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PEKİN BAYAR MİZRAHİ

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I. INTRODUCTION

An Overview: Geography and Population

The Republic of Türkiye is situated at the geographic crossroads of Europe and Asia. Türkiye shares European borders with Greece and Bulgaria and neighbors Syria, Iraq, Iran, Azerbaijan, Armenia and Georgia in Asia. It is surrounded by seas on three sides. The Black Sea forms its northern coastline and links Türkiye with Southeastern Europe, Russia and the Caucasus. The Aegean Sea borders its western coastline and channels through Europe. The Mediterranean Sea borders its southern coastline and ties Türkiye with the Middle East and North Africa.

Türkiye is also positioned at the intersection of strategic trade routes on three continents. Istanbul is a major regional air hub connecting passengers within a four-hour flight radius to capital cities in Europe, Western and Central Asia, the Middle East and Africa.

Türkiye is a member of the Organization for Economic Co-Operation and Development (OECD), World Trade Organization (WTO) and North Atlantic Treaty Organization (NATO) and has been a European Union accession candidate since 2005.

Türkiye is home to the second-largest population in Europe. According to TURKSTAT, the population of Türkiye as of 2023 is approximately 85.6 million people. Nearly three-quarters of the population is between the ages 15 to 64, with a median age of 34.4, 10.3 years younger than that of the European Union.

Economic Overview

Introduction

A largely free-market economy with a combination of traditional agriculture, modern industry and a dynamic services sector, Türkiye's economy is one of the largest in Europe and the Middle East and North Africa (MENA) region. The IMF database currently ranks Türkiye as having the 16th highest gross domestic product (GDP) in the world, as measured according to current US$ value.

Often viewed by investors as having a large skilled and cost-effective workforce, the OECD ranks Türkiye as the 5th largest labor pool in the world and the 2nd largest labor pool among the European countries.

Main Sectors

Agriculture, industry and services are all key components of the Turkish economy, contributing roughly 5.59 percent, 25.94 percent and 56.82 percent, respectively, to the GDP. Manufacturing is driven by strong sectors such as automotive, textile and consumer goods. The services industry is driven by the financial services, telecommunications, construction, tourism and healthcare sectors. In particular, real estate assets have been a strong target of foreign investment.

Energy

Türkiye's growing economy and the increasing demand for energy, which cannot be met by the currently available domestic energy resources, has resulted in a dependency on energy imports, primarily oil and gas. According to the International Energy Agency, 84.7 percent of the oil resources and 95.8 percent of the gas resources used in Türkiye are imported.

In recent years, dependency on fuel imports and environmental concerns have led to a focus on renewable energy sources such as wind, solar and geothermal. In addition, integration of nuclear power into the Turkish energy mix has become a key aspect of the country's plans for securing the energy demand which is necessary for economic growth. Construction of the first of three planned nuclear power plants – the Akkuyu facility on the Mediterranean coast – began in April 2015 and is still ongoing. In 2023, the Energy and Natural Resources Minister announced that Türkiye found natural gas worth more than US$500 billion in the Black Sea.

Liberalization of the energy market, through privatization of production and distribution assets, as well as market deregulation, has created significant investment opportunities in almost all components of the value chain for electricity, natural gas, oil and coal.

Türkiye is a critical energy corridor facilitating the trade of oil and gas between the world's crucial suppliers in Western Asia and the large consumer market in Europe. Several large pipeline projects are in operation or under development. Of significance are the Baku-Tbilisi-Ceyhan (BTC) crude oil pipeline, which runs from the Caspian Sea to the Mediterranean, passing through Azerbaijan, Georgia and Türkiye; TurkStream, which runs from Russia to Türkiye through the Black Sea; and the Trans-Anatolian Natural Gas Pipeline (TANAP), which runs from Azerbaijan through Türkiye to Europe.

Taxation

There are three general tax categories in Türkiye: income taxes, taxes on wealth and taxes on expenditure. In addition, there are social security contribution requirements for both employers and employees.

Income taxes are applicable to real persons as well as corporations. While the corporate tax rate is flat, personal income tax is levied at progressive rates on an individual's annual taxable income, the highest rate being 40 percent. The tax rate pertaining to the corporate income (CIT) in Türkiye is set at 25 percent for the 2025 taxation period. The CIT rate for financial sector companies is 30 percent. Taxes on wealth include real property tax, motor vehicles tax, inheritance tax and gift tax. Real property tax ranges between 0.3 percent and 1 percent of the registered value of the real property. The rate of motor vehicles tax depends on the age and engine capacity of the vehicle. Inheritance and gift taxes are levied at a rate of 1 percent to 30 percent.

Taxes on expenditures include value-added tax (KDV), special consumption tax, stamp tax and banking and insurance transaction tax (BSMV). Unless there is a specific exemption, KDV is levied at a rate that varies between 1 percent and 20 percent on the purchase (including importation) of various goods and services. Special consumption tax applies to the sale of certain goods such as alcohol and tobacco. Please see "Costs of Financing" under "BANKING AND FINANCE" for further details on taxes.

Social security contributions are calculated on the basis of monthly wages and are paid jointly by the employer and the employee. Currently, the employer's share is 22.75 percent (subject to a 4 percentage point decrease, subject to certain conditions) which can be decreased to 22 percent or increased to 23 percent by Presidential Decree, and the employee's share is 15 percent of monthly gross earnings, including salary and bonuses, where gross earnings are capped at a monthly amount (currently ₺195,041.40).

As part of the social security contributions mentioned above, employers and employees are required to make contributions of 2 percent and 1 percent, respectively, of the employee's gross salary to the unemployment insurance fund.

Türkiye has several investment incentive programs which provide benefits and exemptions from one or more types of taxes. Eligibility for an incentive program depends upon the scale, geographical location and strategic nature of the investment.

The Parliament is the primary competent authority that imposes, amends and revokes tax obligations. It may also authorize the President to set various tax rates, within the range specified by the relevant tax law. The Ministry of Finance implements tax laws and regulations.

Türkiye is party to double-taxation treaties with many countries. These treaties prevent double taxation and allow cooperation between Türkiye and other applicable tax authorities. For more information on Türkiye's international treaty commitments, please see "International Treaties" under "PROTECTION OF FOREIGN INVESTMENTS."

Currency

Türkiye uses a floating exchange rate regime under which exchange rates are determined by supply and demand conditions in the market. Foreign exchange bid prices are published on a daily basis on the Central Bank website.

Legal System

Constitutional Structure

The Turkish constitutional structure has operated as a multi-party system for 80 years.

The first constitution of the Republic of Türkiye was adopted in 1924 and the current constitution dates back to 1982. Although Türkiye initially adopted many of its legal codes from Switzerland, France and Italy, in recent years, in conjunction with the country's European Union accession process, both the Constitution and the legal codes have undergone significant amendments. Please see "Constitutional Amendments of 2017" below for information on the scope of the most recent constitutional amendments.

The Turkish constitutional system is based on the separation of powers. The Constitution provides for a single legislative body, the Parliament, an executive branch comprised of the president and an independent judiciary represented by a multi-layer court system divided into civil, criminal and administrative authorities.

The legislative power of the state is vested in the Parliament, which is comprised of 600 members. Under a closed list electoral system, voters do not cast ballots for candidates but rather for a political party based on a candidate list presented by the political party. Seats in Parliament are proportionally allocated to political parties gaining 7 percent or more of the national electoral vote. Members of the Parliament represent the entire nation and serve five-year, renewable terms. The Parliament is vested with powers to adopt and repeal laws, debate and adopt legislative proposals on the state budget, print money, ratify international treaties and declare war.

The executive branch is the presidency. The president is elected by direct national vote for a five-year term with the possibility of being re-elected for a second five-year term. The president is the head of state and has the power to veto legislation. A presidential veto may be overridden by the Parliament if a simple majority of its members adopt the proposed law for a second time and without amendment.

The Turkish judiciary is an independent body of the public administrative system. The overarching structure of the judiciary is a multipartite system embodying two distinct court systems: general courts (including civil, commercial, criminal, labor and family courts) and administrative courts. In the general and administrative judiciary, there are courts of first instance, appellate courts (*istinaf mahkemeleri*) and high courts. The high court of general jurisdiction is the High Court of Appeals (*Yargıtay*), and the Council of State (*Danıştay*) is the highest administrative court. The highest court for constitutional review and adjudication is the Constitutional Court of Türkiye (*Anayasa Mahkemesi*).

Turkish courts' review of a dispute is focused on establishing the facts of the dispute and applying the provisions of the relevant code to those facts. Both the fact-finding and legal analysis functions are carried out by a judge who, in practice, often appoints expert witnesses to submit reports to the court. There is no jury system. Unlike in common law systems, the role of the judge is limited in terms of law-making. In the absence of an applicable statutory provision, judges may establish applicable rules on a case-by-case basis; however, this authority is rarely used. This authority does not extend to criminal law cases.

As a general rule, court precedents provide non-binding guidance to courts. In other words, the *stare decisis* principle, emblematic of common law jurisdictions, is less stringently adhered to in Türkiye. However, decisions of the plenary sessions of the High Court of Appeals and the Council of State that address conflicting applications of the law from different chambers (also known as decisions on the unification of conflicting judgments) establish binding precedents.

Constitutional Amendments of 2017

The constitutional amendments, approved through a public referendum held on April 16, 2017, include comprehensive revisions to the Turkish governmental system, replacing the dual-structured executive branch with a presidential system.

The amended Constitution grants broader executive powers to the president through consolidating the authorities of the now-defunct Council of Ministers, including those of the prime minister, in the president's office. Subject to certain restrictions, the president has the right to issue presidential decrees (*cumhurbaşkanlığı kararnamesi*) to undertake activities whose approval is not, for whatever reason, sought from Parliament, such as a unilateral declaration of a state of emergency, a call for early elections or to issue regulations to implement laws. The president also has the right to propose an annual budget to the Parliament. If the Parliament does not ratify the president's proposed annual budget, it may adopt a provisional budget. Failing passage of a provisional budget, the prior year's budget, adjusted using a revaluation ratio, automatically becomes law.

Under the amended Constitution, the Council of Ministers has been abolished, and the Parliament no longer has the power to appoint or dismiss any executive officer. Rather, the Parliament may, with the approval of three-fifths of its members, call for early elections. Regardless of the branch of government calling for early elections, simultaneous elections are held for both the Parliament and the presidency. In the event that Parliament calls an early election during the president's second term, the incumbent president may be elected again.

The amended Constitution also, among other things, abolished the military judiciary, revised the structure and composition of the Constitutional Court and abolished the concept of bylaws (tüzük) that were, in the past, issued by the Council of Ministers upon review of the Council of State.

Sources of Law

Türkiye is a civil law jurisdiction. The legal system is based on comprehensive legal codes (laws). Duly ratified international treaties also carry the force of law. The provisions of a treaty become applicable when the Parliament enacts a law announcing the entry into force and execution of the relevant treaty.

Below is an explanation of the legal hierarchy under the current Constitution and is intended to be read with the subsection "Constitutional Amendments of 2017" above.

Laws may only be enacted by the Parliament, not by the courts. However, since general laws are not always sufficient to accommodate the daily needs of society, administrative authorities are empowered to issue secondary legislation containing more technical, in-depth provisions relating to the implementation of a law.

The legal hierarchy in Türkiye can be stated as follows:

- First, the Constitution;
- Second, international treaties that are duly ratified by the Parliament that concern fundamental rights and freedoms (such as the European Convention on Human Rights);
- Third, statutory laws, presidential decrees and other international treaties duly ratified by the Parliament;
- Fourth, regulations and ministerial communiqués.

Fundamental Laws

Türkiye's fundamental laws are largely based on other major continental European legal systems. For instance, the Turkish civil law system incorporates elements of Swiss law, Turkish commercial law is largely based on German law, Turkish administrative law bears similarities to French law and the Turkish criminal code is similar to its Italian counterpart. The fundamental laws (also known as codes) in force in Türkiye are:

- The Civil Code governing the general rules and principles applicable to individuals and legal entities residing or incorporated in Türkiye, as well as their general dealings with each other (such as personal status law or family law);
- The Code of Obligations regulating the rights and obligations (contractual or non-contractual) of private persons vis-a-vis each other;
- The Commercial Code regulating commercial undertakings, companies, negotiable instruments, maritime law and insurance agreements;
- The Labor Law governing the relationship between the employee and the employer;
- The Criminal Code governing general principles of criminal law, various categories of crimes and applicable penalties; and

- Administrative law composed of various laws regulating the functions of governmental bodies and their relationship with individuals and legal entities.

In addition to these fundamental laws, there are non-sectoral laws (such as competition and environmental law) and sectoral laws (such as banking, capital markets and energy) that form an important part of the business landscape. The main regulatory entities with rule-making and implementation authority are the various ministries and separate regulatory agencies created to supervise certain activities, including the Banking Regulation and Supervision Agency (BDDK), the Capital Markets Board, the Energy Market Regulatory Authority (EPDK), the Data Protection Board and the Competition Authority. These regulatory agencies are independent, administratively and financially autonomous public institutions.

II. CORPORATE ENVIRONMENT

The main legislation governing the Turkish corporate sphere is the Commercial Code. The current Commercial Code, which came into force in 2012, replaced the prior commercial code that had been in force for over 50 years.

Corporate Structures

Legal entities that are permitted under the Commercial Code include joint stock companies (*anonim şirket*), limited companies (*limited* şirket), collective companies (*kollektif şirket*), *commandite* companies (*komandit şirket*) and cooperative companies (*kooperatif şirket*). Non-incorporated enterprises (*adi ortaklık*) do not have legal personality and are regulated under the Code of Obligations.

Domestic and foreign investors commonly choose to form joint stock companies or limited companies as these entities have a number of features that are useful for doing business in Türkiye. Joint stock companies are the most sophisticated type of entity and are mandatory in certain regulated sectors such as banking, factoring, insurance, asset management and independent auditing.

The table below presents a comparison between the main features of joint stock companies and limited companies:

	Joint Stock Company	**Limited Company**
Number of shareholders	Minimum one shareholder No restriction on the maximum number of shareholders	Minimum one shareholder Maximum number of shareholders limited to 50
Minimum capital	Minimum required share capital is ₺250,000 (or ₺500,000 for companies under the "authorized capital" regime)	Minimum required share capital is ₺50,000
Nominal share value	Nominal value of each share must be ₺0.01 or a multiple of that amount	Nominal value of each share must be ₺25 or a multiple of that amount
Authorized non-issued capital	May have authorized non-issued capital	May not have authorized non-issued capital
Public trading	May be publicly traded	May not be publicly traded
Regulated industries	Certain regulated industries require joint stock companies	Certain regulated industries do not permit limited companies
Debt instruments	May issue debt instruments	May not issue debt instruments
Financial assistance	There are certain prohibitions on financial assistance to fund the acquisition of a joint stock company's own shares	There are no prohibitions on financial assistance to fund the acquisition of a limited company's own shares
Shareholder liability	Shareholders may not be held responsible for public debt of the company	Shareholders may be held responsible for public debt of the company
Share transfers	Share transfers are not, as a general rule, subject to any restrictions. Share transfers may be restricted, to a certain extent, by shareholders in the Articles of Association.	Share transfers are subject to the approval of the General Assembly. Approval may be withheld for any reason without providing justification. Share transfer agreements must be notarized and registered with the Trade Registry.

Foreign companies may establish branches or liaison offices while Turkish companies may establish branches. Branches are registered with the trade registry, do not have separate legal personality and are not completely independent from the head office. Branch office activities must be in line with the head office's activities.

Liaison offices differ from the structures described above in that they may not engage in any commercial activity and therefore may not generate any income or incur any losses. As the restriction on "not engaging in commercial activities" is interpreted strictly by the supervisory authorities, the activities of liaison offices are generally limited to gathering market information. Foreign investors often use liaison offices to familiarize themselves with the Turkish market prior to starting operations. Liaison offices are subject to permits which are issued for initial periods of up to three years and may be extended thereafter. The Ministry of Industry regulates liaison offices, and the representative offices of foreign banks are subject to oversight by the BDDK.

Each company is registered with the trade registry in the city where its headquarters is located. In addition, each branch of each company is also registered with the trade registry in the city where the branch is located. If all of the required documentation is available, and in compliance with the formal requirements, establishment of a company or branch office should not take more than a few business days. The documents requested by trade registries are standard but can change from time to time, and documents in a foreign language must be certified and translated according to specific procedures.

Joint Stock Companies

A joint stock company is a corporation with a minimum capital of ₺250,000 represented by shares and which has legal personality. Sole-shareholder joint stock companies are also permitted.

As a general rule, no governmental consent or approval is required to set up a joint stock company. Registration with the relevant trade registry and notification to the Ministry of Industry for foreign investors are sufficient. However, the establishment of a company that will operate in a regulated sector requires, among other regulatory approvals, the prior consent of the Ministry of Trade.

