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FINANCIAL LEASING, FACTORING AND FINANCING COMPANIES LAW (NO. 6361)

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**SECTION ONE
GENERAL PROVISIONS
PART ONE
Objective, Scope and Definitions**

ARTICLE 1 – (1) The objective of this law is to regulate the establishment and operating principles of financial leasing, factoring and financing companies operating as financial institutions as well as the principles and procedures relating to financial leasing, factoring and financing contracts.

Scope

ARTICLE 2 – (1) Financial leasing, factoring and financing companies established in Turkey shall be subject to provisions of this Law.

(2) Factoring transactions made by banks as well as financial leasing transactions made by participation banks and development and investment banks shall be subject to provisions of this Law.

(3) The provisions relating to financial leasing transactions of this Law shall not apply to operating leasing transactions made by financial leasing companies.

(4) Provisions stated in other laws are reserved in the housing financing via leasing through financial leasing and the housing financing activities of financing companies.

(5) Cross border leasing transactions from abroad at least for two years, of air transport vehicles, motors as well as components and parts thereof to airway companies performing passenger and freight carrying activities to be made by companies, institutions and financial leasing companies having the related authority pursuant to the legislation of the country in which they are established, based on the financial leasing contracts are deemed as financial leasing within the scope of this Law without being subject to the limitations in Article 3(1ç).

(6) The general provisions shall apply to cases for which provisions are not set out in this Law.

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Definitions

ARTICLE 3 – (1) For the implementation of this Law, the following terms shall have the meanings indicated below;

- a) Association: Association of Financial Leasing, Factoring and Financing Companies,
- b) Operating leasing: The leasing other than financial leasing,
- c) Invoice: Invoice and invoice substitute documents arranged pursuant to the Tax Procedure Law no. 213 dated January 04, 1961,
- ç) Financial leasing: A leasing transaction enabling one of the following aspects on condition to be based on a financial leasing contract; transferring the possession of an asset by the lessor authorized pursuant to this Law or related legislation to the lessee at the end of lease giving the lessee the right to purchase the asset at a sum less than its current market value at the end of the lease period, lease period shall cover more than eighty percent of the asset's economic life, or the sum of current value of lease payments to be made pursuant to the financial leasing contract shall constitute more than ninety percent of the current market value of the asset.
- d) Lessor: Participation banks, development and investment banks as well as financial leasing companies,
- e) Lessee: Accepting the financial leasing,
- f) Control: Direct possession by a legal entity of the majority of capital regardless of the condition for possession of minimum fifty one percent thereof or possession of privileged shares although this majority is not owned or capability of assigning the majority of the members of the Executive Board, which is a basis for adoption of resolutions by having disposition of the majority of the voting rights pursuant to the agreements made with other shareholders or in any other manner or possession of powers for their dismissal.
- g) Board: Banking Regulation and Supervision Board,
- ğ) Agency: Banking Regulation and Supervision Agency
- h) Equity: Balance of the sum of paid-up capital, capital reserves, income reserves, net profit of the period, profit of previous years and other items to be determined by the Board to be derived by reducing, if available, net loss of the period, loss of previous years and other items to be determined by the Board as well as subordinated debts to be determined by the Board
- ı) Company(ies): Financial leasing companies, factoring companies and financing companies established in Turkey
- i) Branch: All kinds of business premises which constitute an affiliated part of the company and perform entire or part of the activities of the companies by itself

SECTION TWO
Transactions subject to Permission
PART ONE
Permissions for Establishment and Operation

Permission for establishment

ARTICLE 4 – (1) The establishment of a company in Turkey shall be permitted upon affirmative votes of at least five members of the Board provided that the establishment conditions laid down in this Law is fulfilled.

(2) The principles and procedures for permission applications and granting permissions shall be determined by a regulation to be issued by the Board.

Establishment conditions

ARTICLE 5 – (1) Any company to be established in Turkey shall fulfill the following requirements;

a) It should be established as a joint stock company and number of founding partners shall not be less than five,

b) Its shares should be issued against cash and to name

c) Its trade name shall have one of the expressions of “Financial Leasing Company”, “Factoring Company” or “Financing Company”,

ç) The founders should meet the requirements indicated herein

d) Its members of board of directors shall bear the qualifications set out in the corporate governance provisions in this Law and shall have the professional experience required for carrying out the planned activities

e) Its paid-up capital, consisting of cash and free of all kinds of fictitious transactions, should not be less than 20 million Turkish Liras,

f) Its articles of association shall not be in conflict with the provisions of this law,

g) There should be a transparent and open partnership structure that will not constitute an obstacle for the efficient supervision of the Agency,

ğ) The business plans for the intended fields of activity, the projections regarding the financial structure of the institution, the budgetary plan for the first three years and an activity program showing the establishment of corporate structure must be submitted.

(2) The Board is authorized to increase the minimum paid-up capital amount each year so as not to exceed the increase rate required in annual producer prices index announced by the Turkish Statistical Institute.

Qualifications of founders

ARTICLE 6 – (1) The founders of companies shall;

a) Not have been declared bankrupt within the framework of the provisions of the Execution and Bankruptcy Law no. 2004 dated June 09, 1932 or other legislation, not be in possession of a certificate of bankruptcy, not have an approved application for restructuring through reconciliation or not have been issued a decision for postponement of bankruptcy,

b) Not have ten percent or more shares directly or indirectly or not hold control in banks that have been subjected to Article 71 of the Banking Law no. 5411 dated October 19, 2005 or that have been transferred to the Savings Deposit Insurance Fund before the effectiveness of this Law,

c) Not have ten percent or more shares directly or indirectly or not hold control in banker subjected to liquidation, and in factoring, financial leasing, financing and insurance companies whose operating permissions have been revoked, excluding voluntary liquidation, as well as in agencies operating in capital markets,

