

### THE MAJOR PRINCIPLES OF THE FRAMEWORK AGREEMENT PUBLISHED FOR THE RESTRUCTURING OF THE DEBTS TO FINANCIAL SECTOR COMPANIES

**The Financial Restructuring Framework Agreement (“Framework Agreement”) drafted by the Banks Association of Turkey (“BAT”) pursuant to Article 5 of the Regulation on Restructuring of Debts to Financial Sector published in the Official Gazette dated 15 August 2018 and No. 30510 (“Regulation”) has been approved by Banking Regulation and Supervision Agency (“BRSA”) and has entered into force.**

#### I. INTRODUCTION

BRSA recently published the Regulation for the restructuring of loans so that sustainability of the operations of debtor companies in financial difficulty may be procured and at the same time, such debtor companies may repay their outstanding loans in the current financial conjuncture of Turkey. As per article 5 of the Regulation, BRSA states that the principles and the minimum requirements of the restructuring agreements that will be executed with the debtors will be determined with a Framework Agreement that will be published by BAT. With respect to this article, the Framework Agreement has been approved and published by BRSA and has entered into force on 20 September 2018. The Framework Agreement which will be signed by banks and the financial institutions and which will exclusively affect such institutions, sets out the main principles of financial restructuring, organizational structure, required criteria of the debtor and the liabilities of the relevant parties.

The Framework Agreement aims at taking measures to enable the “commercial loan debtors” which have financial difficulties in paying their debts, to repay their loans to banks falling in the scope of the Banking Law No. 5411 and financial leasing, factoring and financing companies (“**Credit Institutions**”) falling in the scope of Financial Leasing, Factoring and Financing Companies Law No. 6361. With this respect, under the Framework Agreement, BRSA presents various measures to the advantage of the commercial loan debtors as defined in the Framework Agreement, such as extension of the loan’s term, renewal of the loan, grant of new loans, capital increase, change of company’s management body, Credit Institutions’ waiver of some of their receivables such as interest, dividend, profit share, sales of assets or subsidiaries, public offering, amendment to the shareholding structure, and if deemed necessary, executing protocols with the other creditors so that the referred loan debts may be restructured or bound with a new repayment schedule.

## II. FINANCIAL RESTRUCTURING FRAMEWORK AGREEMENT

Principles and procedures regarding financial restructuring as per the Framework Agreement may be presented as the following:

- Debtors who have a total principal debt of more than 100 million TRY in cash and non-cash to the relevant Creditors as of the date of the application (“**Debtor**”) may apply for financial restructuring. The Debtors that meet this criterion may apply to one of the three (3) Creditor Institutions with the highest due loans for financial restructuring by submitting “Application and Undertaking Letter” annexed to the Framework Agreement and other documents that contain information regarding to Debtor’s assets, encumbrances, risks and collaterals. With the above-referred letter, the Debtor undertakes that it will not make any transactions, take loans, or establish any rights or liens on its assets in favor of third parties and that it will share all kinds of information and documents with relevant Credit Institutions and allow all kinds of audit and expertise.
- In case the application is duly made by the Debtor, negotiations for the legal status of the debtor, collateral structure, protection of assets will be negotiated in the consortium to be established with the participation of the Creditor Institutions (“**Consortium**”) and during the term of

negotiation, “Period of Conservation of Status” commences. This means that during this period, legal proceedings or lawsuits shall not be filed against the debtor and current legal proceedings shall not be pursued save for the cases that would create loss of rights due to statutes of limitation or periods of prescription. Consortium shall decide on the continuity of this period in the first meeting to be held. In case the Debtor acts against the undertaking it has submitted for its application, this period terminates with a decision of the Consortium. Consortium adopts resolutions with the matching votes of Creditor Institutions’ members that are at least 30% of the number of members and that represent 75% of the total receivables of the Creditor Institutions.

- Following the Debtor’s application, financial status of the Debtor and its ability to repay the loans is evaluated by the Creditor Institutions and if the Creditor Institutions deem the Debtor eligible for restructuring, they appoint a bank, independent audit firm or any another institution to assess the feasibility of the debtor’s financial status. In case the terms for debt restructuring are agreed upon at the end of this term, a Restructuring Agreement will be signed with the respective Debtor. Under the referred agreement, the following matters will be elaborated: receivables subject to the restructuring, reimbursement obligations and their maturities, collaterals, pricing, audit mechanism, monitoring criteria.
- As per article 5 of the Regulation and article XIII of the Framework Agreement, the Framework Agreement shall be applicable for the Restructuring Agreements signed by and between the Debtor and Creditor Institutions within two (2) years following the date Framework Agreement is approved by the BRSA. This term expires on 20 September 2020.
- There shall be no legal proceedings filed by any Creditor Institution against the Debtor as of the date such Debtor applies for the financial restructuring. As an exception to this rule, in case legal proceedings have been filed and maximum 25% of the total debts are to the Creditor Institutions, then such debts subject to legal proceeding may also be included in the scope of restructuring. Debtors subject to bankruptcy may not restructure their debts.

- For the administration of financial restructurings, Creditor Institutions may incorporate only one or separate Consortiums among themselves for each Debtor or for Debtors in the same risk group. Other creditors may join the Consortium with the approval of the banks and other financial institutions in the Consortium by signing a copy of the Framework Agreement. Also, Consortium shall elect a bank among its members to be responsible for managing and concluding the negotiations with the Debtor and following up the procedures - such elected bank administrates the process by acting as the Leader Bank.
- In case the Consortium does not resolve on the restructuring within ninety (90) days following the application of the Debtor, the restructuring procedure expires. This term may be extended for at most two (2) months with a decision to be taken by the Consortium.
- In the published Framework Agreement, general principles for restructuring are determined. The Consortium members shall restructure the Debtor's debts in compliance with such principles. Among these principles, the following matters are specified: conditions of providing additional financing to the Debtor, protection of the present collaterals, the cases where the payment plan may be revised, participation to the principle debt and collection methods of payments.
- Execution of a Restructuring Agreement with the Debtor and the Creditor Institutions that hold 2/3 of the receivables in the Consortium, shall be binding against all the remaining members of the Consortium and therefore, in these cases, debts of the Debtor shall accordingly be restructured by all the member Creditor Institutions.
- Restructuring Agreements shall be sent to BAT once (1) a month then to be submitted to BRSA. Pursuant to the Regulation, Board of Directors of BAT shall establish an Arbitration Board to resolve on the conflicts that could arise from the parties' failure to fulfill their obligations under the Framework Agreement. The Arbitration Board shall consist of at least three (3) members and shall resolve on the submitted matters within five (5) business days following the each relevant submit via BAT. The Arbitration Board shall also report to the Consortium in case the Creditor Institutions act against the Framework Agreement.

### III. OPINION

With the rules and principles established with the Regulation and the Framework Agreement, BRSA aims at providing sustainability to companies' contribution to the economy by assisting the continuity of their operations and meanwhile, procures that Creditor Institutions receive their payments via restructuring of the loans. In the framework of these arrangements, an effective control and monitoring mechanism has been established as the debt restructuring is bound to legal criteria and standard documents.

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