The articles of association (*ana sözleşme* or *esas sözleşme*) is the main constitutive document for this type of legal structure. The articles of association specify the trade name, headquarters, purpose, share capital amount, type of company shares (registered or bearer), number of directors and other information concerning the company. It is filed with the relevant trade registry and announced publicly in the Trade Registry Gazette. The articles of association are binding on every shareholder of a joint stock company.

Certain matters, including increases or decreases of share capital, are exclusively reserved for decisions by the general assembly of shareholders. The articles of association must be amended to reflect any changes to the share capital.

The Commercial Code permits an "authorized capital" system for joint stock companies. Under this system, the shareholders determine a ceiling amount of authorized capital in the articles of association. The board of directors may then increase the company's share capital by issuing new capital up to such ceiling during a period of five years without further general assembly approval for each increase. Currently, the statutory minimum share capital amount under the authorized capital system is ₺500,000.

Public companies may also operate under the authorized capital system after seeking the approval of the Capital Markets Board.

Capital may be cash or non-cash. Any non-cash capital must be transferrable and not encumbered. Non-cash capital must be valued by an expert appointed by the relevant commercial court. Personal services, receivables not yet due or commercial reputation may not be contributed as capital.

Mandatory Corporate Bodies of Joint Stock Companies

Board of Directors

A joint stock company is managed and represented by its board of directors. The board may be composed of one or more directors who may be individuals or legal entities. Directors are elected by the general assembly for a maximum term of three years and may be re-elected. Directors need not be shareholders of the company. Legal entity directors must appoint an individual representative to take the necessary corporate actions on their behalf. There are no citizenship or residency requirements for serving as a director. Certain share classes or minority shareholders (please see "Minority Rights" subsection of this chapter for further information on minority shareholders) may be given the privilege to appoint a specific number of members to the board. The board may hold physical or electronic meetings and pass resolutions by written consent in lieu of a meeting. While the Commercial Code sets forth the minimum meeting and decision quorums, a higher number may be specified in the articles of association. Although the board may delegate certain of its powers to one or more directors or officers, at least one board member must maintain the power to represent and bind the company.

General Assembly of Shareholders

Certain matters are exclusively reserved for decision by the general assembly of shareholders. Such matters include amendments to the articles of association, changes to share capital and the election or removal of directors. The general assembly must convene annually on an ordinary basis and may convene as needed on an extraordinary basis. While the Commercial Code sets forth the minimum meeting and decision quorums, the articles of association may specify a higher number. Each shareholder has the right, during the general assembly, to ask questions to the directors and auditors and to request a special audit on a specific matter.

Shares of Joint Stock Companies

A joint stock company requires a minimum capital of ₺250,000 with each share having a nominal value of ₺0.01 (one *kuruş*) or a multiple of that amount. 25 percent of the share capital of a joint stock company must be paid in before registration and the remaining 75 percent must be paid in within two years following registration.

Shares may not be issued for a value lower than the nominal value. However, shares may be issued with a premium in excess of the nominal value. Any such excess over the nominal value is transferred to the company's reserves.

Preferred or preference shares are defined in the Commercial Code as privileged shares (*imtiyazlı pay*). Privileged shares may be issued if permitted in the articles of association. With the exception of the privilege to appoint members to the board of directors, privileges such as dividend or voting privileges are attached to the share and not to the person holding the share.

Shares may be in either registered form (*nama yazılı*) or bearer form (*hamiline yazılı*). While it is not mandatory to issue certificates to represent registered shares, doing so may be convenient for certain share transactions such as transfers or pledges. Minority shareholders have a right to request the issuance and delivery of certificates representing registered shares. Such share certificates must then be delivered to all shareholders.

Uncertificated registered shares may be transferred with a written transfer agreement. If certificated, shares are transferred by delivering the share certificate. In addition, for registered share certificates, it is required that the transferor duly endorses the back of the certificate. Transfer of bearer shares requires notification and registration with the Central Registry Agency (*Merkezi Kayıt Kuruluşu*).

Shareholders have statutory pre-emptive rights to participate in capital increases in proportion to their shareholding. This right may only be restricted or revoked for justified reasons by a general assembly resolution approved by shareholders holding at least 60 percent of the share capital.

As a general rule, registered shares that are fully paid-up may, subject to any specific restrictions in the articles of association, be freely transferred. Restrictions requiring the company's approval for transfer must be based on justifiable grounds relating to the composition of shareholders, the business of the company, the economic independence of the company or sector-specific regulations. For example, share transfers in companies operating in regulated sectors (for example, energy, banking, insurance and financial services) may be subject to the relevant regulatory body's approval, if the transfer exceeds certain thresholds.

Registered shares that are not totally paid-up may only be transferred with the company's approval, unless the transfer is due to inheritance, a marital property regime or enforcement of an obligation. The company may refrain from giving its approval only if the transferee does not have the ability to pay for the shares.

Please see "Security and Collateral" under "BANKING AND FINANCE" for details on share pledges.

Joint stock companies may purchase their own shares up to a value equal to 10 percent of the share capital, subject to conditions stipulated by the Commercial Code.

Although the Commercial Code expressly permits shareholders in a limited company to include in the articles of association rights of first refusal, call options and put options (in which case these rights are enforceable against third parties), there is no equivalent permission for joint stock companies. In practice, however, such rights and options are often included in shareholders' agreements whose binding effect is limited to the parties thereof and sometimes in articles of association of joint stock companies. Because the elements of shareholders' agreements are not specifically defined in the law, and also because a shareholders' agreement may not override the articles of association, the enforceability of these provisions is questionable and remains a topic of discussion in Turkish law. Moreover, the limited enforceability of specific performance clauses (requiring a party to perform a contractual obligation as set forth under the contract) under Turkish law further complicates the enforceability of shareholders' agreements in practice. Therefore, remedies for breach are not enforceable against third parties and remain at the contractual level among the shareholders.

Dividends of Joint Stock Companies

Dividends may only be distributed out of net profits and legal reserves. Before distribution of dividends, the Commercial Code requires an allocation equal to 5 percent of profits (before taxes and previous years' losses) to statutory legal reserves. This allocation is not required if accumulated reserves exceed 20 percent of the paid-in capital. Additional voluntary contributions to reserves are permitted. A dividend equal to 5 percent of the company's paid-in capital may be distributed to shareholders from net profits. The dividend distribution percentage may be higher if stipulated in the articles of association.

Advance dividend distributions are permitted if the company has generated profits and the general assembly has resolved to do so in advance. For public companies, specific authorization to make advance dividend distributions must be permitted in the articles of association.

Financial Assistance Prohibition

The Commercial Code prohibits joint stock companies from granting loans or security or from advancing funds for the acquisition of their own shares. A target company may not (i) grant any loan, (ii) advance any funds or (iii) provide its own assets as collateral for an acquisition financing. However, shares of the target company owned by the shareholders, not the company, may be provided as collateral.

The Commercial Code provides for two exceptions of limited application to this prohibition. The first relates to transactions by banks or other financial institutions and is limited to scenarios where the bank or financial institution is the target company. The second exception is for transactions involving the purchase of a company's shares by the employees of the company or its subsidiaries.

Limited Companies

A limited company must have a minimum capital of ₺50,000 with each share having a nominal value of ₺25 or a multiple of that amount. Shares may be certificated or uncertificated.

Limited companies are not allowed to undertake certain regulated activities, such as banking and insurance, and may not be publicly listed. As with joint stock companies, the articles of association of a limited company must contain certain required information and must be registered for public disclosure with the Trade Registry.

One of the distinct characteristics of limited companies is that, although the liability of the shareholders is limited to their share capital, shareholders may be held personally liable for the public debts, such as taxes and social security payments, of the company. It is also possible in the articles of association to stipulate that shareholders may have additional liabilities such as capital contribution requirements.

Mandatory Corporate Bodies of Limited Companies

Manager(s)

A limited company must be managed and represented by at least one manager. Managers may be selected from third parties; however, it is required that at least one shareholder have the authority to represent and bind the company. Managers may be individuals or legal entities. Legal entity managers must appoint an individual representative to take the necessary corporate actions on their behalf. There are no citizenship or residence requirements for managers.

General Assembly of Shareholders

As with joint stock companies, the general assembly of shareholders is the other mandatory corporate body in a limited company. The Commercial Code reserves certain matters, such as amendments to the articles of association, appointment or removal of managers and approval of share transfers, exclusively for the general assembly.

Shares of Limited Companies

Share transfer agreements must be in writing and certified by a Turkish notary public. Unless otherwise stipulated in the articles of association, the general assembly of shareholders must approve share transfers. The articles of association may prohibit share transfers altogether. If the general assembly of shareholders does not approve a share transfer or share transfers are prohibited under the articles of association, a shareholder may withdraw from the company and ask to be paid the fair market value of the shares held by such shareholder by initiating a lawsuit against the company. Limited company share transfers must be registered with the Trade Registry.

The articles of association may give shareholders or the company itself rights of first refusal or call and put options.

Non-Incorporated Enterprises

Under the Code of Obligations, individuals or legal entities may form non-incorporated enterprises. Because such enterprises do not have legal personality, they are sometimes preferred for projects undertaken by partners where the corporate formalities of a legal entity are not necessary. For example, a joint venture may be formed for a specific purpose such as bidding in a tender.

At the heart of the non-incorporated enterprise lies a contractual relationship between at least two persons. Each partner must contribute a partnership interest, which may be of an intangible nature, such as physical or intellectual efforts, goodwill and know-how. Third parties may also be appointed to represent or manage the non-incorporated enterprise.

Partners are personally responsible for the debts of the partnership. Unless otherwise determined by all partners, each partner has the right to individually represent and bind the partnership, and each partner may oppose and prevent an action taken individually by another partner prior to completion of such action.

Other Forms of Legal Entities

Less common forms of corporate entities are collective companies, commandite companies and cooperative companies. These types of companies establish a more informal relationship between the shareholders. In the case of collective companies, all shareholders – and in the case of commandite companies, one class of shareholders – may be held personally liable for all of the company's debts and obligations. Cooperative companies are legal entities established for cooperative supply of various needs related to the founders' professions, crafts and other businesses. Cooperative companies are based on the principle of mutual help and collaboration.

The Turkish legal system permits two types of non-profit legal entities, namely associations and foundations. Associations are entities formed without any capital requirement and require at least seven members to exist. There is no citizenship requirement for members of associations; however, a member who is not a Turkish citizen must be legally residing in Türkiye. Foundations must be not-for-profit, have at least one real or legal person member and require the allocation of real estate, a regular income or a lump sum capital to the fulfillment of its stated activity or purpose. There must always be a sufficient amount of funds remaining to fulfill the goal of the foundation and provide continuity. If the funds are consumed, the foundation is terminated by the state.

Governmental agencies monitor the operations of non-profit entities principally to check whether resources are correctly used for the charitable purposes indicated in their constitutional documents. Accepting funds and donations and obtaining tax-exempt status for the entity and donor are subject to additional rules after the entity is formed. For example, an association seeking to raise funds from the general public must secure approval from the relevant governorship of the city where the fundraising activities will be undertaken. If these activities span several cities or the whole country, the association must secure the approval of the governorship under whose jurisdiction it resides. Neither type of non-profit entity may distribute funds to its members.

Fiduciary Duties

Joint stock company directors and limited company managers must perform the fiduciary duties of loyalty and care towards the company's shareholders. The duty of loyalty stems from the mandate given to directors and managers by the shareholders to manage the company. As an extension of this duty, directors and managers are not allowed to enter into transactions with the company itself or enter into competition with the company without the approval of the general assembly. In respect of the duty of care, directors and any person with delegated board powers are required to carry out their duties diligently. Failure to act in accordance with the objective standards required from such position for exercising the duty of loyalty and care may result in being held liable for breaching this duty.

While fiduciary duties have traditionally been a concept applicable to directors and managers, the Commercial Code has introduced the principle of expanding fiduciary duties to shareholders who are in control of a "group of companies." This concept is important since conglomerate structures are a common feature of the Turkish economy. Foreign investors can easily find themselves in control of a "group of companies" and therefore subject to fiduciary duties.

A corporate "group of companies" is deemed to exist if there is a structure of at least one parent company and two subsidiaries controlled by that parent company. This structure is applicable to both joint stock and limited companies. It is sufficient for any one of these companies to be headquartered in Türkiye. In corporate groups, the parent company has a fiduciary duty of loyalty to each subsidiary and may not impose a transaction on the subsidiaries that would cause harm to one subsidiary to the benefit of the other. In such case, the parent must compensate the harm within a certain amount of time. Failure to do so may result in a shareholder or creditor of the aggrieved subsidiary filing for damages against the parent (as well as the parent's shareholders and directors) and requesting compensation.

In addition, if the shareholding percentage of an entity in a joint stock company or limited company exceeds or goes below defined thresholds (5 percent, 10 percent, 20 percent, 25 percent, 33 percent, 50 percent, 67 percent or 100 percent), such shareholder (whether or not it is controlling) is required to make disclosures to the company, the Trade Registry and, if the company is regulated, to any relevant regulatory bodies. Failure to make the disclosure results in the suspension of important shareholder rights including voting and dividend rights.

The board of directors has special responsibilities in cases of capital loss (*sermaye kaybı)* and significant debt (*borca batıklık)*.

The Commercial Code regulates two scenarios of capital loss. First, if it is understood from the most recent year's financial statements that half of the company's share capital and legal reserves have been lost, the board of directors must immediately call a general assembly meeting and propose a corrective action plan to the shareholders. Second, if the most recent year's financial statements reveal that two-thirds of the company's share capital and legal reserves have been lost, the board of directors must immediately call a general assembly meeting. Unless the general assembly decides (i) to accept the loss and resume operations with only one-third of the capital by way of capital decrease or (ii) compensate the loss by injecting capital, the company is automatically dissolved without any legal proceeding or action. All interested parties may ask the courts to issue a declaratory ruling to this effect.

If there are signs that the company is in significant debt, the board of directors is responsible for preparing an interim financial statement. If the interim statement reveals that the company's assets (excluding those without which the company cannot continue to operate), if sold, would still be unable to pay its debts, the board of directors must notify the competent commercial court. This notification would constitute a bankruptcy filing.

The managers of limited companies have the same responsibilities in the event of capital loss or significant debt of a limited company.

Accounting and Audit

Private joint stock companies and limited companies that meet certain criteria (for example, net asset, net sales revenue and number of employees) and all public companies regardless of these criteria are subject to independent audit. In addition, all companies operating in regulated sectors (such as banking, capital markets and telecommunications) are also subject to independent audit requirements.

In an effort to align the accounting practices with internationally recognized rules, the Commercial Code requires financial statements to be prepared in accordance with the Turkish Accounting Standards and Turkish Financial Reporting Standards that are in line with IFRS. In 2015, in an effort to establish compliance with IFRS to the greatest extent possible, a conceptual framework for financial reporting including a set of reporting standards and interpretation guidelines was published in the Official Gazette. These standards are continuously updated in accordance with the amendments made by the International Accounting Standards Board.

There are also related disclosure and reporting obligations for companies deemed to be part of a “group” (as defined in Section II. B above). The board of directors of subsidiary entities are required to prepare an annual report setting out all transactions within the corporate group. The report must specify any losses suffered and, if applicable, whether those losses have been compensated for within the group.

Minority Rights

Shareholders, holding at least 10 percent of the capital in privately held joint stock or limited companies or at least five percent of the capital in public companies, have certain statutory rights. These rights include affirmative rights to take certain actions and veto rights to block certain actions proposed by other shareholders. The articles of association may provide a lower shareholding threshold than what is required by statute.

Minority shareholders may request:

- Issuance of registered share certificates;
- The board of directors to convene a general assembly and adding items to the meeting agenda;
- Adjournment of balance sheet discussions for a month;
- Dissolution of the company on just grounds;
- Information from the board of directors or auditors at a general assembly meeting. Any shareholder, regardless of the statutory minority threshold, may request information; and
- Appointment of a special auditor on certain issues. Again, any shareholder, regardless of the statutory minority threshold, may request this.

The resolutions listed below require approval, by law, of a specific supermajority of the shareholders and therefore may be blocked by minority shareholders holding sufficient capital to preclude such a supermajority. The statutory supermajority requirements may be increased under the articles of association (unless, of course, it is 100 percent). Requirements other than the approval of a specified majority of share capital may also apply in order to take the actions listed below.

Resolution	Minimum Vote Required
Imposing monetary obligations to cover balance sheet losses	100% of the share capital
Changing the nationality of the company	100% of the share capital

Minority squeeze out	90% of the share capital
Changing the field of activity	75% of the share capital
Issuing privileged shares	75% of the share capital
Restricting transfer of registered shares	75% of the share capital
Decrease of share capital	75% of the share capital
Issuing the debt instruments	75% of the share capital
Wholesale of significant portion of company's asset	75% of the share capital
Termination or liquidation	75% of the share capital
Merger or de-merger	75% (or 90% if the share ratio is not preserved) of the share capital
Converting the type of the company	66% of the share capital
Limiting or removing statutory pre-emptive rights	60% of the share capital

Shareholders may be squeezed out from a company in two circumstances: (i) merger and (ii) disruptive actions by minority shareholders in a corporate group of companies.

