

client alert

INSURANCE | TURKEY |

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PUBLICATION OF THE CIRCULAR ON IMPLEMENTING THE SUPPORT SERVICES REGULATION

The Regulation on Support Services (the "Regulation") issued by the Turkish Undersecretariat of Treasury (the "Treasury") entered into force on 28 November 2015. This Regulation sets out the main principles for the performance and procurement of support services relating to the operation of insurance and pension companies. To clarify the implementation of this Regulation, the Treasury also recently issued Circular No. 2015/42 on the Implementation of the Relevant Articles of the Support Services Regulation (the "Circular")¹.

Key principles set out by the Circular are as follows:

- Despite the fact that consultancy services procured from third parties are expressly excluded from the scope of the Regulation, the Circular specifies that medical consultancy services for insurance claim management must be considered as an exception and therefore qualify as support services.
- Activities related to the core business of the insurance companies cannot be procured from support service providers. The Circular nonetheless specifies that services provided to insurance/pension companies by banks in their capacity as bancassurance partners do not qualify as support services and therefore remain outside of the scope of the Regulation.
- According to the Regulation, insurance/pension companies willing to procure support services must initially provide the Insurance Information and Monitoring Center with a report (whose format is shown in Annex 1 of the Circular), mainly focusing on the following items:
 - Nature of the services
 - Expectations as to the procurement of the services
 - Anticipated costs
 - Potential risks arising from the service procurement and related risk management strategy

¹ Subsequently amended by the Circular No. 2015/52 on Support Services issued on 30 November 2015

- Insurance/Pension companies must also provide the Insurance Information and Monitoring Center each year with a report by the end of March (in the format shown in Annex 2 of the Circular) indicating whether the results obtained from the procurement of the support services have met the expectations of the insurance/pension company, and taking into consideration the initial report delivered.
- Both reports must present the assessment of the insurance/pension companies by category of services procured, not separately for each service provider. These reports shall contain brief and general assessments without any monetary indication.
- The proper qualifications of support service providers must be verified by the insurance/pension companies.
- Employees working in the management or audit departments of the insurance/pension companies and authorised representatives thereof are prohibited from working for support service providers (except in cases of group company status, with a direct or indirect shareholding relationship).
- As a matter of principle, support service providers must register on the official list held by the Insurance Information and Monitoring Center (the "List") prior to starting the provision of any such services. Insurance/pension companies are also required to submit the name of their service providers and information on the services procured from the same to the Insurance Information and Monitoring Center. In such cases, if the name of a support service provider is already registered on the List through reporting by an insurance/pension company, there is no need for the support service provider to file an additional registration application.
- The Insurance Information and Monitoring Center is in charge of setting up the necessary IT systems enabling insurance/pension companies to send the relevant support services data through secure electronic means.

For the avoidance of any doubt, the Treasury emphasized that the above principles were effective as from 28 November 2015, i.e. the date of entry into force of the Regulation.

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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