ç) Have not been sentenced to heavy imprisonment or imprisonment of more than five years pursuant to the repealed Turkish Penal Code no. 765 dated March 01, 1926 or other laws, even though pardoned, with the exception of negligent offenses, have not been sentenced to imprisonment of more than three years pursuant to the Turkish Penal Code no. 5237 dated September 26, 2004 or other laws or have not been convicted of the violation of the provisions, that require imprisonment, of the repealed Banking Law no. 3182 dated April 25, 1985, of the repealed Banking Law no. 4389 dated June 18, 1999, of this Law, of the banking law no. 5411 and of the Capital Market Law no. 2499 dated July 28, 1981 and of the legislation on lending transactions, or have not been convicted of infamous crimes such as embezzlement, extortion, bribery, theft, swindling, forgery, breach of trust, fictitious bankruptcy, smuggling offenses other than those arisen by the acts of using and consuming, fraudulent acts in official tenders and trades, money laundering or crimes committed against the prestige of the State and unveiling State secrets, offenses committed against the sovereignty of the state or the prestige of its organs, offenses committed against the security of state, offenses committed against the constitutional order or the functioning of the constitutional order, offenses committed against national defense, offenses committed against the secrets of the state and espionage, offenses committed against relations with other states, offenses within the scope of the Prevention of Terrorism Act no. 3713 dated April 12, 1991 as well as tax evasion or have not been engaged in such offenses under the repealed Turkish Penal Code No. 765, Turkish Penal Code No. 5237 or other laws,

d) Have necessary financial strength and esteem in a level to meet the capital amount committed,

e) In case of a legal person, have a transparent and open partnership structure,

f) Have the honesty and competence required for the business.

The sub-paragraphs (b) and (c) of this paragraph shall not be applicable for the multi-lateral credit institutions and financial institutions that are established by international agreements to which Turkey is a party.

(2) The partners of the company having ten percent or more shares in the capital of legal person founding partners or the natural persons and legal entities having the control shall meet the conditions

laid down in the first paragraph.

(3) In the case natural persons or legal entities having ten percent or more shares in the capital of company or having the control of the company as well as natural persons or legal entities having ten percent or more shares in the capital of legal entities having ten percent or more shares in the capital of company or having the control fail to meet the qualifications stated in the first paragraph, excluding subparagraph (d), they shall transfer the shares they own within six months in a manner to make their status to be in compliance with the provisions of this article. By whom and how shall the voting rights for the shares to be transferred within the mentioned period be used is determined by the Board.

Operating permission

ARTICLE 7 – (1) The companies that are permitted to be established within the frame of Article 4 shall be obligated to receive permission for operation from the Board. The permissions granted by the Board shall be issued in the Official Gazette.

(2) In case of one or more of the following conditions occur, the establishment permission of a company shall be revoked by the Board; the permission is based on non- factual declarations, failure to apply for operating permission within six months following the issue of establishment permission, clearly stating the decision to waive the establishment permission, losing the eligibility qualifications for permission until commencement of operation, failure to get operating permission.

(3) The companies that have received establishment permission shall be required to meet the following criteria in order to commence their operations:

a) Their capital should have been paid in cash and must be at a level that enables the execution of planned activities,

b) The system entrance fee, equivalent to five percent of the minimum capital requirements indicated in Article 5, should have been paid to the accounting units of the Ministry of Finance in order to be registered as income to general budget and the related document should have been submitted to the Agency by the founders

c) Appropriate service units as well as internal control, accounting, data processing and reporting systems should have been established, adequate staff for these units should have been assigned and job definitions as well as duties and responsibilities of the employees should have been clearly determined,

ç) Their managers should bear the qualifications set out in this Law.

(4) A financial leasing company can be established for leasing only a ship without taking establishment and operating license on condition to be a company all partners of which are financial leasing companies established in Turkey. Such companies are not subject to the articles of this Law excluding the provisions relating contracts.

(5) The principles and procedures for the execution of this article are determined by the Board.

Branches

ARTICLE 8 – (1) Opening up domestic and abroad branches by companies are subject to permission. Companies cannot be organized under any names other than branches and cannot appoint agencies.

(2) The qualifications of branches as well as the principles and procedures relating to permission are determined by the Board.

Processes and operations the company cannot conduct

ARTICLE 9 – (1) The Company;

a) Cannot conduct any activities outside the main activity subjects.

b) Cannot extend cash loans other than cash loans extended within the aim of providing additional financing to their customers as a part of the operation made within the framework of the contract to be made with customers and on condition that the amount of credit does not exceed one percent of its paid-up capital. The Board is authorized to reduce this amount to zero or to increase it up to five percent to the company's paid-up capital or to differentiate it based on the company.

c) Cannot grant guarantees, sureties and letters of guarantee, except for guarantees and sureties granted on condition to be limited to the transactions subject to main activity line and guarantees, sureties and letters of guarantee granted to persons having ten percent or more of the capital or holding the control and to partnerships in which ten percent or more capital or the control is owned, total of which not exceeding twenty percent of its paid-up capital. The Agency is entitled to decrease this ratio down to five percent or to increase it up to twenty- five percent, or to differentiate it based on company.

ç) Cannot collect deposit or money by any name for hire, except for issuing securities, borrowing money from international markets and fund-raising from partners and partnerships, banks, money markets and organized markets within the scope of general principles pursuant to the Act number 2499.

(2) A factoring company cannot take over the collection of receivables arising from the sale of a goods or services not documented by an invoice, even if they are based on bills of exchange within the framework of the principles and procedures determined by the Board and the receivables which will arise from the sale of goods or services not documented within the framework of the principles and procedure determined by the Board. Total amount of partial assignments made to more than one factoring companies based on the same invoice cannot exceed the amount of the invoice.

(3) In case a bill of exchange is transferred to a factoring company by endorsement, the person applied because of the bill of exchange cannot bring forward the refutations based on the relations existing between him/herself with one of the regulatory or previous holders against the factoring company; unless the factoring company has acted on purpose to the disadvantage of the debtor while acquiring the bill of exchange.