In a merger scenario, shareholders owning 90 percent or more of the dissolving company may squeeze out minority shareholders by offering them the real value of their shares.

In a corporate group of companies, the controlling company holding at least 90 percent of the shares of a subsidiary may squeeze out the minority shareholders if these shareholders act in bad faith and disrupt the business operations.

Termination

A company may be terminated voluntarily upon the decision of its shareholders or if certain specific circumstances exist, such as bankruptcy, expiration of a definite term, realization of a specified purpose or occurrence of a specific termination cause set out in the articles of association. If the articles of association of a company have a provision setting a certain date for termination, the company must be terminated at that date, although such provisions are not common in practice. Continuation of a company's business activities after the expiration of the definite term tacitly deems it a company with indefinite period.

The owners of a company may, in a shareholders' general assembly meeting where at least 75 percent of the total share capital is represented, approve voluntary termination.

Termination by court order is an extreme measure which is generally granted by Turkish courts only as a last resort. Courts look for one of the following causes before ordering termination:

Failed Company Management

Shareholders may file a lawsuit for the company's termination (i) if the general assembly of shareholders cannot convene at least once a year on an ordinary basis or on an extraordinary basis whenever necessary or (ii) in the absence of statutory corporate bodies (notably the board of directors). Depending on the specifics of the case, absence of the board could occur if the term of the board expires and a new board is not elected, if the members of the board resign and no new members are appointed or if the members of the board fail to convene at all or as required. Creditors of a company or the Ministry of Trade may also file a lawsuit to terminate a company for failed management.

Other Just Causes

Shareholders collectively representing a minimum of 10 percent of the company's share capital (or lower percentage if provided for in the articles of association) may file a lawsuit for the termination of the company in the event of just causes. "Just causes" are not defined in the Commercial Code and are considered by courts on a case-by-case basis.

III. PROTECTION OF FOREIGN INVESTMENTS

Foreign investments are protected by the Constitution, the Foreign Direct Investment Law and other related regulations. In the international context, Türkiye is party to 115 bilateral investment treaties on the protection and promotion of investments, 89 of which are currently in force. Türkiye is also party to 93 double taxation treaties, as well as several treaties regarding customs union, free trade, multilateral investments, protection of social security rights and agreements concerning alternative dispute resolution methods. The Foreign Direct Investment Law seeks to: (i) regulate the principles promoting foreign direct investment, (ii) protect the rights of foreign investors, (iii) standardize definitions of investment and investor, (iv) establish a notification-based system for foreign direct investment and (v) increase foreign direct investment.

The Investment Office of the Presidency and the Coordination Council for the Improvement of Investment Environment are the two major institutions that promote inbound foreign investment.

Domestic Legislation on Foreign Investment

With the exception of certain limited areas, described in more detail below, foreign investors are on an equal footing with Turkish investors.

The applicable legislation defines “foreign investor” as a foreign individual, foreign entity or non-resident Turkish citizen making a foreign direct investment into Türkiye. “Foreign direct investment” includes assets of foreign or domestic origin that are used to establish a new company or branch or to acquire shareholding in a Turkish company. Assets of foreign sources may include cash capital, corporate securities (excluding government bonds), machinery, equipment or intellectual property. Assets of domestic origin may include profits, receivables or natural resource exploration rights.

Below are some of the exceptions to the equality principle between foreign and domestic investors:

- Foreign ownership in a media company may not exceed 50 percent.
- Activities related to the defense industry are subject to special regulations under the Defense Industry Law, which may impose restrictions on foreign participation in certain strategic defense projects and facilities.
- Mining activities are subject to special legislation. International agreements and special laws may restrict foreign investment in certain mining and natural resource sectors.
- Certain maritime activities (for example, the transportation of passengers and cargo between Turkish ports) are reserved for Turkish individuals and entities.
- There are certain restrictions on real estate acquisition by foreign individuals or entities and Turkish companies with foreign capital. Please see “Property Rights” for further details.
- Certain professions, such as the practice of law or medicine, have restrictions for non-Turkish individuals or entities. In addition, the issuance of work permits for foreign employees in any sector is subject to certain conditions. Please see “Labor Law” for further details.
- Foreign real and legal persons may only fund or participate in private, secondary education institutions in which non-Turkish citizen students are enrolled; they may not establish or participate in higher education institutions.
- Other areas stipulated by international agreements or other relevant special laws may not be open to investment by foreign individuals or entities.

Subject to the above, domestic legislation provides the following minimum standards of protection to foreign investors:

Equal Treatment with Domestic Investors
Foreign investors may not be subject to a more burdensome treatment than a Turkish national merely due to their nationality.

Expropriation and Nationalization
Assets and enterprises owned by a foreign or domestic investor may not be expropriated or nationalized without due process or just compensation.

Expropriation and nationalization may only take place if required by the "public interest" as determined by the relevant administrative body. The applicable administrative body would depend on the nature and scale of the investment and may include the board of governors of a city or province, a ministry or the Office of the President. The decision of an administrative body is subject to judicial review.

Following an expropriation decision, the administrative body and the owner of the property may agree on the amount of compensation. Failing such agreement, the Civil Court of First Instance determines the value of expropriated assets and the terms of payment.

Expatriation of Proceeds
Investors are allowed to transfer proceeds from operations and transactions in Türkiye abroad (including net profits, dividends, returns from sales, liquidation payments, compensation payments and any amounts payable in return of a management agreement, as well as capital and interest payments of loans) through banks or financial institutions.

Dispute Settlement
The Foreign Direct Investment Law stipulates different methods for handling disputes based upon the type of investment. Disputes arising from investment agreements are subject to private law. Disputes arising from investments made relating to public service concessions contracts or concluded with foreign investors may either be handled by authorized local courts or referred to national or international arbitration or other means of dispute settlement. It is important to note, however, that venue choice for dispute resolution for public concessions contracts and investments with foreign investors is only possible in circumstances where all conditions in the related regulations are fulfilled and agreed upon in advance by the parties involved. Please see "International Treaties" for ICSID Convention and other treaties.

Valuation of Capital in Kind and Foreign Securities
Capital in kind is valued within the regulations of the Commercial Code. When securities are used by foreign investors as an investment tool, the value of the security shall be considered to be the value determined by the relevant authorities in the country of the asset's origin.

Obligations of Foreign Investors under the Foreign Direct Investment Legislation
Foreign investors having a subsidiary, branch or liaison office in Türkiye have certain notification obligations. For instance, companies and branches must notify the Ministry of Industry through an online platform, the Electronic Incentive Application and Foreign Investment Information System (E-TUYS) about any changes in foreign ownership in their share capital. This notification requirement is generally included as a post-closing item in mergers and acquisitions transactions.

Liaison offices are under a similar obligation to notify their activities and are also subject to audits by the Ministry of Industry to determine if their activities are in compliance with their permit and applicable legislation. Please see Section II. A "Corporate Structures" under "Corporate Environment" for details on liaison offices.

International Treaties

Türkiye is party to several international treaties for the protection and promotion of foreign investment. These international treaties have the force of law once they are ratified by the Parliament. Türkiye is a party to 115 bilateral investment treaties, of which 89 are currently in force. The contracting parties include all the EU member states except Ireland, as well as all the OECD member countries except Iceland, Canada, Norway and New Zealand. Türkiye is also party to numerous double taxation treaties.

Türkiye's bilateral investment treaty and double taxation treaty counterparts include almost all OECD and European Union countries, including the United States, Russia, China, Germany and the United Kingdom.

Bilateral investment treaties provide certain investment protections to foreign investors that are above and beyond the protections already provided under domestic law and the structuring of transactions from a treaty protection perspective has become a more commonly used method in recent years.

Türkiye does not have a standard bilateral investment treaty template; therefore specific provisions vary depending on a treaty's counterparty nation. However, the substantive investment protection rights typically granted are as follows:

- *International Arbitration*: The host country consents to dispute resolution by international arbitration so that the foreign investors are not obligated to legal recourse in the host country's local courts.
- *Most-Favored-Nation*: Provides treatment to all foreign investors no less favorable than the best treatment that the host state accords to any foreign investor under a bilateral investment treaty, in effect expanding the scope of bilateral protection to include the rights negotiated by other most-favored-nations.
- *National Treatment*: Provides foreign investors with treatment no less favorable than the host state provides to investors of its own state.
- *Expropriation*: The host state guarantees to provide the investor with the full and fair value of an expropriated investment.
- *Expatriation of Profits*: The host state guarantees that the investor may freely transfer its profits, dividends and compensation payments overseas through banks.
- *Fair and Equitable Treatment*: The host state has an obligation to offer a stable and predictable legal framework, due process, transparency and consistency without discrimination.
- *Full Protection and Security*: The host state has an obligation to prevent physical destruction of the investment.
- Other than bilateral treaties, Türkiye is party to a number of multilateral investment agreements including the following:
- *ICSID Convention*: In force since 1966 and ratified by 165 states, this convention permits settlement of certain investment disputes through arbitration administered by ICSID, an institution organized under the World Bank Group. Either the investment contract or the underlying investment treaty must provide for ICSID jurisdiction in order for investors to use this recourse. Please see "International Dispute Resolution" for further details.
- *The Energy Charter Treaty*: In force since 1998 and ratified by 41 states (although some states have declared their intention to withdraw from the treaty), the European Union and the Euratom, the treaty provides for inter-governmental cooperation and substantive protection of foreign investments (similar to those protections described under bilateral investment treaties) in the energy sector.
- *Organization of Islamic Cooperation Investment Treaty*: In force since 1988, it provides for principles for the promotion of capital transfers among 57 member states as well as the protection of investments.

International Dispute Resolution

Alternative Dispute Resolution for International Investment Disputes

Bilateral investment treaties give foreign investors the option of recourse to Turkish local courts or international arbitration. They often include an option to arbitrate under the ICSID Convention. However, arbitration under the UNCITRAL Rules or

the ICC Rules of Arbitration are also commonly used. According to ICSID data, Türkiye is mainly a party to investment-related disputes concerning the energy, telecommunications and construction sectors.

The ICSID Convention also provides a specific mechanism for the enforcement of arbitral awards. Under the ICSID Convention, member states must recognize an ICSID award as binding and enforce the award's monetary obligations as if it were a final judgment of a court in that state. The Energy Charter Treaty also provides specific rules for enforcement.

Enforcement of an Arbitral Award or a Foreign Court Judgment

Türkiye is party to the New York Convention, which requires domestic recognition and enforcement of foreign arbitral awards. Türkiye has made two reservations to the applicability of the New York Convention: (i) the award should be given in a member state and (ii) the subject matter of the dispute should be, as interpreted under Turkish law, of a commercial nature.

Türkiye also has its own domestic law, namely the International Private and Procedure Law, that governs the enforcement of foreign arbitral awards and foreign court decisions.

Both the New York Convention and the International Private and Procedure Law excuse enforcement in cases involving invalid arbitration agreements, violations of due process rights or excess of authority by the arbitral tribunal or of the scope of the arbitration agreement.

It is important to note that Turkish courts do not reevaluate a dispute subject to the final judgement of foreign courts based on merit. Turkish courts only examine whether the foreign court's judgment meets the recognition and enforcement requirements specified under Turkish law. This rule, known as prohibition of revision, is also stated in the precedent judgments of the General Assembly of the Supreme Court of Appeal on the Unification of the Judgments.

In addition, both pieces of legislation excuse enforcement if enforcement of arbitral awards and foreign court judgments would violate the "public policy" of Türkiye. The concept of public policy is not expressly defined and is left for interpretation by courts in line with, but without being bound by, Supreme Court of Appeals precedents. In general, constitutional rights, fundamental legal principles, international legal instruments pertaining to basic rights, commonly accepted ethical values, the standard of honesty and good faith and public health and safety are considered to be public interest matters. The Supreme Court of Appeals in past decisions has also interpreted customs and tax laws as being part of public policy.

Final judgments of foreign courts regarding private law matters may be enforced or recognized by Turkish Courts of First Instance in accordance with the provisions of the International Private and Procedure Law. Turkish law requires (i) reciprocity between Türkiye and the state where such decision was taken, arising from a law, bilateral agreement or court practices, (ii) that the judgment does not relate to any matter that falls within the exclusive jurisdiction of Turkish courts (for example, a matter relating to the ownership of property located in Türkiye) and (iii) that due process has been observed and enforcement would not violate public policy.

Istanbul Arbitration Centre (ISTAC)

Fully operational since 2016, ISTAC was established to make Istanbul an arbitration hub in the MENA and Central and Eastern Europe (CEE) regions.

With rules comparable to internationally-accepted arbitration platforms such as the ICC, ISTAC offers dispute resolution services to all contracting parties, including for disputes involving a "foreign element," without any membership requirements. Unless otherwise selected by the contracting parties, the seat of arbitration under ISTAC rules is Istanbul.

Parties may also select the language for arbitration and determine the number of the arbitrators. ISTAC rules provide for "fast track" arbitration, which enables the issuance of an award within three months by a single arbitrator. They also allow for an "emergency arbitrator" concept, designed for parties in need of urgent interim measures that cannot await the arbitrator(s) to take office.

ISTAC published rules governing “Mediation-Arbitration” (Med-Arb), an alternative dispute resolution procedure with the characteristics of both mediation and arbitration, on its website in November 2019.

Additionally, since April 2020, it has been possible to conduct an ISTAC Rules arbitration proceeding without the requirement of physical attendance. Hearings are conducted through teleconference or video conference and are subject to the rules and principles outlined in ISTAC’s Online Hearing Rules and Procedures.

The Swiss Arbitration Association (ASA) and Istanbul Arbitration Center signed a cooperation protocol in July 2022. In 2017, ISTAC also signed a cooperation agreement with the Permanent Court of Arbitration (PCA), based in The Hague. In addition, Istanbul Arbitration Center signed cooperation protocols with Qatar International Center for Arbitration (QICCA) in 2018, Kyrgyzstan Arbitration Center in 2019 and Hong Kong International Arbitration Center (HKIAC) in 2021.

IV. PROPERTY RIGHTS

The acquisition and ownership of movable and immovable property are governed by well-settled Turkish laws. In addition, Turkish law recognizes that a person may have certain benefits associated with immovable property without having the rights of ownership. These rights are generally referred to as “non-ownership rights” and are described in more detail below. The principal legislation relating to property rights is the Civil Code.

Rights relating to intellectual property are mainly protected under two different legal regimes: (i) copyright protection and (ii) protection of other registered rights such as trademarks, designs, utility models, patents and geographical indications. Copyright is protected under the Intellectual Property Law while trademarks, designs, utility models, patents and geographical indications are protected under the Industrial Property Law. The Turkish Patent and Trademark Office provides protection of registered rights. Legal disputes relating to intellectual property rights are resolved by specialized courts.

Acquisition of Title and Ownership Rights

Title to Movable Property

Title to movable property manifests itself through possession (that is, physical and actual control over the property). As a general principle, it is sufficient for the transfer of title that the power of control is given to the new owner and no registrations or formal requirements are sought. However, as an exception, a formal transfer process or registration may be required for certain types of movables. For instance, the transfer of certificated registered shares in a company requires an endorsement on the back of the certificate and the sale of an automobile requires a deed executed before a notary public and registration with the motor vehicles registry.

Title to Immovable Property

State-Owned Property

Turkish law mandates that certain immovable property remains state-owned. All other immovable property may be privately-owned. Under Turkish law, there are two classes of state-owned property:

Non-Transferable State Property

This type of non-transferable property is under the control and at the disposal of the state and may be subject to certain non-ownership rights under exceptional cases regulated by law. Examples of non-transferable state property include: public water supply, land that is not cultivatable such as rocks, hills, mountains and glaciers and resources originating therefrom, coastlines, natural resources, petroleum sources and mines. Non-transferable state property may not be: (i) transferred, sold or acquired, (ii) subject to private-law arrangements that may result in the sale and transfer of title (for example, a mortgage) or (iii) subject to attachment proceedings (that is, the legal process of seizing a debtor’s property for the purpose of satisfying a claim that is due and unpaid). However, various pieces of legislation permit the use, generally for public interest, of such property by individuals and/or private legal entities.

Transferable State Property

This property is privately-owned by the state or by a state-owned enterprise and is freely transferable. Transferable state property includes the immovable properties acquired by the state through acquisition, expropriation, inheritance or donation. The state uses such property in the performance of public services or for commercial purposes to generate income. As such, the state may lease the property or operate the property itself or transfer it to third parties.

