

CLIENT ALERT

BANKING & FINANCE | TURKEY

OCTOBER 2022

TIGHTENING THE RESTRICTIONS FOR TURKISH COMPANIES REGARDING TURKISH LIRA LOANS

BACKGROUND

By way of background information, in its decision no. 10250 dated 24 June 2022 (the "**Decision for Restrictions**"), the Turkish Banking Regulation and Supervisory Authority (the "**BRSA**") imposed restrictions on cash commercial loans in Turkish Lira ("**TRY**") for those companies subject to an independent audit (the "**Company**") when they meet certain conditions.

For detailed information about the Decision for Restriction, you may refer to our related [Client Alert](#).

According to the Decision for Restrictions, the Companies which fall within the scope of such decision will not be able to borrow Turkish lira cash commercial loans.

The conditions for the Decision for Restrictions are listed as follows: (i) the company must be subject to an independent audit in accordance with Decree Law no. 660 and the relevant legislation; (ii) TRY equivalent of the Company's foreign exchange ("FX") cash assets (this includes gold and the effective foreign currency and FX deposits in the banks) exceeds TRY 15 million; and (iii) TRY equivalent of the Company's FX cash assets exceeds either 10% of the Company's total assets or the net sales revenue of the last year, whichever is higher. The conditions should be cumulatively present.

In order to clarify and expand the scope of the Decision for Restrictions, BRSA took the decision no.10365 on 7 July 2022 to provide a number of flexibilities to its application. That being said, the conditions of the restrictions with respect to the Companies remained the same.

However, the most important change brought about by the latest decision is that it has become mandatory to obtain a representation and undertaking from Companies that want to use TRY-denominated loan. Accordingly, the Companies will undertake that their FX assets will not exceed TRY 15 million, and if it exceeds such amount, it will not exceed 10% of the higher of their total assets and their net sales revenue for the last financial year during the term of the loan. Even if such thresholds are exceeded, (provided that they are not allowed to borrow FX-denominated loans) these Companies will be able to borrow new loans if they represent in the above-mentioned undertaking that they have foreign currency net position gap in the three-month period following the loan application date, and they will use such TRY-denominated loan for such net position gap.

Such undertaking will be effective as from 30 June 2022 for a quarterly period, and it will be documented/evidenced to the bank by the close of business of the last business day of the month following the end of each quarterly calendar period.

AMENDMENT

BRSA amended its earlier decisions by its decision no. 10389 and dated 21 October 2022 and stipulated that:

- Unless otherwise decided by the BRSA; above-mentioned thresholds will be applicable as "TRY 10 million" and "5%" effective as of 1 November 2022; and
- a new undertaking shall be obtained from the Companies, which will be valid as of 1 November 2022.



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 Ak Avukatlık Ortaklığı, a Turkish law firm acting as correspondent firm of Gide Loyrette Nouel in Turkey.

CONTACTS

ARPAT ŞENOCAK
senocak@odsavukatlik.com

MEHMET KÖSOĞLU
kosoglu@odsavukatlik.com

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