(4) Without prejudice to the provisions regarding the legislation on insurance, financial leasing companies cannot deal with insurance transactions except for intermediating in making insurance contracts concerning businesses within the occupation subject involving all kinds of insurance to protect

repayment of credit debt and all similar credit elements for financial leasing or goods subject to financial leasing transactions, collaterals taken within the scope of these transactions and persons rented the mentioned good; and financing companies cannot deal with insurance transactions except for intermediating in making insurance contracts concerning businesses within the occupation subject involving all kinds of insurance to protect repayment of credit debt and all similar credit elements for goods and services purchase of which has been credited, for credit collaterals and for real persons or legal entities who purchased the credit good or service.

PART TWO

Provisions Regarding the Articles of Association

Amendments to the Articles of Association

ARTICLE 10 – (1) The Agency shall be priorly notified about the amendments to be made on the articles of association of companies. In case the Agency does not declare any negative opinion about the amendments on articles of association within fifteen days, these amendments shall be put on the agenda of the general meeting of companies and the outcome of process shall be notified to the Agency.

(2) Current articles of association of companies shall be published on the website of the company. The update of articles of association shall be made within the fifteen days by the date of the amendments.

(3) The change of address of the company shall be declared to the Agency within fifteen days by the date of the change.

(4) Principles and procedures concerning the application of this article shall be specified by the Board.

Acquisition and transfer of shares

ARTICLE 11 – (1) Acquisition or transfer of shares representing ten percent or more of the company capital by one person or share transfers causing a shift of control in the company are subject to the Agency's permission.

(2) Institution and transfer of shares giving the privilege to determine member to the board of directors or the issuance of new privileged shares are subject to the Agency's permission, regardless of the proportional limit in the first paragraph.

(3) Share transfers causing a shift of control of legal entities having ten percent and more shares in the company capital are subject to the Agency's permission.

(4) In share transfers subject to permission, the persons to take over the shares should meet the qualifications required for in founders.

(5) Share transfers subject to permission but made without taking one and the share transfers causing the number of partners to decrease below five shall not be registered on the share register. The

registrations made in defiance to this provision are invalid.

(6) Principles and procedures concerning the application of this article shall be specified by the Board.

PART THREE Merger, Acquisition, Division and Liquidation

Merger, acquisition, division and liquidation

ARTICLE 12 – (1) Merger, acquisition and division of the company are subject to general provisions on condition that the permission of the Board has been granted. Principles and procedures concerning the granting of the permit shall be specified by the Board.

(2) On condition to take positive opinion from the Board, general provisions shall be applied in case the company puts an end to its activities and liquidated. If deemed necessary, the liquidation process of the company may be supervised by the Agency.

SECTION THREE Corporate Management PART ONE Managers

Members of the board of directors, general manager and assistant general managers

ARTICLE 13 – (1) Structures, procedures concerning corporate management, as well as the related principles shall be determined by the Board by also taking the opinion of the Union.

(2) The board of directors of the company cannot be composed of less than three persons, including the general manager. General Manager and deputy general manager in his/her absence is a natural member of the board of directors. It is obliged that the members of the board of directors and general manager and assistant general managers carry the conditions taken place in the article 6 (1) (a), (b), (c) and (ç). The condition of professional experience required for in general manager in this Law shall also be applied for one more than the half of the members of the board of directors.

(3) Company's general manager shall have professional experience in business management or finance for at least seven years and assistant general manager shall have professional experience for at least five years in those areas and they both shall have at least undergraduate education.

(4) Even if they were employed under different titles, other managers duties and authorities of which are equivalent to assistant general managers or higher are also subject to the provisions concerning assistant general managers of this Law.

(5) Principles and procedures regarding the appointment and election of members of the board of directors, general managers and assistant general managers shall be specified by the Board.

PART TWO

Financial Reporting

Internal system, accounting, reporting and independent audit

ARTICLE 14 – (1) The company is responsible for building and operating a sufficient and efficient system appropriate to the scope of its activities as well as the changing conditions, to monitor the risks to which it is exposed and provide control.

(2) The Board is authorized to determine the principles and procedures concerning the operation of the system and to take necessary measures for companies in which the system is deemed insufficient and inefficient.

(3) The company is obliged to account all of its transactions in accordance with their real natures, within the principles and procedures specified by the Public Oversight, Accounting and Auditing Standards Board and organize their financial reports on time and accurately, in a form and content to meet the need to obtain information, in understandable, reliable and comparable way, convenient for audit, analysis and interpretation.

(4) Company is obliged to send financial statements and statistical information, form and scope of which will be determined by the Agency by the time and methods requested to the Agency.

(5) Independent audit of the company shall be made within the framework of the Decree Law on Organization and Duties of Public Oversight, Accounting and Auditing Standards Board number 660 dated September 26, 2011. Independent audit reports to be prepared shall be sent to the Agency within the framework of principles and procedures regulated by the Board.

Protective regulations

ARTICLE 15 – (1) The Board is entitled to make necessary regulations and to take all kinds of measures to detect, analyze, monitoring and evaluation of the risks exposed, by specifying limitations and standard ratios for activities and own funds of companies. The company is obliged to comply with the regulations made, calculate limitations and standard ratios specified, come up to them and maintain them and to take and implement the measures requested by the Agency, concerning them in the requested time.

(2) In case of reaching the thresholds concerning the limitations and standard ratios specified pursuant to this Law or in case of exceedings, the company shall notify immediately this situation to the Agency.

(3) In case exceedings are formed in limitations and ratios related to a determined rate of own funds because of the decreases occurring in the own funds and if required by the conditions, these exceedings shall be resolved within the time specified by the Agency. During the time specified for correcting the exceedings, the provisions of this Law regarding the administrative penalties shall not be applied.