Partial Ownership

Under Turkish law, partial ownership, whether by individuals or legal entities, may exist in two different forms: (i) ownership in common (*paylı mülkiyet*) where each owner has a distinct and proportionate interest in the whole property and (ii) joint ownership (*elbirliği mülkiyeti*) where each owner has an undivided interest in the whole property. Joint ownership exists only in a limited number of circumstances prescribed by law (for example, partners in a partnership). If the property is subject to ownership in common, then each owner has the right to dispose of its share of the property. If the property is subject to joint ownership, any disposition, including creation of a security interest, requires the unanimous

consent of all joint-owners. Furthermore, property subject to joint ownership may only be mortgaged or pledged in its entirety and by all joint owners at the same time.

Foreign Ownership of Immovable Property

Immovable property may be acquired in the form of (i) land, (ii) independent rights registered with the title deed registry (such as servitude rights) or (iii) independent sections of a real property, such as flats, apartments, offices, shops and depots, subject to condominium rights (*kat mülkiyeti*). Acquisition of title to real property or a mortgage thereon requires an official transfer deed drawn up by the title deed officer or the notary public and registered with the title deed registry located where the real property is situated. Title deed registry records may be inspected by those persons who can establish a legitimate interest in the relevant property.

Foreign individuals are generally entitled to acquire and own immovable property in Türkiye. Foreign legal entities are entitled to acquire and own immovable property only in exceptional circumstances.

Acquisition by Foreign Individuals

Real property may be acquired subject to the following limitations:

- Individuals must be citizens of one of the white-list countries. Foreign individuals interested in acquiring real property in Türkiye may request information on these countries from Turkish embassies and consulates, the General Directorate of Land Registry and title deed offices.
- Ownership and servitude rights may not exceed, in aggregate, 30 hectares (74 acres) per individual.
- The total area of the real property acquired by foreign individuals in one district (*ilçe*) – an administrative sub-division of a province (*il*) – may not exceed 10 percent of the total area of privately held property in that district.
- Foreign individuals may not acquire real estate in military or security zones, which are designated by the Office of the President upon recommendation by the General Staff of the Turkish Armed Forces and may include a certain perimeter around military establishments.
- Statutory restrictions do not apply to mortgages established in favor of foreign nationals. In case a mortgage is foreclosed, mortgagees (whether Turkish or foreign nationals) are entitled to the foreclosure proceeds but not the property itself. Please see "Enforcement of Security Interests" in "BANKING AND FINANCE" for more information.

Acquisition by foreign legal entities

- Real estate acquisition may only be done for the limited purposes set forth under the Petroleum Law, the Tourism Promotion Law and the Industrial Zones Law. There are no restrictions on the establishment of mortgages in favor of foreign companies. Foreign foundations or associations, on the other hand, are not allowed to acquire immovable property in Türkiye.

Acquisition by Turkish legal entities with foreign capital

- Turkish companies in which a foreign real person or legal entity holds 50 percent or more of the shares, either directly or indirectly, or has the right to appoint or remove the majority of directors may only own real property, mortgage rights or other servitude rights in order to conduct the activities listed in such company's articles of association. The same restrictions apply if a company with foreign capital becomes a shareholder, directly or indirectly, in another Turkish company and the ultimate shareholding percentage of the foreign investor reaches or exceeds 50 percent. Acquisition or ownership of real property located in military or security zones by these companies is subject to permission.

Non-ownership Rights to Property

Under Turkish law, non-ownership rights are classified as either *in rem* rights enforceable against all persons (for example, servitude rights, pledges or impositions) or *in personam* rights enforceable against a contract counterparty (for example, a lease).

In Rem Rights

Rights *in rem* are property rights which may be asserted against third parties. Rights *in rem* over immovable property must be registered with the title deed registry. Provided that the rules of the foreign jurisdiction governing the acquisition of the *in rem* right are not against public policy in Türkiye, *in rem* rights created in accordance with the rules of any foreign jurisdiction over any movable property situated outside Türkiye are recognized by Turkish law when such movable property is brought into Türkiye. In addition, where Turkish law stipulates special conditions for validity in respect of the creation of such *in rem* rights, such as registration with a public title deed registry, those conditions should be fulfilled in order to preserve the effectiveness of the *in rem* right within Türkiye.

Servitude Rights

A servitude right (*irtifak hakkı*) is a right of use, in a specific manner, over the property of another person. It may be claimed against the owner of the property and all third persons.

The Civil Code permits the following servitude rights: (i) a servitude right in favor of immovable property (*taşınmaz lehine irtifak*), (ii) a construction servitude (*üst hakkı*), (iii) a right to habitation (*oturma hakkı*), (iv) a usufruct right (*intifa hakkı*), (v) a right to spring water (*kaynak hakkı*) and (vi) other servitude rights as defined under the Civil Code as rights granted to serve a specific purpose (for example, right of way). If a servitude right is independent and continuous, it may be registered with the land title registry as immovable property. The beneficiary of an independent and continuous servitude right may grant security interests over the servitude right in favor of third persons. For a servitude right to qualify as "independent and continuous" the right must be: (i) valid, (ii) independent (that is, transferable by its beneficiary to a third person without consent of the owner of the underlying immovable property), (iii) continuous (meaning, established for an unlimited term or for a term of at least 30 years) and (iv) registered in the land title registry as an immovable property upon request by the holder of such right.

Construction servitude (*üst hakkı*) covers all "integral parts and accessories" on the land over which the construction servitude right is granted. The beneficiary of a construction servitude right has the power and authority to: (i) construct upon or under another person's land, (ii) own, possess and use the construction it has built and (iii) possess and use the construction already located on the land of another person.

Pledges

A pledge (*rehin*) is the right to benefit from the value of the property. A mortgage (*ipotek*) is a pledge over immovable property. Please see "Security and Collateral" under section "Banking and Finance" for further details on pledges and mortgages.

Imposition Rights

An imposition over immovable property (t*aşınmaz yükü)* grants the beneficiary the right to receive performance or delivery that is linked to the economic use of the collateral (for example, the delivery to the beneficiary of cotton cultivated on the land over which the imposition is established). The immovable property constitutes security for such obligation.

In Personam Rights

Rights *in personam* are created by agreement and may only be enforced against the counterparty's property and not against third parties. To the extent allowed by the Civil Code, these rights may be registered with title registries. *In personam* rights include rights created by lease agreements, construction agreements, contractual pre-emption, purchase or re-purchase rights and rights to continue joint-ownership in shared immovable properties. Among these, the most commonly used *in personam* right in Türkiye is the lease agreement.

Lease Agreements

The lease of state-owned immovable property is subject to specific regulation.

With respect to privately-owned real property, as long as a lease is not annotated in the land title registry, it is an "ordinary" *in personam* right. When annotated, the lease becomes a "strengthened" *in personam* right assertable against

third parties. A strengthened *in personam* right entitles the beneficiary to impose the terms of the lease against future owners of the leased property.

Leases may be in a simple written form and do not need to be notarized or otherwise certified. Leases of residential premises and workplaces are subject to different sets of regulations.

The terms of leases for privately-owned, immovable properties may generally be freely determined by the parties. Leases may be executed for a definite or indefinite term. A lease with a definite term may be extended definitely or indefinitely by the parties. Unless the tenant gives notice of termination by the statutory deadline, a definite term lease of an immovable property is automatically renewed for one year with the same terms and conditions, other than the increase in the rent. The rent increase amount agreed between the parties cannot exceed the previous lease year's 12-month average of the rate of change in the consumer price index. Save for certain exempt cases, leases are required to be denominated in Turkish Lira. The tenant in an indefinite-term contract has the right to terminate for convenience, whereas the lessor must comply with certain notice periods.

Security deposits given by tenants of residential premises and workplaces cannot exceed three months' rental fee.

The acquirer of a real property automatically becomes party to any pre-existing lease agreement and is bound by its terms as a lessor. The lessor has the right to terminate the lease if it needs the property as a personal residence or workplace or for use by the owner's spouse or child. However, if the lease is registered with the title deed registry as a strengthened *in personam* right, the new owner may not exercise this right.

Unless otherwise stipulated in the lease, property taxes, mandatory insurance premium payments (such as earthquake insurance) and similar charges are generally borne by the lessor. Tenants are generally responsible for payment of taxes and charges, such as the environment cleaning tax, attributable to the use of the property.

Intellectual Property

The ownership rights of intellectual or artistic works of science, literature, music, fine arts or cinema are protected as intellectual property. When such rights are infringed the owner may have claims relating to non-pecuniary rights or financial rights.

Non-pecuniary rights are rights of an intellectual property owner to exclusively decide if, how and when the intellectual property may be shared with the public. Financial rights, which are listed in the legislation as the (i) right of adaptation, (ii) right of reproduction, (iii) right of distribution, (iv) right of performance and (v) right to communicate a work to the public by devices enabling the transmission of signs, sounds and/or images, relate to the owner's rights to gain the financial benefit of the intellectual property. Accordingly, copyright infringement may give rise to the following claims:

- *Cessation of Infringement*: A lawsuit may be filed against those who copy and/or distribute intellectual property without the owner's permission. Claims may include payment of financial rights deprived to the owner.
- *Prevention of Potential Infringement*: Upon sufficient evidence, a lawsuit may be filed relating to the risk of future infringement.
- *Compensation*: A lawsuit may be filed in the event of infringement of a non-pecuniary right or if the owner's financial rights have been directly infringed.

Industrial Property

- The Industrial Property Law repealed the multiple decrees with the force of law on trademarks, patents, designs and geographic indications and unified the rules under one single piece of legislation.
- The Industrial Property Law provides the following categories of intellectual property that may be registered:

- *Trademarks*: A trademark is the sign or symbol or word (including human names), shapes, colors, letters, numbers, voices or shape of the goods or packages) associated with a good or service provided by any person or enterprise which identifies that good or service as distinct from similar goods or services provided by other enterprises.

- *Patents or Utility Models*: A patent is a protection provided for inventions which are, in comparison to an artistic work product, technically complex and industrially applicable. A utility model is a weaker protection provided for inventions which are not complex enough to be registered as patents. Discoveries, scientific theories, methods of business conduct and literary, artistic and scientific works or studies do not qualify as inventions, and therefore, do not benefit from patent or utility model protection.

- *Designs:* A design is a protection provided for original designs with unique characteristics created to technically complement a product in terms of its shape, size, color, style, configuration, material or any other specification or feature.

- *Geographical Indications:* These are signs or designations indicating a specific quality, reputation or other characteristic attributable to the place, area, region or country of origin of a product.

All individuals and legal entities who are domiciled, reside in or have industrial or commercial establishments within the territory of Türkiye may request registration of intellectual property rights. Registration provides the ultimate protection of intellectual property for the protection term granted to the owner. Unregistered trademarks, designs, utility models or patents are only protected based on competition rules regulated by the Commercial Code. Foreign nationals may, under multinational agreements to which both Türkiye and the origin country are parties or based on reciprocity grounds, request the Turkish Patent and Trademark Authority to register intellectual property rights registered abroad.

Real persons, authorized persons of legal persons and trademark-patent agents are authorized to petition the Turkish Patent and Trademark Authority. Real or legal persons domiciled abroad must be represented by a trademark-patent agent.

Trademarks and utility models are registered for 10 years, designs are registered for five years and patents may be registered for 10 or 20 years. Geographical indications are registered without a specific term. Trademark registrations can be renewed for a successive 10-year period provided that the renewal charges have been deposited six months prior to the end of the protection period. The protection period of a registered design is renewable for periods of five years each, up to a total term of 25 years. Utility models and patents cannot be renewed. Registered trademarks, designs, utility models and patents may be: (i) assigned to third parties, (ii) licensed, (iii) used as security, (iv) seized or (v) passed on by inheritance.

As artificial intelligence (AI) starts to play an active role in both creative processes and inventions, the impact of AI on intellectual property law, especially patents and copyrights, is being discussed and the need for regulation is increasing. However, Türkiye has not yet achieved a comprehensive legal framework in AI.. The Digital Office of the Presidency has numerous publications on the ethical coding of artificial intelligence and a draft law on AI was submitted to the Parliament in 2024, which is in parallel with the EU regulation. The enactment of the ‘artificial intelligence law’ will clarify the legal framework for AI in Türkiye.

V. BANKING AND FINANCE

Following a series of economic crises in the 1990s and 2000s, Türkiye moved to a consolidated regulatory system for banks. The BDDK, the main regulator of the banking industry, monitors and supervises the establishment, change of control, management and activities of financial institutions.

The Central Bank also regulates banks with regard to foreign currency operations, reserve requirements and capital adequacy rules. In order to protect the savings of individuals and further the goal of financial stability, the Savings Deposit Insurance Fund insures up to ₺200,000 per depositor. Deposits in participation funds at banks that base their activities on interest-free banking are also covered. There are also sectoral associations, such as the Banks Association of Türkiye and the Participation Banks Association of Türkiye, that establish standards and promote cooperation among banks.

Banks

Banking regulations allow for the establishment of three types of banks: (i) deposit banks (*mevduat bankaları*), (ii) development and investment banks (*kalkınma ve yatırım bankaları*) which assist individuals and corporations with finance investments and (iii) participation banks (*katılım bankaları*) which base their activities on interest-free banking in line with globally accepted Islamic finance principles. All banks are regulated by the BDDK under the Banking Law and applicable secondary legislation. Deposit banks, which collect deposits, and participation banks, which collect participation funds, utilize collected funds in the extension of corporate and retail credits. However, the structures under which deposit banks and participation banks collect and utilize such funds differ. The minimum share capital requirement for a bank is ₺30 million.. Due to the difficulties in obtaining and establishing a bank license under the Banking Law, as well as the advancement of digitalization, the Regulation on the Operating Principles of Digital Banks and Service Model Banking was introduced in 2021. The Regulation sets the minimum paid-in capital limit for obtaining a digital bank operating license as ₺1 billion instead of ₺30 million, which is the minimum for traditional banks

Under the Banking Law, banks may accept deposits, or, in the case of participation banks, accept participation funds, grant cash and/or non-cash loans, carry out any type of payment and collection transaction, transact in commercial bills, provide safekeeping services, issue payment instruments and carry out foreign exchange transactions. Banks can trade in money market instruments, precious metals and stones, trade and intermediate in capital market instruments, trade and intermediate contracts of derivative instruments, undertake guarantees, provide investment advisory services and manage portfolios. Banks may also facilitate primary market dealing for purchase-sale transactions, carry out factoring transactions, intermediate fund purchase-sale transactions in the inter-bank market, provide financial leasing services with the exception of except for deposit banks, provide insurance agency and individual pension fund services.

Provided that they meet the requirements under the Banking Law and related regulations, foreign individuals or corporations may establish and operate banks in Türkiye. Foreign banks may also, with the approval of the BDDK, have branches or representative offices in Türkiye to coordinate their operations. Although representative offices in Türkiye are not allowed to carry out banking or other commercial activities, they may advertise the foreign bank and its services, as well as conduct market research.

Available Financing Structures

Financing activities are regulated differently depending upon whether individuals and legal entities are resident in or out of Türkiye. A “resident” individual is defined as a person who, regardless of nationality, resides in Türkiye. In the case of a legal entity, the entity must be headquartered in Türkiye.

Loans

Pursuant to the Currency Protection Decree, in principle foreign bank loans granted to Turkish residents must be processed through Turkish banks or financial institutions and the proceeds should be routed through Turkish banks. The Ministry of Treasury and Finance has the authority to determine and has provided certain exceptions to this rule.

In 2019, to reduce the domestic foreign exchange exposure of Turkish corporations and individuals, certain amendments were introduced to the legislation. Under the amended rules, individuals (local or foreign) may no longer obtain foreign currency indexed loans or foreign currency denominated loans. Legal entities are prohibited from accessing foreign

currency indexed loans, and the ability to obtain foreign currency denominated loans, as a general rule, is limited to those legal entities with foreign currency income. Legal entities with no foreign currency income may borrow in foreign currency only under certain, limited circumstances including the borrower being a public authority or a financial institution, the borrower having a minimum foreign currency loan balance of US$15 million (or its equivalent in another foreign currency) or the loan being extended for a Public-Private Partnership (PPP) project.

The tax regime applicable to loans differs depending on whether the lender is a foreign bank or a bank established in Türkiye. Please see the "Costs of Financing" section for further details on the taxation of laws.

Non-Cash Loans

The restrictions on cash loans explained above are not applicable to non-cash loans. Therefore, persons residing in Türkiye may obtain foreign non-cash loans (letters of credit and similar instruments), guarantees and sureties and may also provide non-cash loans, guarantees and sureties to persons residing outside of Türkiye. Beneficiaries of such non-cash loans may be individuals or entities residing in or out of Türkiye.

Banks may issue performance bonds, non-cash loans, guarantees and sureties in foreign-currency. Such non-cash loans may be issued to residents in Türkiye for the benefit of residents outside of Türkiye. They may also be issued in relation to tenders in Türkiye.

