Financial Restructuring Framework Agreement dated 11 September 2018 (the "**Framework Agreement**") as regards the amendments made on the Regulation on the Restructuring of Debts Owed to the Financial Sector[1] (the "**Restructuring Regulation**") on 29 January 2019 (see our previous Client Alert circulated on 26 November 2018). The TBB also made several amendments to the Framework Agreement by taking into account the comments made by foreign financial institutions following the entry into force of the Restructuring Regulation.

You may find below an overview of the key changes introduced under the recent amendments:

Foreign financial institutions

- Foreign financial institutions are defined as the credit institutions and international organisations that are authorised to extend loans under the laws of the jurisdiction where they are incorporated.
- Foreign financial institutions will be able to take part in the financial restructuring process on a debtor basis, without obtaining any approval from other creditor institutions that are already party to the Framework Agreement.
- Foreign financial institutions that are not party to the Framework Agreement will be able to obtain information from the applicant bank or the leading bank (if appointed) about the financial restructuring procedure of the relevant debtor by requesting the information in writing.
- Foreign financial institutions will be able to structure separate financial restructuring procedures with the debtor.
- The Framework Agreement, as a contract subject to private law, shall not invalidate the agreements previously signed by and between the relevant debtor and foreign financial institutions.

[1] The Regulation was amended on 21 November 2018 by the Banking Regulation and Supervision Agency.

Exit mechanisms

- In the event that any creditor (either financial institution or commercial party) that is not party to the Framework Agreement and that represents an amount exceeding 25% of the relevant debtor's aggregate debts, initiates legal proceedings against a debtor during the negotiations of the financial restructuring agreement, and such proceedings are not settled within 30 days, the financial restructuring negotiations can be ceased subject to the affirmative vote of the creditors that (i) own a minimum of 75% of the claims subject to the Framework Agreement, and (ii) represent a minimum of 30% of all creditors that are parties to the Framework Agreement (the "**Consortium Quorum**"). If the negotiations are not ceased, each creditor will be entitled to walk away from the negotiations at any time.

- In the event that creditors not party to the Framework Agreement initiate legal proceedings against a debtor during the term of the Restructuring Agreement, and such proceedings are not settled within 30 days, the Restructuring Agreement may be terminated or revised with the Consortium Quorum. Otherwise, each creditor will be entitled to individually terminate the Restructuring Agreement at any time.

Additional borrowing

- Where an additional loan is requested by an existing borrower, additional/separate securities can be required by banks accepting to provide such additional financing. Parties to the Framework Agreement that choose not to provide additional loans to the debtor will not be prioritised for any payment from the proceeds of such additional securities.

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In compliance with Turkish bar regulations, opinions relating to Turkish law matters that are included in this client alert have been issued by Özdirekcan Dündar Şenocak Avukatlık Ortaklığı, a Turkish law firm acting as correspondent firm of Gide Loyrette Nouel in Turkey.

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