Provisions

ARTICLE 16 – (1) The company shall make reserves to meet its losses arising from its transactions but amount of which is not clear for certain, within the framework of principles and procedures specified by the Board.

(2) Total amount of the special provisions reserved by company in accordance with this article, are deemed as expenses for the calculation of corporate tax basis for the year they are reserved.

(3) The deducted receivables which are deregistered as the collectability became impossible after the special provisions are reserved in accordance with this article are deemed as worthless receivables within the scope of the Article 322 of Law numbered 213.

On-site, Off-site Supervision and Notification

ARTICLE 17 – (1) On-site and off-site supervision of the company within the scope of this Law shall be conducted by the Agency.

(2) The Agency is entitled to request all information they consider to be related with this Law, even if it is confidential, from the company, company partners, affiliates controlled by the company and their branches and natural persons and legal entities concerned and to examine all books, records and documents including the records about taxes; and the ones from which the information is requested are responsible for giving the information requested, keeping the books, records and documents ready for examination, opening all information processing system for the Agency's professional personnel conducting on-site audit in accordance with supervisory purposes, providing the reliability of data and submitting the codes and systems necessary to make reachable or readable all kinds of books, documents and ration cards they must maintain, as well as micro chip, micro films, magnetic tapes, diskettes and similar records they must give for the examination and also operating them.

(3) Public institutions and corporations are obliged to procure all kinds of information and document requested by the Agency, being limited to duties given within the scope of this Law, even if they are confidential, without considering the prohibitive and restrictive provisions in special laws and without prejudice to the provisions concerning the circumstances which may create severe results against the security of the State and its fundamental external interests, and professional secret, privacy of family life and the right of defense, in appropriate time and environment, constantly or singly.

(4) On-site supervision of the company's activities shall be conducted by the professional personnel of the Agency authorized to conduct on-site supervision. The company, company partners, affiliates controlled by the company and natural persons and legal entities concerned are obliged to give all kinds of information and documents to be requested by the professional personnel of the Agency authorized to conduct on-site supervision but also to submit all books and documents and keep them ready for examination.

SECTION FOUR
Provisions Concerning Contracts
PART ONE
Financial Leasing

Financial leasing contract

ARTICLE 18 – (1) The financial leasing contract is the contract giving the lessee the possession of the good, which is requested and determined by him/herself and shall be purchased from third party or from the lessee him/herself by the lessor or obtained the any other legal means by the lessor, in order to provide full benefit during lease period in return for lease payment to the lessor. Financial leasing contract is the contract foreseeing that the lessor leaves the lessee the possession of a good he/she once purchased from a third party or from the lessee him/herself or procured by another way or took into his/her possession, in return for a rental to provide all kind of benefit, upon the request and selection of the lessee.

Subject of the contract

ARTICLE 19 – (1) Movables and immovables may be subject to the contract. Intellectual and industrial rights such as patents cannot be subject to this contract, except for duplicated copies of computer software.

(2) All kind of good preserving its essential nature may be solely subject to a financial leasing contract, regardless of its integral parts or attachment qualifications.

Financial leasing charge

ARTICLE 20 – (1) Total amount of payments and payment periods of financial leasing shall be determined by the parties. On condition that it is cited clearly in the contract, the leasing charges may be started to be collected as of the date of the contract, even if the good subject to contract is not produced or delivered to the lessee yet. Unless specified in the contract, the good subject to contract shall be delivered to the lessee within two years by the date of the contract.

Financial leasing operations from abroad

ARTICLE 21 – (1) Financial leasing contract to be made from abroad shall be registered by the Association.

(2) Principles and procedures concerning financial leasing operations from abroad shall be determined by the Association by taking the positive opinion of the Board.

Form and registration of the contract

ARTICLE 22 – (1) The contract shall be made in written. Contracts regarding immovable goods shall be registered to the section of annotations in the book of real estate registers in which the

immovable is located and the contracts concerning movable goods having their own unique special register shall be registered and annotated to the register in which these goods are registered and shall be declared separately to the Association by the lessor.

(2) Contracts concerning movables which are not registered to a special register shall be registered into a special register kept by the Association.

(3) Special register kept by the Union is open to everybody. No one can claim that he/she did not know a record in the register.

(4) Principles and procedures concerning the registration of contracts into the special registers kept by the Association shall be determined by taking positive opinion of the Board by the Association.

(5) After the registration and annotation, third parties cannot make claims regarding the real rights over the goods against the lessor.

(6) In the application of the article 940 of the Turkish Commercial Code number 6102 dated January 13, 2011, the lessee is considered as owner of the ship.

(7) In the application of the article 49 of the Turkish Civil Aviation Act number 2920 dated October 14, 1983, the lessee is considered as the owner of air vehicle.

The purchase of the good subject to financial leasing

ARTICLE 23 – (1) The property of the good subject to financial leasing owned by the lessor. However, the parties may decide in the contract that the lessee will have the right to purchase the ownership of the good by the end of the contract term.

(2) In case the right of the lessee to purchase the movable registered subject to financial leasing is not used by the lessee within thirty days after that this right was originated and the good was not returned to the lessor pursuant to the article 32 of this Law, the lessor may realize unilaterally all kind of operations about the transfer of the leased good to the lessee, on condition that a decision exists concerning this subject in the contract made between parties and a notification has been made to the lessee about the subject or has not been made because lessor was not found in his/her address. Unilateral requests made by the lessor concerned about the transfer of ownership shall be realized by the related register office.

Rights and debts of parties

ARTICLE 24 – (1) The lessee is the possessor of the good subject to financial leasing during the contract, and has the right to obtain all kinds of benefits in accordance with the purpose of the contract.

(2) The lessee is obliged to use the good subject to financial leasing carefully, in accordance with the conditions and provisions stated in the contract.