Interest-Free Loans

Interest-free loans provided under Sharia-compliant schemes have become an important component of the financing mix. Please see Sector Highlight [VI] for further details of the Turkish Islamic finance market.

Buy Now Pay Later

In addition to the above-mentioned classical financing methods, 'buy now, pay later' (BNPL) has also been used as an alternative financing method in recent years. BNPL offers consumers the ability to defer immediate payment for purchases, presenting an alternative to conventional credit cards and installment plans. This option allows consumers to divide their payments into installments over a specified period, providing flexibility and bypassing upfront costs and traditional credit arrangements.

Security and Collateral

Turkish law allows different types of collateral for secured transactions. Some principles of the Turkish secured transactions law are important to note upfront:

- Third parties are generally permitted to pledge their assets to secure the debts of another party. Security interests may also be created over assets which are partially owned by third parties. Please see the section "Property Rights" for further details relating to partial ownership.

- Under Turkish law, as a general rule, a pledge created later in time is subordinate to a prior pledge granted over the same property, although exceptions to this rule may arise from the "fixed ranks system" in mortgages or optional ranking system in pledges on movable property as outlined below. A pledge may be subordinated to claims having preference by operation of law, such as tax claims and severance payments in bankruptcy situations.

- Negative pledge covenants constitute contractual undertakings under Turkish law and specific performance may not be imposed on a pledge or breaching such a covenant.

Mortgage

A mortgage may be created as security for any present, future or contingent debt. The mortgage must be registered at the same title deed registry where the relevant real property is registered. As a rule, the amount of security covered by the mortgage must be expressed in terms of Turkish Lira, and may either be a specific amount or a maximum capped amount. As an exception, immovable property may be pledged for a value determined in foreign currency terms when pledged to secure a credit denominated in or indexed in a foreign currency by a credit institution.

The Civil Code uses a “fixed degree system” for the ranking of secured creditors (mortgagees) among themselves. If there are multiple mortgagees who possess security interests on the same property, the Civil Code designates the use of this system among the creditors. During foreclosure, the creditor with the highest degree is paid prior to those ranked lower, regardless of whether the security interest was granted at a later date. It is possible for a debtor to keep a higher degree reserved and grant a security interest at a lower rank. In the event that a higher-degree mortgage is canceled by consent of the creditor or because the debt is fully paid, that degree becomes vacant. Lower degree mortgages do not automatically move upwards, but it is possible to move to the vacant degree if the mortgage agreement so provides.

The debtor may divide the value of its property into “fictional” portions at the land title registry and may create security rights on each portion independently.

Pledge on Movable Property

As a general rule, movable property may only be pledged by transferring possession of the property to the pledgee. Possession is defined as having the means of control over the movable property. For example, transfer of control over a pledged inventory of goods or a selection of precious stones may be realized by providing the key and/or passcode, granting access to the warehouse or safe where the pledged movable property is stored.

As an exception, movable property that is required to be recorded on an official registry (such as motor vehicles) may be pledged without the transfer of possession as long as the pledge is recorded at the relevant official registry. Another exception is that movable property constituting part of a commercial enterprise may be pledged without the transfer of possession. The rules applicable to commercial enterprise pledges, previously under the Commercial Enterprise Pledge Law, are now contained in the Movable Pledge Law with changes (for example, scope of pledge or types of pledges). This law aims to extend the type of movable property that may be pledged without transferring possession, increase transparency by establishing a centralized moveable property registry and ease access (particularly by small to medium-sized enterprises) to financing.

Among the types of movable property that may be pledged under the Movable Pledge Law are receivables, intellectual property rights, raw materials, all types of revenues and incomes, licenses which do not qualify as administrative permits and are not registered with another registry, lease payments, tenancy rights, machinery, tools, equipment, work tools, construction equipment, electronic equipment and commercial titles and/or trade names.

The Movable Pledge Law is not applicable to capital markets instruments, pledge agreements concerning derivative products, account pledges or movables registered with a land title registry.

Merchants and/or small traders, as well as financial institutions, may be the secured creditors of a commercial enterprise pledge transaction.

There is an optional degree system. If the degree system is preferred, the pledge with a prior degree would have priority over pledges with lower degrees. If not used, the priority of the pledges depends on the dates thereof.

Perfection of a pledge under the Movable Pledge Law is achieved after registration with the electronic Registry of Pledged Movables (TARES). The TARES registry, which is maintained by the Union of Turkish Public Notaries, should also be notified of any pledge on movable property that is required to be registered at another official registry.

Share Pledges

Establishment of a share pledge requires a written pledge agreement and depends on the type of share and whether the shares are printed or recorded.

If no shares are printed, then a written pledge agreement is sufficient to establish the pledge.

Bearer share certificates are pledged by transferring possession of the certificates to the pledgee. Non-bearer shares must be endorsed with a pledge annotation or must be transferred to the pledgee with a written declaration of transfer. Unless otherwise agreed by the parties, the pledgor retains the voting rights of the shares pledged in favor of the pledgee.

Shares that are not printed, but rather recorded in the electronic book-entry system maintained by the Central Registry Agency, may only be pledged by notifying the Central Registry Agency. The Central Registry Agency records information regarding shares and pledges in accordance with capital markets legislation. Please see the "Corporate Environment" section for general information on shares and the "Capital Markets" section for further details on dematerialization of shares.

Bank Account Pledge

Bank accounts opened by the recipient of cash or non-cash financing may be pledged to secure such financing. The pledging of a debtor's bank account for the financing of debt is subject to rules regulating the establishment of pledge over receivables. The pledge is deemed to be established when the relevant bank is notified of the pledge.

Assignment of Receivables

Rights arising from a receivable may be assigned to a third party as security. Absent an assignment prohibition under the contract concerned, the assignor of the receivable is not required to have the debtor's consent in order to assign the receivable to the third party. Receivables may only be assigned to a third party with a written agreement resulting in the actual transfer of title to the assignee.

Enforcement of Security Interests

Enforcement of security interests in the event of non-payment is initiated and overseen by the Execution Offices. Generally, enforcement is achieved by way of sale of the property through public auction. In such public auctions, the sale price of the property must equal at least 50 percent of the estimated value of the property set by the Execution Offices. Parties may object to the estimated value before the Courts of Execution.

The underlying principle for the requirement to use a public auction to enforce a security interest is that the debtor and creditor are not allowed to agree in advance that the creditor automatically acquires title to the secured asset upon default by the debtor. The public policy goal of this principle, known as *lex commissoria*, is to protect the debtor, who is considered to be at a financial disadvantage *vis-a-vis* the creditor. As the value of collateral frequently exceeds the secured claim, the creditor should not be able to take advantage of its dominant position to acquire title to the collateral. However, once the debt becomes due and payable, it is accepted that the debtor may agree with the creditor on the transfer of title to the collateral.

In addition, under the Movable Pledge Law, upon default, the first-degree pledgee may request the transfer of pledged assets by direct application to the Execution Offices. This is a significant exception to the *lex commissoria* prohibition. Upon the transfer of title, if the value of the asset is bigger than the amount of debt owed to the first-degree pledgee, the first-degree pledgee becomes jointly and severally liable together with the pledgor, up to the amount equal to the difference between the value of the asset and the debt owed to the first-degree pledgee, to subsequent pledgees.

Foreign Exchange Control

Transfers of Turkish currency and foreign exchange from Turkish accounts to offshore accounts, or from offshore accounts to Turkish accounts, are permitted. Transferring banks must notify the competent government authorities of foreign exchange transfers (other than import, export and invisible trade-related transfers) exceeding US$50,000 or any transfer of Turkish currency corresponding to that amount within 30 days of such transfer.

Hedging and Derivatives

The Code of Obligations adopts freedom of contract as its overarching principle, subject to certain exceptions. This principle and parties' freedom to offset any reciprocal outstanding obligations before or after bankruptcy constitute the legal framework for derivative transactions in Turkish law. Accordingly, the ISDA 1992 and 2002 Master Agreements and relevant schedules are valid and applicable documents under Turkish law. Companies and funds may execute short-selling transactions to hedge security risks.

The legal framework that enables the establishment of hedge funds is laid out by the Capital Markets Board. Hedge funds that are characterized as engaging in high-risk and high-leverage transactions benefit from an increased flexibility of

financial products, including short-sale, leverage and utilization of derivative transactions. Such funds are, however, subject to certain rules including restrictions on investment in such funds to qualified investors and the establishment of risk management mechanisms.

Costs of Financing

Costs of financing include the taxes and duties applicable to executing financing transactions.

Stamp tax

Generally, stamp tax is imposed upon the execution of a wide range of documents including contracts, letters of credit and letters of guarantee. The rate of stamp tax, which varies depending on the type of document, ranges between 0.189 percent and 0.948 percent of the monetary amount stated in the document subject to the capped amounts determined each year. In 2025, the maximum amount for stamp tax per document is ₺29.115.961,10. For documents that do not have a monetary value or for specific documents listed in the applicable legislation, the stamp tax is a fixed amount denominated in Turkish Lira. Documents relating to loans provided by banks, foreign credit institutions and international organizations, security documents and documents relating to the repayment thereunder are exempt from stamp tax.

Resource Utilization Support Fund (KKDF) Contribution

KKDF is a special fund applicable to imports conducted on credit (that is, if the payment is not made before the import) and to certain credits obtained by Turkish individuals or legal entities (except for financial institutions) from foreign institutions. Credits from foreign institutions are subject to a KKDF contribution requirement at varying rates up to a maximum of 3 percent, depending on the term and currency of the credit. The applicable KKDF rates on foreign currency loans are: (i) 3 percent for loans with a maturity of less than one year, (ii) 1 percent for loans from one year (inclusive) to two years, (iii) 0.5 percent for loans with a maturity of two years (inclusive) to three years and (iv) 0 percent for loans with a maturity of three years or more. KKDF applicable to Turkish currency loans are 1 percent for loans with a maturity of up to one year and 0 percent for loans with a maturity of at least one year. KKDF is calculated over the principal amount in case the loan is denominated in a foreign currency, and over the interest payments in case the loan is denominated in Turkish Lira.

Banking and Insurance Transaction Tax (BSMV)

Domestic credits including credits granted by foreign branches of Turkish banks where the credits are transferred to the foreign branch from the Turkish bank’s head office, are subject to BSMV of 5 percent. Foreign credits are not subject to BSMV.

VI. CAPITAL MARKETS

The Capital Markets Board is the main regulator of the securities and derivatives markets. Turkish securities laws govern the issuance and trading of securities, the activities of asset management companies, depository activities and the activities of securities exchanges.

Regulatory Framework

The Capital Markets Board has been the main regulatory and supervisory authority in charge of the Turkish securities and derivatives markets since 1982. Its mission is to maintain safe, fair, transparent and efficient capital markets to protect the rights and interests of investors and to facilitate the public's participation in economic development in an efficient manner. To that end, it supervises and regulates, among other things, public companies, banks and other financial intermediaries, mutual funds, investment corporations, investment consulting firms, real estate appraisal companies and rating firms.

The Capital Markets Board is entitled to apply sanctions against parties that violate securities laws. Possible sanctions include monetary penalties, license revocation, trading bans and imprisonment for certain crimes, such as insider trading and market manipulation, related to capital markets activity.

The Capital Markets Law is the principal piece of capital markets legislation that governs the structure of the Capital Markets Board, all organized markets, capital market institutions, initial public offerings and capital market instruments. While many provisions of the Capital Markets Law are modeled after European Union practices, the law also includes practices from non-European jurisdictions such as the United States.

Joint stock companies which offer their shares to the public or have more than 500 shareholders are, with certain exceptions, subject to the Capital Markets Law. In addition, securities issued by state economic enterprises, including those within the scope of the privatization program, municipalities and related institutions, are subject to the disclosure requirements.

Securities Offering

The procedures for the offering and issuance of securities vary depending on the issuer and type of security being issued. Particular steps are required before an issuer may register shares with the Capital Markets Board. In general, unless there is a specific exemption, such as an offering only to qualified investors, the Capital Markets Board requires disclosure of certain information to the public through the filing of a prospectus (*izahname*). In addition to the prospectus, other significant documents to be prepared for an offering include financial statements and related independent auditors' reports. Audited financial statements, prepared in line with the Turkish Accounting Standards and Turkish Financial Reporting Standards, for the prior three fiscal years and the latest interim financial statements, if available, must be filed.

An offering prospectus filed with Capital Markets Board approval must include all information reasonably necessary to enable a prospective investor to assess the merits of the issuer and the proposed investment. The information in the prospectus must be presented in a manner that is easy for investors to comprehend and analyze. The type and scope of information required to be disclosed to the public under Capital Markets Board regulations may be different from disclosure requirements in other jurisdictions, such as the United States or the United Kingdom. If the information is found to be insufficient or inaccurate, the Capital Markets Board may refrain from approving the prospectus by providing a formal explanation. If approved, the prospectus must be published in the Trade Registry Gazette as in line with the principles of the Capital Markets Board.

The issuer is responsible for losses resulting from inaccurate, misleading or incomplete information in a prospectus. In the event the issuer is unable to compensate for such losses, the public offeror, the lead intermediary institution, the guarantor (if any) and members of the board of directors of the issuer are responsible to the extent of their fault and to the extent the losses can be attributed to them. In addition, persons and entities, such as independent audit, ratings and appraisal firms, who prepare reports included in a prospectus are also responsible for any inaccurate, misleading or incomplete information.

Issuers are also required to apply to Borsa Istanbul (BIST) for approval to list their securities.

In order to issue securities without a public offering, any company subject to the Capital Markets Law must prepare an "issue document." The form and content of the offering document is set out and approved by the Capital Markets Board. This requirement applies even in private placements of securities to qualified investors. The issue document contains brief and clear information about the capital market instruments involved in the issuance and the terms of sale. Securities issued to qualified investors may be listed on the exchange with the sole purpose of trading among qualified investors in line with relevant regulations of the exchange.

Trading of Securities

Borsa Istanbul, the sole stock exchange in Türkiye, combines in a single institution the Istanbul Stock Exchange, Istanbul Gold Exchange and the Turkish Derivatives Exchange (all of which existed as separate entities prior to combination under Borsa Istanbul in 2013). There are currently four main markets on Borsa Istanbul: (i) equities market, (ii) debt securities market, (iii) derivatives market and (iv) precious metals and diamonds market.

The main markets consist of several sub-markets. For example, the Equities Markets consist of BIST Star, BIST Main and BIST Sub-Market. Among other criteria, companies with market capitalization of free floating shares of at least ₺2 billion may be quoted in BIST Star, while companies with market capitalization of free floating shares of at least ₺500 million may be quoted on BIST Main, and companies with market capitalization of free floating shares of at least ₺200 million may be quoted in the BIST Sub-Market. After quotation, listed companies are evaluated at least bi-annually and, if deemed necessary, they may need to leave one sub-market and move to another.

Financial instruments currently traded on Borsa Istanbul markets include equities, exchange traded funds, government bonds and bills, corporate bonds and bills, covered bonds and money market instruments (repo/reverse repo), asset-backed securities, futures and options, real estate certificates and lease certificates. Lease certificates modeled on *Sukuk* bonds may be issued based on revenues to be generated from an ownership, management, sale and purchase, partnership or service contract.

The Central Registry Agency is responsible for the electronic dematerialization and registration of capital markets instruments, safeguarding the confidentiality of securities records and the operation of the Public Disclosure Platform.

Since 2005, shares traded on Borsa Istanbul and physically held by the Settlement and Custody Bank have been dematerialized in their entirety and are now held through the Central Registry Agency. Newly-issued shares are no longer printed but are rather entered into the book-entry system of the Central Registry Agency.

Please see also the "Environmental, Social and Governance (ESG)" section for the Guidelines on Green/Sustainable Debt Instruments and Green/Sustainable Lease Certificates published by Capital Markets Board.

Disclosure Requirements

Public companies must prepare and disclose financial statements and reports as well as certain other information which may affect the value of shares or investors' decision to invest in such shares in line with Capital Markets Board requirements. In addition, issuers of capital market instruments may also be subject to certain disclosure requirements. Such disclosures are made on an electronic system, the Public Disclosure Platform (www.kap.gov.tr), which uses internet and electronic signature technologies. The system is operated by the Central Registry Agency and enables all users to access both current and past notifications of listed companies and to obtain current announcements and up-to-date general information about listed companies. The following categories of information must be disclosed to the public:

Inside Information

Public companies must disclose "inside information" which is defined as information that: (i) is related to a specific event, (ii) may be considered significant or important by an investor in making an investment decision, (iii) is related to events not disclosed to the public, (iv) would provide holders of such information with an advantage over others in the sale and purchase of the company's securities and (v) may influence the value of the relevant securities or the investment decisions of the company's investors.

The Capital Markets Board also requires public companies to provide to the Capital Markets Board and to Borsa Istanbul a list of persons who have access to inside information. The list must be kept up-to-date.