(3) In case there are no provisions to the contrary in the contract, the lessee is responsible for the maintenance and protection of the good, and the maintenance and reparation costs belong to the lessee.

(4) The good subject to leasing must be insured. By whom the good will be insured shall be shown in the contract. Insurance premiums shall be paid by the lessee.

(5) The responsibility of damages and losses of the good within the term of the contract belongs to the lessee. This responsibility is limited to the part not covered by the insurance amount paid and the exceeding part shall be paid by the lessee.

(6) The lessor shall not be blamed from the fact that the good provided from a third party upon the choice and request of the lessee to be faulty. The same provisions shall also be applied in case the good is personally provided from the lessee.

The good not delivered to the lessee

ARTICLE 25 – (1) In case the good subject to financial leasing is not delivered to the lessee because the lessor did not make a contract with the manufacturer or seller of the good on time or did not realize the payment required on time or due to other reasons arising from the defect and negligence of the lessor, the provisions of the article 123, 125 and 126 of the Turkish Code of Obligations number 6098 dated January 11, 2011 shall be applied.

Transfer of possession and the title of lessee

ARTICLE 26 – (1) The lessee may transfer his/her lessee title or his/her rights and responsibilities arising from the contract on condition to take written permit of the lessor. The change of lessee made on the leasing contract due to this transfer shall be registered or annotated within the framework of articles 21 or 22 depending on its concern.

(2) In financial leasing transactions made within the scope of housing finance, the lessee may transfer the possession of the good to another person on condition to inform the lessor; in other financial leasing transactions he/she may transfer on condition that there is a provision in the contract.

Transfer of possession

ARTICLE 27 – (1) Unless the contrary was not predicted in the contract the lessor cannot transfer the possession of the good to a third person. In case this right was recognized in the contract, the transfer may be made only to another leaser. The transferee is obliged to comply with the provision of the contract. The validity of the transfer for the lessee depends on if he/she was informed.

Bankruptcy of the lessee or the lessee being subject to executive proceedings

ARTICLE 28 – (1) In case of the bankruptcy of the lessee, the registrar in bankruptcy shall decide on the separation of goods subject to financial leasing before the organization of the office, according to the article 221(1) of the Law number 2004. This decision of the registrar in bankruptcy may be protested within seven days.

(2) In case executive proceedings are conducted against the lessee by means of compulsory execution, the execution officer decides that goods subject to financial leasing shall be excluded from the proceedings. This decision of the execution officer may be protested within seven days.

(3) These protests shall be determined by the enforcement court within one month at the latest.

Bankruptcy of the lessor or the lessor being subject to executive proceedings

ARTICLE 29 – (1) In case of the bankruptcy of the lessor the contract remains to be valid against the bankrupt's estate until the end of the determined term.

(2) In case executive proceedings are conducted against the lessor by means of compulsory execution, the goods subject to financial leasing cannot be confiscated during the term of the contract.

Termination of the contract

ARTICLE 30 – (1) Unless otherwise specified in the contract, the contract shall be terminated automatically in case it expires, bankruptcy, death or loss of capacity of the lessee.

(2) In case the lessee enters into liquidation process or liquidates his/her business to which the good subject to financial leasing was allocated without going into liquidation, the contract may be terminated before its term upon the request of the lessee and unless otherwise specified in the contract.

(3) Each party of the contract may request the extension of the contract with existing or new conditions, on condition to declare at least three months before the termination of the contract. Extension of the contract depends on the agreement of parties.

Breach of the contract

ARTICLE 31 – (1) The lessor may terminate the contract if he/she gave an extra term for thirty days to the lessee who fell into default in paying the financial leasing payment and this payment is still not paid at the end of these thirty days. However, in case it was decided in the contract that at the end of the term the possession will pass to the lessee, this extra term may not be less than sixty days. If a warning was addressed to the lessee because he/she failed to pay on time three or two consecutively of the leasing fees in the contract within one year, the contract may be terminated by the lessor.

(2) In case one of the parties violates the contract, and where it is not expected that the other party to continue the contract because of this violation, the contract may be terminated.

(3) In disputes between the lessee and the lessor concerning the financial leasing contract, in case the good subject to financial leasing is left to the lessor or to a third person by the court by injunction, the lessor may make a disposition over the good by making a down payment as a collateral amounting the current value of the good to the court. Insofar, in case it is decided that the termination of the contract is unjust, the lessor is responsible to reimburse the lessee for his/her losses.

Consequences of the termination of contract

ARTICLE 32 – (1) When the contract terminates, the lessee who did not use his/her right to purchase arising from the contract or who does not have this right is obliged to return immediately the

good subject to financial leasing.

Consequences of the cancellation of the contract

ARTICLE 33 – (1) In case the contract is cancelled by the lessor or by the lessee pursuant to the article 30(2), the lessee is responsible for returning the good. In case the good returned is sold to third parties and unless otherwise is specified in the contract, if the sale price is less than undue financial leasing costs and if any, total loss of the lessor exceeding it, the difference shall be paid to the lessor by the lessee. Unless otherwise specified in the contract, if the sale price of the good returned is higher than undue financial leasing costs and if any, total loss of the lessor exceeding it, the difference shall be paid to the lessee by the lessor. Same principles shall be applied in case the good returned is leased to third parties by means of financial leasing.

(2) If the contract is cancelled by the lessee, the lessee may return the good and request the compensation of his/her loss from the lessor.

(3) In cashing the mortgages took as collateral for the debts arising from the contract, the provisions of the article 150/1 of Law number 2004 shall be applied.

(4) The provisions of the article 68/b of Law number 2004 shall be applied about the notices sent by the lessor to the lessee via notary because the lessee failed to pay his/her debt within the terms determined in this Law.