Under certain circumstances, public companies may refrain from disclosing inside information but may incur liability for their non-disclosure of such information. Public companies may decide to postpone disclosure of inside information in order to protect their legitimate interests, provided that: (i) postponing disclosure is not misleading, (ii) the company is able to keep any related inside information confidential and (iii) there is written approval of the board of directors or an officer authorized by the board of directors. If the relevant information is leaked, or the reasons for postponing disclosure are no longer applicable, the inside information must be disclosed immediately.

Ongoing Disclosure of Specific Events

The Capital Markets Board requires publicly held companies to disclose on an ongoing basis certain information including:

a. Changes in the shareholding or management structure of the company resulting from any direct or indirect acquisition of 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 33 percent, 50 percent, 67 percent or 95 percent or more of the issued share capital or voting rights of the company;

b. Acquisition or disposal by the company itself of shares with voting or dividend rights;

c. Changes in rights attached to different groups of shares;

d. Changes in the conditions of issuance, such as terms or interest rates, of any capital market instrument which may affect the rights of those who purchased the instrument;

e. Information on the general assembly of shareholders before and after the assembly, as well as how to exercise voting rights in the general assembly of shareholders;

f. Information on the distribution of dividends, issuance of new shares, exercise of pre-emption rights and cancellation and conversion of shares.

Financial Statements

The Capital Markets Board requires publicly held companies to disclose financial statements prepared in line with the Turkish Accounting Standards and Turkish Financial Reporting Standards on a quarterly and annual basis.

Corporate Governance Requirements

The Capital Markets Board has rules governing the independence of the directors of publicly traded companies. These rules divide certain publicly traded companies listed on Borsa Istanbul into three categories and, depending upon which category a company falls within, impose corporate governance standards which are either “mandatory” or “optional.”

The three categories are based upon total market capitalization and total value of floating shares, calculated as quarterly averages, as follows:

- *First Group*: Average market capitalization over ₺3-billion and average value of floating shares over ₺750 million;
- *Second Group*: Average market capitalization over ₺1-billion and average value of floating shares over ₺250 million;
- *Third Group*: All other publicly traded companies.

Regardless of category, each company is required to disclose in its annual report whether or not it followed the corporate governance standards applicable to it, even with respect to the “optional” rules referenced below, in the past year. If it did not comply, it must set forth the reasons for not doing so, list any conflicts of interest arising as a result of not following

such rules and state any future plans the company has to modify its governance structure in order to comply with the applicable rules.

Along with each company's self-assessment in its annual report, Borsa Istanbul has a "BIST Corporate Governance Index", which has been published since 2007 and offers further information on corporate governance of publicly listed companies. The index measures the price and return performances of companies that hold a corporate governance rating of minimum 7 over 10 as a whole and of 6.5 for each main section under assessment.

The board of directors for all categories of companies must be composed of at least five directors. A majority of the board must consist of non-executive directors, among whom there must be independent directors who are able to perform their duties without being under any influence. As a general rule, the number of independent directors must not be less than one-third of the total number of directors and in any event may not be less than two.

Certain actions, such as acquiring or selling a "material" part of the assets of the company or entering into related party transactions, unless taken directly by shareholder vote, require the affirmative vote of the majority of the independent directors. In addition to the "mandatory" independence requirements listed above, there is an "optional" standard to the effect that each publicly traded company should aim to have at least 25 percent of its board comprised of female directors. Please see also the "Environmental, Social and Corporate Governance (ESG)" section for new regulations relating to ESG principles applicable to publicly traded companies.

Crowdfunding

On October 27, 2021, the Communique on Crowdfunding, which regulates the terms and conditions of raising capital in return for equity or debt through Capital Markets Board accredited crowdfunding platforms, entered into force. According to the "The State of Turkish FinTech Ecosystem Report", prepared by the Finance Office of Presidency of the Republic of Türkiye, 21 equity-based crowdfunding platforms have been approved.

Crowdfunding platforms, which must be licensed by the Capital Markets Board to start operations, act as an intermediary between investors and entrepreneurs (*girişimci*) or start-up companies (*girişim şirketi*).

Establishment criteria for crowdfunding platforms are set out in the communique. Among others, crowdfunding platforms must:

- Be incorporated in the form of a joint stock company (*anonim şirket*) with a minimum share capital of ₺1 million which shall be paid in full;
- Register all shares representing the capital of the platform;
- Have a board of directors consisting of at least three members;
- Have internal audit and risk management systems in place; and
- Enter into an agreement with the Central Registry Agency, the central securities depository and an authorized escrow agent, which may be the Settlement and Custody Bank or other banks and intermediaries authorized by the Capital Markets Board as portfolio custodians to handle the operational side of crowdfunding activities.
- Eligibility criteria for shareholders and directors, rules for share transfers, corporate governance and the scope of activities of the platforms include, among others, the following:
    - Crowdfunding platforms may not raise capital for non-resident persons or entities.
    - No crowdfunding activity may be undertaken for the purposes of acquiring real estate, rights in real estate or development of real estate projects.

- Changes in the shareholding structure as well as some changes to voting rights thresholds are subject to the approval of the Capital Markets Board.

- At least one board director must be an “angel investor” licensed by the Ministry of Finance.

A crowdfunding campaign may only be launched upon approval of the platform’s investment committee, which is required to be established so that the platform can be listed with the Capital Markets Board. The investment committee reviews the entrepreneur/start-up company’s feasibility study and approves the information document relating to the crowdfunding campaign. No campaign may be launched before approval and posting of the campaign information document on the platform’s campaign website.

Activities of foreign crowdfunding platforms are not subject to the communique. Turkish resident investors may carry out crowdfunding activities through foreign crowdfunding platforms. However, participation should not be the result of solicitation, marketing or publication of information in Türkiye by the foreign platform. Foreign platforms may not carry out any publicity, advertisement or marketing activities targeting persons/entities resident in Türkiye. Starting a business in Türkiye, launching a Turkish website or carrying out publicity and marketing activities indirectly through persons/entities resident in Türkiye would subject the foreign platform to the application of the communique.

Use of crowdfunding platforms is limited to resident entrepreneurs looking to raise capital for projects and start-up companies, which are incorporated as joint stock companies and are developing new technology or technological products and/or undertaking production activities. Technological activities and production activities are broadly defined to cover any highly competitive product or service with a potential to create high added-value and employment.

Publicly held corporations or companies controlled by other legal entities may not apply to crowdfunding platforms.

Capital Markets Activities

The Capital Markets Law also regulates the activities of capital markets participants, including investment firms, collective investment schemes, independent audit firms, appraisal firms and credit rating agencies, portfolio management companies, mortgage finance institutions, housing finance and asset finance funds, asset leasing companies, and venture capital funds. Such regulated activities are subject to obtaining a license from the Capital Markets Board based on various eligibility criteria set forth in detail in the regulations.

VII. FINANCIAL INSOLVENCY AND RESTRUCTURING

There are two sets of regulations which relate to the collection of receivables and restructuring of debts: the 2018 Regulation on Restructuring of Debts Owed to the Financial Sector and the Enforcement and Bankruptcy Code (EBC),. The 2018 Regulation introduced the concept of financial restructuring (*finansal yeniden yapılandırma*), while the EBC provides for concordat (*konkordato*), bankruptcy (*iflas*) and restructuring through consensus (*uzlaşma yoluyla yeniden yapılandırma*). It is also possible, in principle, for parties to an agreement to restructure their debts and obligations through amending contracts by mutual agreement.

Financial restructuring (finansal yeniden yapılandırma)

To protect distressed enterprises that create employment and have a positive impact on the economy, the concept of "financial restructuring" was introduced in 2018 by a regulation. According to information published by the Banks Association of Türkiye, as of September 2025, 440 corporate debtors with total outstanding payment obligations of approximately ₺377.515 million have benefitted from financial restructuring.

Parties to a financial restructuring must comply with the terms and conditions of the framework agreements published by the Banks Association of Türkiye and approved by the BDDK.

There are two different framework agreements in place: (i) the Large-Scale Framework Agreement, which is applicable to debtors with financial debt of ₺25 million or more and (ii) the Small-Scale Framework Agreement, which is applicable to debtors with financial debt of less than ₺25 million. Turkish banks and financial institutions, which provide the considerable majority of loans extended in the Turkish market, have signed both the Large-Scale and the Small-Scale Framework Agreements. All documents signed and transactions entered into within the scope of financial restructurings are exempt from certain taxes and charges, such as stamp tax, KKDF and BSMV.

Turkish resident companies other than banks, capital markets institutions, insurance and reinsurance companies, financial leasing companies, factoring companies, financing companies, payment systems and electronic currency institutions can benefit from financial restructuring.

A variety of institutions including banks, financial leasing, financing and factoring companies operating in Türkiye, foreign banks and financial institutions which have directly provided loans to Turkish debtors, multilateral agencies and international financial institutions having direct investments in Türkiye, special purpose companies formed by the above-mentioned creditor groups for collection of receivables and investment funds formed for the same purpose, can benefit as creditors from financial restructuring through acceptance of the Large-Scale or the Small-Scale Framework Agreements.

To benefit from financial restructuring, an application should be made by the debtor to any of its three largest creditors who must also be party to the relevant framework agreement. Applications must include necessary supporting documents listed in the framework agreements, such as the debtor's balance sheet, profit and loss statements, business plan, asset lists and information on recent asset disposals. Creditors then are given the option of commencing negotiations with the debtor.

Creditor compliance with the terms and conditions of the framework agreements and financial restructuring contracts is supervised by an arbitration board formed by the Banks Association of Türkiye.

Concordat (*konkordato*)

Concordat is a commonly used alternative to avoid bankruptcy. A concordat agreement is a set of terms, which, if and when approved by the competent commercial court, becomes binding on all of the debtor's creditors, regardless of whether they initially consented to the agreement.

Any debtor, whether a real or legal person, may apply for concordat. Creditors who are otherwise eligible to ask that the debtor be declared bankrupt may also apply. In either case, one of two conditions must be met: (i) the debtor must be unable to pay some or all of its debts upon maturity or (ii) the debtor must be in danger of not being able to pay its debts upon maturity.

The concordat application to the competent commercial court must include, among others: (i) a temporary "concordat plan" specifying a proposed date for the debtor to clear all debts, as well as the means for payment (or example, capital injection, sales and transfers, (ii) debtor financial statements accurately reflecting the insolvent financial situation, (iii) a list of all creditors and the debts owed, ranked in order of privilege and (iv) an independent audit report.

In terms of substance, concordat agreements typically take one of three forms: (i) extended maturity dates for some or all debts owed; (ii) a debt reduction (or example, the debtor promises to pay a percentage of the original debt); or (iii) a combination of (i) and (ii).

Concordat plans may be approved by two alternative routes: (i) approval by more than 50 percent of all registered creditors (that is, creditors that have registered their receivables), who also hold more than 50 percent of the total registered receivables or (ii) approval by more than 25 percent of all registered creditors, holding more than 66 percent of the total registered receivables.

The commercial court will refuse the request if there is a failure to meet these conditions and it may also declare the debtor bankrupt.

Once under the temporary grace period, which usually commences as of the date of the application to the commercial court, the debtor cannot engage in certain important dispositive transactions (for example, creating encumbrances over assets) without the court's permission. Moreover, the creditors are prohibited from initiating new enforcement proceedings against the debtor and ongoing enforcement proceedings are halted. A limited set of enforcement proceedings may continue, including those that arise out of employment and family law relationships and foreclosure proceedings concerning pledged assets.

The most immediate consequence of debtor non-compliance is the termination of the plan by the court. If other conditions are satisfied, the court may also declare the non-compliant debtor bankrupt in the same decision.

Bankruptcy (*iflas*)

Compared with concordat and restructuring through consensus, bankruptcy is the more traditional form of declaring insolvency. Bankruptcy ensures not only that creditors are satisfied to the fullest extent possible, but also that financially distressed debtors are not unduly taken advantage of.

Bankruptcy for both personal and commercial debt is, in the first instance, a concept reserved for those who are legally defined as "merchants" (*tacir*). The Commercial Code defines "merchant" as any person (real or legal) who operates a commercial enterprise, even if only partially, in its own name.

Bankruptcy, depending on the procedure and its length, takes two main forms: (i) bankruptcy initiated with a proceeding (*takipli iflas*) and (ii) bankruptcy initiated directly (without a proceeding) (*takipsiz iflas*).

Bankruptcy initiated with a proceeding *(takipli iflas)*

Creditors initiate a proceeding through submission of a bankruptcy request to the competent execution office for the debtor, determined based on the debtor's center of operations (*typically its headquarters*). The competent execution office forwards a payment order based on the request to the debtor in three days after such submission.

The debtor, upon receipt of the payment order, has three main options, which will need to be exercised within seven days:

a. To accept the claim and make payment;

b. To lodge a complaint against the payment order before the execution courts (for example, based on procedural irregularities), to halt the proceedings; or

c. To object to the claim in the payment order.

Objections made before the execution office may, for example, contest the validity or amount of the claim. A creditor may lodge a counter objection (*itirazın kaldırılması*) before the competent commercial court. The court's acceptance of a counter objection confirms the validity of the claim and the order is deemed to be final and binding.

Claimants have one year, commencing from the date on which a payment order is received by the debtor, in which to initiate bankruptcy proceedings before the courts. The competent court is the commercial court whose jurisdictional area includes the debtor's center of operations.

Bankruptcy initiated directly without a proceeding *(takipsiz iflas)*

Creditors may resort to this option if: (i) the residence or center of operations of the debtor is unknown, (ii) the debtor has engaged in fraudulent financial transactions, (iii) the debtor is known to have fled to avoid bankruptcy proceedings or (iv) the debtor has stopped making all payments.

Alternatively, a debtor may similarly ask the court to declare itself bankrupt if: (i) the debtor is in a state of insolvency, which refers to the debtor's inability to make payment on maturity, (ii) the debtor is "asset deficient," a state when a debtor's total liabilities exceed the total cash value of its assets or (iii) if at least 50 percent of the debtor's assets are encumbered and the remaining 50 percent is unable to satisfy the outstanding debt.

Upon obtaining a bankruptcy judgment through either of the two abovementioned methods, the bankrupt entity's estate (*iflas masasi*) is formed. This estate comprises all attachable assets belonging to the debtor.

The assets comprising the bankruptcy estate are then liquidated through a method agreed upon by the bankruptcy directorate (for example, public auction or sale through negotiation). Proceeds from the liquidation are used to satisfy the creditors whose names and receivables appear in an order of priority on the table of order. If the liquidation proceeds are insufficient to clear all debt, unpaid creditors, in order of priority ranking, are able to recover debt in the future if, and when, the bankrupt debtor acquires new assets.

Restructuring through consensus (uzlaşma yoluyla yeniden yapılandırma)

Restructuring through consensus is a rarely used debt restructuring method regulated under the EBC. In this process, the financially-troubled company invites creditors to settle under a restructuring plan, which must be accepted by a simple majority of the creditors, holding at least two-thirds of the receivables. The accepted plan must then be approved by the commercial court.

Turkish joint stock companies, limited companies, certain commandite companies and cooperatives which (i) are unable to fulfill their payment obligations when due, (ii) do not have assets and receivables sufficient to cover outstanding debts, or (iii) are likely to encounter one of these situations, can apply to use this method.

The debtor proposes a restructuring plan to the affected creditors who then approve or reject the terms and conditions by voting. If the plan is accepted, the debtor applies to the relevant commercial court for final approval. The commercial court must issue a decision in relation to the restructuring plan within 30 days of hearing the application.

A restructuring plan becomes effective from the moment of the court's decision. The terms and conditions of the plan prevail over the terms and conditions of earlier agreements with the affected creditors. Further, terms and conditions under the debtor's existing agreements, which include the implementation of restructuring through consensus in the event of default or breach of the contract, or terms which may result in the amendment or termination of the restructuring plan, become automatically unenforceable.

In principle, the approval of the restructuring plan does not have an automatic impact on the powers of the company. However, the court may limit these powers if the restructuring plan clearly foresees this.

VIII. ENVIRONMENTAL LAW

Turkish environmental law aims to regulate and prevent pollution and other environmental deterioration within Türkiye's continental borders and territorial waters. It implements a permit and compliance regime for parties that are involved in certain enumerated activities. The regulatory authority, which sets the specifics of the permit and compliance regime and is in charge of environmental compliance, is the Ministry of Environment.

Under Turkish environmental regulations, non-compliance may have various consequences from administrative fines or sanctions, for example, suspension of operations or full-recovery of damages, to civil or criminal liabilities for individuals involved in the actions resulting in the non-compliance.

Sanctions

Any activity which results in polluting the environment may incur sanctions under the Environmental Law. To underline the importance of prevention, the Environmental Law further restricts any direct or indirect emission, containment, transportation or removal of waste or debris in contradiction with technical standards issued by the Ministry of Environment for each type of waste or debris. In the event of a pollution-related risk, all parties involved are required to take whatever precautions are necessary to prevent the pollution. Governmental authorities may require relevant individuals or corporations to suspend, either on a temporary or permanent basis, activities which are in breach of the Environmental Law. Activities which are in breach of the Environmental Law may also result in administrative fines.

If the actions resulting in the pollution constitute a crime under the Criminal Code, offenders may be subject to imprisonment for a minimum period of two months up to a maximum of six years, plus certain judicial fines may be imposed. The minimum duration of imprisonment may be increased depending on the conditions specific to the case. Actions which do not violate the Environmental Law but result in pollution are also punishable by administrative fines levied by the municipalities under the Law on Misconduct.

Environmental Permits and Assessments

Greenfield investments have two major environmental compliance components: (i) the environmental impact assessment and (ii) the environmental permit.

Environmental Impact Assessment

Turkish law categorizes investments into two different environmental risk profiles, each with a different environmental approval process. The first category includes projects that are likely to have significant adverse effects on the environment and requires an environmental impact assessment report. The report must analyze the impact of the project with respect to nature (for example, water, soil, air, noise and the natural habitat of wildlife) as well as with respect to the impact on the architectural and archeological heritage of the environment. After a process of review by a special committee and public consultation meetings, the Ministry of Environment or the relevant Provincial Directorate, if assigned by the Ministry of Environment, issues an "Environmental Impact Assessment Affirmative" or "Environmental Impact Assessment Negative" decision.

Both types of decisions are deemed administrative acts and any third party whose interests are harmed by such an administrative act may request a stay or revocation of the decision from the competent administrative court.

The second environmental risk category includes projects that are not anticipated to have a substantial impact on the environment. Investments within certain safe harbors, such as projects on condensation or gasification of hard coal or bituminous materials with a capacity of 50 tons per day, fall into this second category. The assessment procedure for these projects, which is less burdensome than the environmental impact assessment process, involves project owners preparing and filing a project file with the Ministry of Environment. The Ministry of Environment will determine whether an Environmental Impact Assessment process should be commenced. If the Ministry of Environment issues an "Environmental Impact Assessment Not Necessary" decision, the project may be carried out without further assessment. However, if it issues an "Environmental Impact Assessment Necessary" decision, the longer process described above is triggered.

Once a project is approved, the Ministry of Environment monitors the development of the project to ensure that it continues to be duly compliant with commitments made under the "Environmental Impact Assessment Report" or project file. The project sponsor must submit periodical monitoring reports covering the construction, operation and post-operation phases of the project.

In the case of any capacity increase, the process described above should be taken into consideration depending on the amount of increase.

Environmental Permit and License

The environmental permit and license is the Ministry of Environment's tool for monitoring an investment's environmental compliance after the project commences operations in full capacity. The term "operating in full capacity" has different meanings depending on the type of project. For instance, for a power plant, operating in full capacity means the commencement of power generation for commercial purposes pursuant to the installed capacity amounts provided in the power plant's power generation license.

The environmental permit and license may comprise compliance standards that vary depending on the type and nature of the investment. Permits may, for example, contain compliance standards relating to air emissions, wastewater discharge or noise pollution. The permit will also include compliance standards relating to waste treatment if the investment has features relating to hazardous waste. The license addresses the technical sufficiency of the applicant facility.

Once an investment commences operations, the Ministry of Environment grants a one-year term to investors to obtain the environmental permits and licenses. During this term, the investment operates under a temporary operation certificate, which is a substitute for the environmental permit and license. Commencing operations in the absence of a temporary operation certificate is illegal and subject to a temporary or permanent suspension of operations and a monetary fine.

Other Environmental Regulations

Alongside the environmental impact assessment and the environmental permit and license, the environmental compliance regime has many other standards which must be always adhered to. The most important standards are those related to waste management, including hazardous waste, oil waste, domestic waste and packaging waste.

The Omnibus Law on the Establishment of the Turkish Environment Agency and Amendments to Certain Laws, entered into force on December 30, 2020, established the Turkish Environment Agency. The Environment Agency is responsible for (i) preventing pollution, (ii) contributing to the protection, improvement and development of green areas, (iii) increasing resource efficiency in terms of circular economy and zero-waste initiatives and (iv) carrying out activities for the establishment, monitoring and audit of a national deposit-return management system for all sorts of items including glass and PET bottles, as well as plastic and metal packaging. The Environment Agency is subject to private law and therefore regulates the relations in this sphere between individuals under civil law, contract law, commercial law, private international law and the code of obligations.

The Regulation on Environmental Management Services, entered into force on November 1, 2022, to regulate the qualifications, obligations and working principles and procedures of personnel, environmental management units and environmental consultancy firms providing environmental management services, application for certificates of competency and the assessment process, audit, suspension and cancellation of the same. With the Regulation on Environmental Management Services, (i) companies listed under Annex-1 of the Regulation on Environmental Permits and Licenses, which are considered as companies with high levels of pollution effect on the environment, are obliged to establish an environmental management unit by obtaining a certificate of competency or outsource environmental management services from environmental consultancy firms; and (ii) companies listed under Annex-2 of the Regulation on Environmental Permits and Licenses, which are considered companies with pollution effect on the environment, are obliged to permanently employ staff or establish an environmental management unit by obtaining a certificate of competency or outsource environmental management services from environmental consultancy firms. Accordingly, the liabilities of the companies shall not be removed, and they shall continue to be liable with the relevant staff, environmental management unit or environmental consultancy firms.

With the enactment of the Regulation on Contaminant Emission and Transfer Register published in the Official Gazette, dated December 4, 2021, a publicly available electronic database was established to provide for prevention and decrease of pollution. Accordingly, companies operating in the fields listed under Annex-1 of the said Regulation (that is, energy,

metal production and processing, mineral/mining industry and chemical industry) shall register with this system within the dates set forth under the Regulation.

The Regulation on Environmental Noise Control was published on November 30, 2022. This Regulation aims to prevent the negative effects of environmental noise on environment and human health, implement noise control precautions to decrease the environmental noise and inform the public regarding the actions taken for the management of environmental noise. The Regulation covers industrial plants, transportation hubs, music-playing establishments, sea vehicles, construction sites and other outdoor activities that may cause environmental noise, and introduces restrictions such as time limits, permission requirements and constant monitoring for the mentioned activities. According to the Regulation, the Ministry of Environment primarily sets forth the policies regarding the minimization of environmental noise and works in cooperation with other institutions and organizations to ensure the implementation of the Regulation. The Regulation also urges local administrations to implement the Ministry's policies under their jurisdictions through Provincial Local Environment Boards. The Regulation also appoints the Ministry of Culture and Tourism to take necessary precautions to protect natural and historical landmarks from environmental noise and vibration.

The Regulation on the Control of Waste Electrical and Electronic Equipment was published on December 26, 2022. This Regulation introduces new obligations on producers to reduce the total environmental impact of a product by adopting the principle of extended producer responsibility, which places the responsibility for the entire lifecycle of the product, and in particular for take-back, recycling and final disposal on the producer. The obligations on the producer include: (i) designing and manufacturing durable, long-lasting, repairable, reusable and improvable products by developing sustainable production and consumption models for the efficient use of resources; (ii) registering with the Ministry's system on electrical and electronic goods and to update the information in the said system in case of any change regarding the manufacturer and submitting the information or documents requested through the same system until the end of March of each year and (iii) prioritizing the use of recycled materials, especially in new design products, if technically feasible.

Please see "SECTOR HIGHLIGHT II – CLIMATE LAW AND CARBON MARKETS" section for further details.

IX. LABOR LAW

Under the supervision of the Ministry of Labor, the Labor Law is the main legislation setting forth the principles applicable to employees and employers in Türkiye. Specific rules applicable to unions and collective bargaining arrangements are contained in the Law of Unions and Collective Bargaining Agreements. The Work Health and Safety Law provide compliance rules for employers to ensure that all workplaces are healthy and safe. The International Workforce Law and certain other secondary pieces of legislation supplement all of these and clarify implementation and enforcement.

As a government policy matter, the Labor Law aims to be compliant with International Labor Organization conventions to which Türkiye is a party.

Elements of Employment

The regulated elements of employment are employees, employers, wages, employment contracts and the workplace.

Employee Obligations

Unless otherwise understood from the contract or circumstances, employees are personally liable for performing their work and no other person may perform the work for them. Employees must act with the utmost care and diligence and must obey and respect the employer's legitimate instructions as long as such instructions are in compliance with the agreed scope of work.

Employees are under a duty of loyalty to the employer. The standard of the duty of loyalty varies depending on the nature of the work. However, based on established case law, this generally means that employees should act for the benefit of the employer and avoid behavior that could harm the employer economically, commercially or professionally. The duty of loyalty also includes the obligation, during their term of employment, not to engage in any action that would be in competition with the employer's business. This non-competition obligation does not survive the employee's termination. If the employer wishes to extend this obligation and if the employee accepts, they may enter into a non-competition

agreement that will be valid after the termination of employment, and they may also agree on a penalty for breach of the non-competition clause. Such non-competition agreements are deemed valid only if they are reasonably necessary and contain certain limitations on term, geographical territory and scope of activity. It is important to note, however, that unless otherwise agreed, non-disclosure and confidentiality agreements protecting the rightful interests of the employer remain in effect after the termination of the employment relationship.

Employer Obligations

An employer's main obligation is to pay wages in full and on time. An employment contract which does not contain the employer's duty to pay wages is considered invalid. However, as an obligation corresponding to the employee's duty of loyalty, an employer must also take care of the employee's well-being. This has various aspects including social security, health and safety, union rights, personal and professional reputation, protection of and respect for personal privacy and secrecy and freedom of speech. An employer is also bound by equal treatment and non-discrimination obligations in terms of age, gender, maternity, language, race, skin color and disability, as well as in relation to political, philosophical or religious opinions and beliefs.

The Labor Law provides, depending on the duration of employment, for 14-26 days of annual paid vacation that must be granted to employees. Employers and employees may agree on a higher, but not a lower, number of paid vacation days.

Wages

Employers must pay wages on a regular basis in cash, not in kind. Unless the parties or the employment meet certain exemption criteria, an employee's wage must be determined in Turkish Lira. Despite the provision in the Labor Law on payment in Turkish Lira, it is accepted with Decree No. 32 that the employment agreements executed by the Turkish subsidiary, branch or liaison office of a foreign entity or which relate to work performed outside of Türkiye, may, for example, be denominated in a foreign currency. Wages may be paid in installments. Employees and employers may also agree on premiums, bonus packages or other payment schemes. Such payments may be stipulated in employment contracts, collective labor agreements or be unilaterally granted by the employer.

Türkiye has a statutory minimum wage standard. The government determines the amount of the minimum wage and announces it at least once a year.

Workplace

For the purposes of the Labor Law, the workplace may be anywhere the employer and employee agree upon. However, it is usually the employer's registered place of business such as the office, facility or factory. Employers are required to register workplaces with the Ministry of Labor at the date of opening and must notify the Ministry of Labor every time a new employee is hired. Transfer or closure of a workplace is also subject to notification to the Ministry of Labor.

If an employer continuously confers certain benefits on employees, even if not committed in writing, the practice becomes a "workplace practice" and becomes binding on the employer. Supreme Court of Appeals precedents define "continuously" as at least three times in a row. Such practice must also be of a consistent and general application, applying to all or at least to a definable group of employees. Bonuses, clothing, fuel allowances and accommodation are the most common examples of benefits that may become "workplace practice." By law, employees are entitled to at least one full day (24 hours) of rest per week (typically after six consecutive workdays). In 2025, an amendment introduced an exception for the tourism sector, allowing employees of tourism-certified workplaces to defer their weekly rest for up to 10 consecutive working days if they consent in writing. This controversial change permits up to 10 days of continuous work without the usual day off, provided that the 45-hour weekly working time limit is not exceeded.

Employment Contracts

Employment contracts may be either for a definite period or an indefinite period. The general rule is that an employment contract is for an indefinite period. However, under certain special circumstances, employment contracts may be for a definite period. For instance, an employment contract may be limited to a definite period if the relevant work must be finished within a specific period of time or is undertaken for a specific project.

Employment contracts do not need to be in any special form unless otherwise stipulated in the Labor Law. For example, definite period contracts must be in writing. Employment contracts are exempt from stamp tax or any other charges and duties. If there is no written contract, the employer is required to submit a written document indicating the terms of

employment including working hours, basic salary and any salary additions, periodicity of payments, term of the contract (if definite) and any termination provisions to the employee within two months of employment.

Termination of Employment

Definite Period
Employment for a definite period is deemed automatically terminated at the end of the period.

Indefinite Period
Both the employer and the employee may terminate an employment relationship with an indefinite period unilaterally at any time by serving notice in accordance with specific statutory notice periods. Parties may agree on longer notice periods. Any party failing to observe the notice periods is required to pay the amount of wage which would have accrued during this period.

The employer must pay severance upon the termination of an employee who has been continuously employed for at least one year if: (i) the terminating party is the employer and the termination is not based on a just cause related to the employee's unethical behaviors or actions against good faith or (ii) the terminating party is the employee, and the termination is based on any just cause listed in the Labor Law. Severance pay is also paid upon an employee's death, when an employee terminates employment to commence compulsory military service, because of old-age, retirement or disability, or when a female employee terminates employment within one year of marriage. Severance pay is calculated as 30 days for each full year of employment, calculated over the employee's latest gross wage. However, severance pay is subject to a statutory maximum ceiling which is updated every six months. The ceiling for severance pay per year of service is ₺64,948.77 for the second half of 2026. Importantly, employees who qualify for retirement under social security laws can resign and still claim severance. In 2023, an early retirement law removed the age requirement for certain long-time insured employees, making many more workers eligible to retire and collect severance earlier.

In workplaces where 30 or more employees are employed, in a case in which the employer terminates the employment of an employee who has at least six months of service, there must be a valid reason such as a business necessity or the employee's inability to meet the requirements of the job, as otherwise employees are accepted to be within the scope of the work security rules. In any case, termination must be the option of last resort. Failure to meet these conditions may result in the employee successfully suing for re-employment and other compensation.

Employees who do not meet the conditions of work security rules and whose employment contracts have been terminated unfairly may claim bad faith compensation even if they cannot claim reinstatement.

Termination of Employment Based on Just Cause
The Labor Law provides certain just causes both for the employer and the employee to terminate, with immediate effect, an employment contract. If a just cause exists, the terminating party does not need to observe notice periods in an indefinite term of employment or wait for the expiration of the definite term of employment.

Just causes for an employer include: illness severe enough to suspend work for certain duration, an employee's unethical behavior or actions against good faith, the occurrence of a *force majeure* event which keeps the employee away from work for a week or more or the detention of an employee due to criminal enforcement.

Just causes for an employee include: work or workplace health and safety risks, an employer's unethical behavior or actions against good faith and the occurrence of a *force majeure* event in the workplace which prevents the employee from working for at least a week.

Employers exercising their right of immediate termination for just cause must terminate the employment relationship within six business days of discovery of the just cause. There is a general one-year statute of limitation applicable to just cause which does not apply if the employee solicited pecuniary benefits by performing the action at fault.

Employees may challenge terminations before a mediator within one month of termination. The mandatory mediation procedure, introduced in 2017 for certain employment disputes, must be exhausted before initiating a lawsuit before labor

courts. If the conflict cannot be resolved before the mediator, the employee may file a lawsuit before labor courts within two weeks as of the date of the final mediation report. The employer usually carries the burden of proof in labor suits.

Subcontracting

The Labor Law allows subcontracting arrangements, but only under specific circumstances. Subcontracted work may either (i) consist of auxiliary services, such as cleaning, catering, or security, or (ii) involve a specialized portion of the primary work that requires technical necessity (*teknolojik gereklilik*) business needs of the enterprise (*işin ve işletmenin gereği*). Subcontracting is strictly regulated. For instance, the principal employer must have its own employees at its own workplace and the subcontractor must not be a person previously employed by the principal employer.

The employees of the subcontractor shall be solely assigned to the work undertaken from the employer. In other words, employees of subcontractor must work exclusively for the subcontractor.

Both the employer and the subcontractor must notify the Ministry of Labor when a subcontracting relationship is established. If the subcontractor fails to pay any amount payable to the subcontracted employees for their labor, the employer may be held jointly and severally liable with the subcontractor for these amounts.

Transfer of Business by the Employer

Any transfer of business that includes the transfer of the workplace and the employment relationships required to perform the work at such workplace is subject to the assumption of liability rule. According to the rule, the new employer assumes all liabilities against the employees since the beginning of their employment with the transferring employer. However, the transferror employer remains jointly liable with the new employer for two years after the date of the transfer for any debt, including debt owed to employees, in relation to the business.