Non applicable provisions

ARTICLE 34 – (1) Articles 764, 765 and 766 of the Turkish Civil Code number 4721 dated November 22, 2001 and the provisions concerning “Partial Pay Sales” in the Section Two, Part One, Division Four and the provisions of the “House and Roofed Working Place Rents” in the Section Two, Part Four, Division Two of the Turkish Code of Obligations number 6098 shall not be applied about the contract.

Incentive

ARTICLE 35 – (1) In case the whole of or a part of the investments are realized by means of financial leasing, the lessor may benefit from the incentives for economic assets subject to financial leasing, applied if they are purchased. The responsibility of financial leasing company about the incentive certificate is limited to the part transferred to the company.

Provisions on custom

ARTICLE 36 – (1) Following provisions shall be applied to the goods brought according to the contract signed between a foreign company and the lessee, regarding custom taxes and additional financial liabilities:

a) In the entrance to Turkey of goods based on a contract which don't have the right to emption or even if it has this right, were not predicted to provide from customs exemption in the incentive certificate, the provisions on temporary importation regime of the Customs Law number 4458 dated

October 27, 1999 shall be applied, except for time limitation of customs legislation and depending on the term of contract. In case by the end of the contract the certain import is not realized and goods subject to financial leasing are wanted to be taken out of the country to be given to the lessor, the collateral taken previously shall be resolved according to the provisions of the Law number 4458.

b) In case by the end of the contract the certain import of the goods subject to financial leasing is realized, custom taxes and additional financial liabilities to be calculated upon the current exchange rate on the date of the beginning of custom liability and upon the value to be determined according to provisions of the Law number 4458 concerning the custom value of the good shall be accrues and collected.

Exemptions and assessment of tax rate

ARTICLE 37 – (1) Financial leasing contracts and the papers concerning the transfer and amendment of these contracts, contracts concluded between lessor and seller regarding the obtaining of the goods subject to financial leasing as well as the ones prepared for their collaterals (save for deed transactions regarding the transfer of real estates to the lessee, which subject to financial leasing) are exempted from stamp tax, and the transactions made regarding these papers are exempt from charges.

(2) Registration to the land registry of the immovables rented within the scope of leasing transaction made by sale and lease back method is exempt from title deed fees in the name of the lessee by the end of the contract term.

PART TWO Factoring and Financing

Factoring contract

ARTICLE 38 – (1) Factoring contract is a contract including collection which the factoring company provide to its customer, besides recording debtor or customer accounts, any of or the whole factoring or finance guarantee functions by taking over the receivables depending on goods or service sale which can be promoted within the scope of principles and procedures determined by the Board and the receivables promoted with the invoice emanated from goods or service sale.

(2) A factoring contract is the contract which includes any or all of the following functions: The collection, the keeping of the borrower and customer records by the factoring company for the customer by means of taking over the receivables arising from the sale of products or services which could be documented within the framework of the procedures and principles to be determined by the Board, and the receivables which could be documented by the invoice arising from the sale of products or services; or the factoring guarantee function.

(3) The factoring contract must be prepared in written.

Financing contract

ARTICLE 39 – (1) Financing contract is a contract granting loan for each sort of goods and service receiving by making payment directly to the seller by delivering or providing service in the name

and account of real person or legal entity purchasing the good or the service. Loan repayments are made to financing companies by the persons for whom the loans extended to their names.

(2) It is obligatory for the financing companies to make a general contract in written in advance by the sellers providing goods or services which they shall extend credit.

(3) The financing contract must be prepared in written.

SECTION FIVE
Association
PART ONE
Association

Financial Leasing, Factoring and Financing Companies Association

ARTICLE 40 – (1) As of the execution date of this Law, Financial Leasing, Factoring and Financing Companies Association which has a public institution and legal entity nature is found within six months.

(2) The companies have to be member to the Association in one month as of the date of taking operating permission.

Duties and Authorizations of the Association

ARTICLE 41 – (1) The association is assigned and authorized from the followings:

a) Providing the development of the profession, increasing the union and solidarity of the members, making activities of training, presentation and research,

b) Providing the members to work in union and in discipline which the profession requires according to the needs of the economy, by defining the principles of the profession,

c) Defining professional principles and standards to which the members shall adjust,

ç) Announcing the precautions requested to be taken by the Agency and the resolution taken pursuant to the legislation concerned,

d) Taking each kind of precautions required for preventing unfair competition between their members and implementing thereof,

e) Defining principles and conditions which the members shall obey in their announcements and advertisement by type, shape, quality and amount,

f) Suing in subjects which concerns the common interests of their members, pursuant to the resolution of the board of directors,

g) Providing cooperation relating to common projects between members,

ğ) Fulfilling other duties stated in this Law.

Organs and Statute

ARTICLE 42 – (1) The organ elections of the Association is realized under juridical surveillance and with secret vote within the scope of the principles foreseen in this Law. The list defining members to join the elections and their members should at least be confided to the head of the board of election to be determined by the Supreme Election Board by a letter the agenda, place, date and the hour of the meeting, defining the respects relating to the second meeting to be made in case of the fact that there shall not be majority, in three copies, at least 15 days before the board meeting in which the election shall be made. The judge approves the list and other respects by making the required analysis; and assigns a head of election board and two election board members and one assistant member for each. Voting operation is made according to secret vote and open census principles. By the end of election period, the election results are determined by a minute and signed by the head of election board and the members. Each sort of objections to be made to the elections in two days as of the regulation of the minute are analyzed by the judge and adjudicated exactly.

(2) The amendments to be made in the status of the Association are entered into force by the resolution of the President upon the proposal which the Agency shall present by receiving the point of view of the Association. The members have to obey the resolutions and the precautions to be taken by the Association and the status of the Association. The Association expenses are distributed to the members as to the number of votes determined pursuant to status. The members have to invest the share of expenses to their contribution within the period determined in the status. In case that the participation shares to expenses are not paid in the period determined, they are collected by enforcement by the Association. The decisions on payment of expense participation shares are in written official document nature in the article 68 of the Law no. 2004.

(3) The board of directors of the Association may impose administrative fines from 1.000 TL to 10.000 TL on members who do not timely and fully comply with the general or specific decisions and measures taken by Association.

Central invoice record

ARTICLE 43 – (1) Factoring companies and banks consolidate the information concerning the receivables which they took over including invoice information in Risk Center or in a manner that the Association found appropriate. The principles and procedures relating to sharing of the information are determined by the Association.

SECTION SIX Penalty Provisions PART ONE Administrative Fines

Administrative Fines

ARTICLE 44 – (1) The following administrative fines are imposed to the companies by the

resolution of the Board and by presenting the legal ground of the Law.

- a) In case of contradiction to the Article 8, up to TL 3 thousand to TL 10 thousand,
- b) In case of contradiction to the article 9 (1)(b)(c), not being less than TL 10 thousand, up to ten times of the amount comprising contradiction,
- c) In case of making contradictory operation to the article 9(2), up to 5 times of transaction amount comprising contradiction, not being less than TL 10 thousand,
- ç) In case of contradiction to the article 11 (2) or article 11(5), up to TL one thousand to TL three thousand,
- d) In case of making assignment contradictory to the article 13, up to TL two thousand to TL eight thousand and in case the contradiction is not rectified as of the notification date of the fine within ten business days, 10% of the fine given for each day passed as of the termination date of this period,
- e) In case of contradiction to the article 14(1), up to TL 2 thousand to TL 5 thousand,
- f) In case of making implementations affecting the financial sizes of the company in contradiction to the article 14(3) or presenting continuity together with not affecting thereof significantly, up to TL 2 thousand to TL 5 thousand,
- g) In case of contradiction to the article 14(4) or the article 14(5), up to TL 2 thousand to TL 5 thousand,
- ğ) In case of contradiction to limitations included in the regulations issued pursuant to the article 15, up to 1% of the amount comprising contradiction, not being less than TL 10 thousand,
- h) In case of not making the notification foreseen in the article 15(2), up to TL one thousand to TL 3 thousand,
- ı) In case of not establishing the provisions required to be set aside pursuant to the article 16, not being less than TL one thousand, up to two thousand of the provision amount required to be set aside; in case of not removing the contradiction in the period to be granted by the Agency, not being less than three months, 3% of the provision amount which were not established,
- i) In case of contradiction to the article 17(2) or article 17(4), up to TL 2 thousand to TL 5 thousand,
- j) In case of contradiction to the article 19(1), the article 22(1) or the article 22(2), the article 38(2), the article 39(2) or the article 39(3), up to TL one thousand to TL 5 thousand,

(2) The following administrative fines of the Law are implemented to the real and legal entities concerned by the resolution of the Board and explaining the legal ground;

- a) In case of contradiction to the article 6(3), up to TL 5 thousand to TL 15 thousand,
- b) In case of contradiction to the article 11(1), article 11(2) or article 11(3), up to TL one thousand to TL 3 thousand,

c) In case of contradiction to the article 17(2) or the article 17(4), up to TL 2 thousand to TL 5 thousand.

(3) In case of violation of the resolutions taken depending on this Law by the Board and the Agency as to the articles concerned, to the instructions given by the Agency and regulations, communiqués issued and the other regulations made, administrative fine amounting up to TL 5 thousand to TL 10 thousand is implemented to the real persons and legal entities concerned, pursuant to the resolution of the Board and by explaining its legal ground.

Right to Defense and Decision for Closure

ARTICLE 45 – (1) The decisions as to whether the administrative fines shall be implemented or not shall be taken after receiving the defense of the related party. If no such defense has been submitted within one month from the date of receipt of a notice requiring the relevant party to file a defense, then the relevant party shall be deemed to have waived its right to defend.

(2) While the provisions of the article 44(1)(a) shall be applied to any branch opened in Turkey in contradiction to the article 8 of this Law, they are closed permanently or temporarily by the governors upon the demand of the Agency.

PART TWO Offences

Operating without Authorization

ARTICLE 46 – (1) - The persons who operate in financial leasing, factoring and financing without authorization required to be obtained pursuant to this Law, shall be sentenced to imprisonment from two to five years and administrative fine up to 5.000 days. It is provisioned to security measures special to legal entities concerning the legal entity who committed the offence thereof, in benefit to the said offence. Besides, in case of the offence thereof was committed under the structure of a business place, it can be decided to close the business place up to one month to one year, and in case of repetition, to close thereof permanently.

(2) The persons who use words or expressions which shall have the impression that they operate like a company in their trade names, any documents, declarations and commercials and explanations they make to public without taking the authorizations required to be taken pursuant to the Law, are punished with imprisonment up to 3 months to 1 year and juridical fine up to 1000 days. Besides, it can be decided to close these business places up to one month to one year and permanently in case of the repetition thereof.

(3) In cases of the contradiction to the paragraphs one and two, upon the application of the Chief Public Prosecutor's Office by the criminal law judge, the activities of the work place and as well as the advertisements thereof shall be temporarily suspended and their advertisements are collected by the relevant judicial court in case of suing them. These measures endure until they are lifted by magisterial decree. These decisions may be appealed.

Failure to submit the data and documents required by authorized agencies and auditors and preventing their actions

ARTICLE 47 – (1) Persons who do not present the information and documents which the authorized authorities and auditors by this Law are punished by imprisonment up to one year to three years and judicial penalty up to 500 days to 1500 days.

(2) Persons who prevent the auditors authorized by this Law to make their duties are punished with penalty of imprisonment up to two years to five years.

Making Misrepresentation

ARTICLE 48 – (1) Due to false announcements of the company in documents which they present to authorities and auditors stated in this Law and which they publish, the persons who sign each sort of documents comprising basis to them and regulating thereof are punished with imprisonment up to one year to three years, and judicial penalty not being less than 1500 days.

Declaration Liability of the Agency

ARTICLE 49 – (1) In case of determining any element of offence by the Agency relating to the offences stated in this Law, notification is made to Office of the Chief Public Prosecutor.

PART THREE Revocation of Operating Permission

Revocation of Operating Permission

ARTICLE 50 – (1) The operating license of a company is revoked by the affirmative votes of at least five members of the Board, in case of any of the following conditions to realize;

- a) not commencing the activities after receiving the operating permission in one year,
- b) not being member to the Association in one month as of the date of having the authorization to operate and not fulfilling the liability thereof in one week as of the notification made by the Agency,
- c) not declaring the change of address to the Agency in its period defined and in spite of the legal notification not being in its address,
- ç) suspending the operations for one year in a continuous manner,
- d) making inhibited operations included in the article 9(1)(a) or (ç),
- e) terminating the operations.

(2) The resolution relating to the revoke of operating permission is declared to the company and it is published in the Official Gazette. The publication of revoking resolution in the Official Gazette has notification status to the persons concerned.

(3) It is obligatory for the company whose operating permission is cancelled to stop immediately their operations and by uniting the general board in three months as of the revoking date and change the subject of the company and title or to take resolutions for starting liquidation transactions.

SECTION SEVEN **Final Provisions**

Provisions Amended

ARTICLE 51 – (1) The following subparagraph is added to the paragraph 20 of the section “I-Land Registry Operations” of the schedule no. 4 with a title of fees to be collected from Land Registry and Cadastre of Charges Law no. 492 and dated July 02, 1964.

“g) within the scope of leasing contracts realized by sale and leaseback method, in condition to repurchased by the end of contract period by the lease holder, during the sale of immovable leased to leaseholder 3.96 in thousand is taken from the transferor (in case of determination of not taking back the immovable by the leaser in any way, the ratio in the subparagraph (a) and the fee amount equivalent to the difference between the ratio in this subparagraph is collected with the default interest pursuant to the provisions of the Law no. 213, from the ones concerned)

(2) The President is authorized to determine the minimum interest rates that financial leasing, factoring and financing companies and the branches established in Turkey shall implement in borrowing transactions and the qualities of other interests and determining minimum amounts or rates thereof and to release them partially or wholly. The President can transfer the authorizations thereof to the Central Bank of The Republic of Turkey.

Provisions abolished

ARTICLE 52 – (1) The Act on Financial Leasing dated June 10, 1985 and no.3226 and the Decree Law on Borrowing Transactions dated September 30, 1983 and no.90 are abolished with their annexes and amendments.

(2) The references made to the Decree Law no.90 and the Act no. 3226 are deemed to be made to the articles concerned of this Law.

Implementation of the current regulations

PROVISIONAL ARTICLE 1 – (1) The provisions of the regulation, which are not in contradiction with this Law, issued depending on the provisions abolished, are continued to be implemented.

(2) The regulations foreseen in this Law are entered into force in one year.

Adaptation Period

PROVISIONAL ARTICLE 2 – (1) The companies have their conditions adapted to the article

5(1)(e) in three years; the article 8(1) and the article 13(2) in six months as of the publication of this Law. In case of the fact that compelling reasons exist and thereof deemed appropriate by the Board, these periods can be extended, not exceeding more than one year.

(2) The provisions of the paragraph 1 are implemented on applicants for establishment or authorization to operate to the Agency before April 30, 2012.

Liabilities concerning the Association

PROVISIONAL ARTICLE 3 – (1) The status of the Association which includes; the Association organs, representation of companies in the Association organs, working principles of the Association and the scope of the activities, would be prepared by Financial Leasing, Factoring and Consumer Finance Companies associations separately by taking the approval of the Board, and is entered into force by the Resolution of the Council of Ministers upon the proposal of the Agency.

(2) The companies operating before the date which this Law entered into force have to be member to the Association in one month following the date which the Association shall operate.

(3) Pursuant to the provisions of this Law, in registration of the contracts to be registered to the private registry recorded by the Association pursuant to the provisions of the Law, it is continued to the implementation of the provisions on the registry of the Law no. 3226 abolished by this Law until the determination of the principles and procedures relating to the registration pursuant to the article 22.

(4) In registration of financial leasing contracts to be made pursuant to the article 21 until the Association shall be established, implementation of the provision concerned of the Law no. 3226 abolished by this law shall be continued.

(5) The transactions foreseen in the article 43 of this Law are fulfilled in one year following the establishment date of the Association.

Regulated Financial Leasing Contracts

PROVISIONAL ARTICLE 4 – (1) The implementation of provisions relating to the period of the Law No. 3226 which is abolished by this Law, for financial leasing contracts regulated before the date which this Law is entered into force, is continued.

Provisions relating to lenders

PROVISIONAL ARTICLE 5 – (1) The persons having lending activities pursuant to the authorization that they have from the Decree Law no. 90 can make application to the Agency for executing one of the activities stated in this Law in six months as of the date which this Law enters into force. They cannot have any lending activities other than transactions concerning the collection of receivables arising from current contracts in this period. The lenders who made application to the Agency, in condition to take the required authorization from the Board, can continue to their activities as factoring, financial leasing or financing companies. The companies to be established have to fulfill the capital liability included in the article 5(1)(e) of this Law in three years. Lending authorization of the ones who cannot receive the required authorization from the Board despite the application to the Agency and

the ones who did not make any application to the Agency terminates naturally without any operation.

Entry into Force

ARTICLE 53 – (1) This Law enters into force on the date of publication.

Enforcement

ARTICLE 54 – (1) The provisions of this Law are enforced by the Council of Ministers.

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LIST REGARDING THE AMENDMENTS TO THE LAW

LAW NUMBER	DATE OF EXECUTION
6728	9/8/2016
7061	1/1/2019
Decree Law/700	9/7/2018
7186	19/7/2019

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