Unions and Collective Bargaining Agreements

Turkish law allows unions, and employees are free to be union members. An employee's union membership and related union activities may not be a ground for termination of a work agreement. Unions with more than a certain number of members become eligible to enter into collective bargaining agreements with employers on behalf of their members. In such cases, employers are obliged to enter into a collective bargaining agreement with the union upon the completion of a bargaining process.

Temporary Employment

Under general principles, "employment" is defined as a permanent relationship that is established on a full-time basis for an indefinite term. Any other type of employment is exceptional and may be established only if certain requirements are met. In addition to definite period employment contracts (please refer to our section on "Employment Contracts" for details), the Labor Law allows for two circumstances where a temporary employment relationship may be established between an employee and an employer.

Group Company Exception

Temporary employment may be established within a group of companies. This form of temporary employment may be established for a maximum term of six months and may be extended twice, provided that the employee gives prior written consent each time.

Private Labor Agency (*Özel İstihdam Büroları*) Exception

The Labor Law allows, under a special permit to be obtained from the Turkish Employment Agency, establishing of private labor agencies which hire employees to fulfill another employers' short-term workforce demands. The private labor agency and the employer must enter into a temporary workforce procurement agreement. The private labor agency's employee will then work for the employer under the terms of the workforce procurement agreement for a specified period of time. Employers may benefit from this private labor agency exception only under certain special circumstances, such as covering for employees who exercise their right to the parental part-time work, or for female employees who are on paid maternity leave, or for male employees who are fulfilling their

mandatory military service obligation. The duration of agency placement is limited; generally up to four months, extendable to eight months, with a required break before the same worker can be employed again, except for caregiving or seasonal agricultural jobs. Employers, in an effort to prevent abuse, may not use agency temporary workers during a strike or lockout, nor replace workers whose employment contracts were terminated in the last six months. Both the agency and the employer can face administrative fines if they violate these rules. The agency must have a special authorization from the Turkish Employment Agency to operate, and if an unauthorized agency provides staff, both the agency and the employer can be penalized.

Remote Employment

Turkish law permits employees and employers to agree on remote work, defined as working from home or outside the employer's premises, using technology as an alternative arrangement. The general rule under the Labor Law is that the employee performs the work at the employer's workplace. However, the employer and employee may specifically designate a place outside of the employer's workplace for performing the work. Depending on the specifics of the work, an employee may, for example, perform the work from home or from any other place through the means of technology. A remote employment location may be established under a written contract which explicitly outlines the working conditions, including the definition of work, compensation amount and terms of payment, equipment to be provided by the employer or employee, and the manner, duration and location of remote employment. Remote employees cannot be subject to different treatment than comparable non-remote employees.

Additionally, the employer is required to inform employees working remotely about occupational health and safety measures related to the nature of the work and the remote work location.

Occupational Health and Safety

The Occupational Health and Safety Law was enacted in 2012 and gradually came into force through July 1, 2016. Different types of workplaces, depending on the hazard level of the work and the number of employees, are subject to different types of regulation. Employers are required to take all necessary health and safety measures and precautions to provide their employees with appropriate working conditions.

All workplaces are categorized as either high, medium or low hazard, depending on the type of work conducted. Measures to be taken by the employer, such as employing work safety experts, workplace doctors, on-staff medical personnel or obtaining these services from shared health and safety units, providing periodic training, maintaining workplace health and safety logs and submitting periodic reports, vary depending on the hazard category of the work or workplace.

Employment of Foreigners

The International Workforce Law, enacted in 2016, regulates the rights and obligations related to the international workforce. In Türkiye, foreigners may work freelance or under employment contracts after obtaining a work permit from the Ministry of Labor. Various bilateral and multilateral agreements, to which Türkiye is a party, allow the nationals of some countries to work in Türkiye without a work permit. The Ministry of Labor considers work permit applications based on a number of criteria, including the type of work to be performed and other factors such as general economic conditions in Türkiye affecting employment. The International Workforce Law requires the employment of five Turkish citizens before a foreign employee can be employed, colloquially called the 5 + 1 rule. However, in workplaces with a net sales amount of ₺50 million or more in the previous year, the 5 + 1 rule does not apply. Companies operating with balance sheet method need to have either a paid-in capital of at least ₺500,000, net sales of at least ₺8 million or exports of at least US$150,000 before they can apply for a work permit for a foreign employee. The minimum wage to be paid to the foreign employee is calculated according to the position they are being hired for, ranging from one to five times the gross minimum wage.

There are four types of work permits.

Limited-Term Permit
Issued for a maximum of one year for specific work to be undertaken at a specific workplace with a specific employer. The term may be extended for another two years at the first extension application with the same employer. The term may be

extended for up to another three years at each subsequent extension application following the first extension, again with the same employer. However, applications to work for a different employer are treated as if they were the first application.

Unlimited-Term Permit

Issued to foreigners who: (i) have been living in Türkiye under a long-term residency permit or (ii) have been legally working in Türkiye for at least eight years. As a general rule, an unlimited-term permit holder enjoys the same rights as a Turkish citizen, but it does not grant the right to work in public service or the right to vote.

Permit for Independent Work

Issued to foreigners who are experts of a learned profession or who are shareholders and registered executives of Turkish companies (meaning, managers of a limited liability company or members of the board of directors of joint stock companies who are shareholders of the company).

Turquoise Permit (*Turkuaz Kart*)

Issued to foreigners whose presence in Türkiye adds value to the economy and employment due to their level of education, professional experience, contributions to science and technology and activities or investments in Türkiye. Turquoise permits are issued for an indefinite term with a three-year probationary period. Turquoise permits cover the spouse and children of the foreigner. Turquoise permit holders enjoy the same rights and benefits as unlimited-term permit holders.

Foreigners with internationally recognized studies in the academic field, those who are prominent in science, industry and technology in a field that is considered strategic for Türkiye, or those who make or are expected to make a significant contribution to the national economy in terms of export, employment or investment capacity are considered as qualified foreigners in the Turquoise Card application. Foreigners must obtain a preliminary work permit from the relevant ministry prior to applying for a work permit from the Ministry of Labor.

Under certain exceptional circumstances, foreigners may be granted one of the work permits listed above without being subject to the aforementioned time limitations. These exceptional circumstances include, but are not limited to, foreigners married to Turkish citizens who reside uninterruptedly in Türkiye with their spouses, European Union nationals, nationals of the Turkish Republic of Northern Cyprus, individuals who are of Turkish descent and individuals who are considered to be qualified employees or qualified investors.

Turkish Workers in Foreign Countries

Many Turkish companies undertake projects in foreign countries in sectors such as construction, infrastructure, energy and port operations. In addition to employing local citizens abroad, these companies often transfer existing Turkish employees to their international operations or recruit new Turkish employees specifically for these overseas projects.

Workers employed abroad generally have foreign law chosen as the applicable law in their employment contracts. Article 27 of the International Private Law and Procedure Law states that employment contracts are subject to the law chosen by the parties, as long as the minimum protection provided by the mandatory provisions of the employee's habitual workplace law is preserved. In this context, Turkish employees working temporarily on foreign projects typically have their habitual workplace in a foreign country.

However, the Supreme Court of Appeals has ruled that due to public order and directly applicable rules in Articles 5 and 6 of the International Private Law and Procedure Law, employees cannot have less protection than what is afforded by the Turkish labor law. Thus, in situations where foreign law offers lesser protection, Turkish law will apply.

In the recent decision by the Supreme Court of Appeal, on the contrary, it was determined that foreign law is applicable to Turkish employees working abroad.

X. COMPETITION LAW

Unfair competition is regulated by the Commercial Code, the Paris Convention for the Protection of Industrial Property (which requires signatory states to protect the citizens of each state party against unfair competition) and the Competition Law.

The Commercial Code aims to protect businesses against deceptive and misleading practices that violate basic rules of proper commercial behavior. The code lists examples of deceptive and misleading actions, including the dissemination of misleading announcements or advertisements evoking associations with the products or services of another company, the dissemination of deceptive information on another business' reputation or quality and the creation of "ambiguity" among products. "Ambiguity" arises when a consumer has difficulty differentiating between products because of the use of logos and slogans that are similar to the trademarks, brands and other descriptive advertising materials lawfully owned by another business. Even if a trademark is not registered, the creation of ambiguity is considered unfair competition.

Certain restrictions apply to commercial advertisements to avoid unfair commercial practices and to protect consumers.

Pursuant to the Competition Law, which is modeled on the European Union's competition legislation, the Competition Authority oversees and regulates the following elements: decisions or acts in concert which may constrain fair competition, abuse of dominant market positions and controls on merger and acquisition transactions.

Prohibited Actions and Exemptions

Prohibited Actions

Persons engaging in business in Türkiye may not enter into any agreement, take any decision or act in concert with others if such action prevents, distorts or restricts fair competition in the market. The intent is irrelevant for the purposes of this rule. Actions considered to be against fair competition include, among other things:

- Price-fixing or fixing any other conditions of a purchase or sale;
- Partitioning markets or sharing or controlling any types of market resources or elements;
- Controlling supply or demand;
- Obstructing competitor activities or challenging competitor operations in a market through boycotts or other actions or blocking new entries into the market;
- Discriminating among equals; or
- Compelling a business party to purchase goods or services in conjunction with other goods or services not related to the main transaction, so called "product tying."

Exemptions

If the relevant market seems likely to benefit more from an action which normally would have a negative effect, the Competition Board may grant an exemption from these requirements. An action is deemed to bring benefit to the market if it:

- Procures new economic developments or improvements;
- Benefits the consumer;
- Does not abolish fair competition in a significant part of the market; and
- Does not limit fair competition more than necessary to achieve the goals set forth in the first two points above.

The Competition Board grants each exemption for a specific term which may be renewed. The Competition Board may grant an exemption with conditions or issue a communique in relation to block exemptions for specific subject matters. Failure to continue to satisfy the conditions or use of misleading information during an application for the exemption may result in revocation of said exemption and possible monetary fines.

Abuse of a Dominant Position

A dominant position exists when one or more market participants have the power to influence certain economic parameters such as price, production or supply volumes and distribution channels in a market. Abuse occurs when a dominant market player uses this power to manipulate the market for its own interest. The Competition Law considers the following actions, among others, as examples of abusing a dominant position:

- Blocking new entries into the market or obstructing competitors' activities;
- Discriminating among equals;
- Compelling a business party to purchase goods or services in conjunction with other goods or services which are not related to the transaction, so called "product tying";
- Exploiting financial, technological or commercial advantages to distort competition in another market; or
- Restricting production, marketing or technical development to the prejudice of consumers.

The Competition Board has the power to invalidate any transaction or impose monetary fines if the rules applicable to dominant position are violated.

Merger and Acquisition Transactions; Prior Approvals

Merger and Acquisition Transactions

Transactions subject to competition review include mergers between two or more entities, direct or indirect acquisitions of shares or assets, any transaction resulting in a change of "control" of an entity and the formation of a joint venture. For the purposes of the Competition Law, "control" means the power to exercise decisive influence over a business. Change of control may occur in many ways, such as acquiring shares, ownership rights, operating rights or through commercial contracts.

A merger or acquisition transaction requires prior approval of the Competition Board if it results in a change of control and one of the following turnover thresholds are met:

- The Parties' aggregate Turkish turnover exceeds ₺750 million and the Turkish turnovers of at least two of the transacting parties each exceeds ₺250 million; or
- The Turkish turnover of the transferred assets or businesses in an acquisition exceeds ₺250 million and at least one of the other Parties' worldwide turnover exceeds ₺3 billion; or
- The Turkish turnover of any of the Parties in a merger exceeds ₺250 million and the worldwide turnover of at least one of the other Parties exceeds ₺3 billion.

In addition to the above, mergers or acquisitions relating to technology firms which (i) are active or have R&D activities in the geographical market of Türkiye; or (ii) provide services to users in Türkiye must in all cases, regardless of the above-mentioned turnover thresholds, be approved by the Competition Board. A technology firm is defined as an undertaking conducting activities in the areas of digital platforms, software and gaming software, financial technologies, biotechnology, pharmacology, agrochemicals and health technologies or assets related to these types of undertakings.

Turnover is calculated as total cash intake of all businesses under the control of the same ultimate beneficial owners of each party to the transaction. For purposes of competition law, ultimate beneficial ownership means (i) owning or holding

more than 50 percent of the capital or commercial assets, (ii) holding the power to exercise more than half of the voting rights, (iii) holding the power to appoint more than half of the members of the board of supervisors, board of directors or any other body authorized to represent, undertake or hold the power to manage operations.

The Competition Board may grant either unconditional approval of a transaction or, upon the satisfaction of certain terms, conditional approval. A common example of conditional approval is requiring one of the parties to spin-off a certain business or product line to avoid risks related to the abuse of a dominant market position. Parties may also propose structural or behavioral remedies with a view to eliminating any competition problems anticipated by the transaction. The Competition Board has the power to invalidate any transaction or impose monetary fines if the rules applicable to mergers and acquisitions are violated.

Although there is no specific deadline for notifying the Competition Board, a merger or acquisition transaction meeting the relevant criteria must be notified to, and a clearance permission be obtained from, the Competition Board prior to completion or closing of the transaction. Until a decision is taken by the Competition Board, the transaction is not considered legally valid. If the Competition Board does not respond within 30 days of an application, the transaction is deemed approved. If the Competition Board disapproves the transaction, the parties may appeal the decision before the Turkish administrative courts in Ankara within 60 days.

Clearances

Parties may apply to the Competition Authority to request an exemption or negative clearance opinion relating to whether a proposed transaction, action or activity is compliant. The Competition Board may issue conditional clearances which are similar to the prior approvals for transactions or exemptions to transactions. Failure to continue to satisfy the conditions or use of misleading information during application for an exemption or negative clearance may result in the revocation of the clearance and/or the imposition of monetary fines.

Investigations and Complaints

The Competition Board may start an investigation at any time based on its discretion or upon a complaint. The Competition Board notifies the relevant parties within 15 days of deciding to commence an investigation. An investigation may take place in, on or relating to everything owned by the parties to the transaction or action. Parties under investigation must cooperate with Competition Board officials at all times and in any manner possible. Investigations must be concluded within six months but, when deemed necessary, this time period may be extended by the Competition Board on a one-time only basis for an additional six months.

The Parties have the right to respond to allegations included in the report on the investigation's findings and they may also request a hearing. The Competition Board issues a reasoned decision at the end of these proceedings. Parties may appeal the Competition Board's decisions before the Turkish administrative courts in Ankara within 60 days. It is important to note, however, that filing an administrative appeal does not automatically stay the execution of the Competition Board decision.

The mechanism of reconciliation is also available for investigation processes. The Competition Board may commence the reconciliation process and decide to end the investigation either with the request of the interested parties or on its own motion, by taking into consideration the procedural benefits of expeditious finalization of the investigation process and the existence or scope of the breach. Within the scope of the reconciliation process, the Board may decide to end the investigation with respect to the concerned parties and make a deduction in the administrative fine between 10 percent to 25 percent upon the submission by the concerned parties of a reconciliation text accepting the existence and scope of the breach and other related issues. The concerned parties cannot initiate a lawsuit against the administrative fine and the matters under the reconciliation text upon the finalization of the investigation with reconciliation.

In 2025, the Turkish Competition Board's investigative activities became particularly prominent in several sectors where enforcement was notably concentrated. The food and FMCG sectors continued to be the areas with the highest number of investigations, reflecting the trend observed in recent years, followed by raw material-based industries. With the acceleration of digitalization, information technologies, online platform services and data-driven business models also emerged ~~among~~ as the sectors closely monitored by the Turkish Competition Authority.

XI. ANTI-CORRUPTION

Anti-corruption laws in Türkiye are established under various legal frameworks that aim to prevent bribery, corruption and misconduct, both in public and private sectors.

While intensifying its nationwide efforts to prevent corruption, Türkiye is also actively participating in international anti-corruption initiatives, implementing the decisions adopted by the United Nations, the Council of Europe, the OECD and other regional organizations.

Türkiye signed the UN Convention Against Corruption on December 10, 2003 and became a party to it on December 9, 2006, after completing the necessary ratification processes.

Türkiye is also a party to the Council of Europe's Civil Law Convention on Corruption, the Criminal Law Convention on Corruption and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Türkiye fully implements all decisions and recommendations of the Financial Action Task Force (FATF), an intergovernmental organization which leads global efforts to prevent bribery and corruption.

For businesses, this translates into a need for stringent compliance programs, particularly when engaging in international transactions or dealings with foreign public officials.

Criminal Code

The primary legislation addressing corruption in Türkiye is the Criminal Code. The Criminal Code has a broad territorial reach in terms of jurisdiction for corruption-related crimes. Several articles under this code deal with crimes such as bribery, embezzlement, abuse of trust and fraud.

Bribery (*rüşvet suçu*) is one of the most common examples of corruption-related crime. Under Turkish law, bribery occurs when an individual offers or gives something of value to a public official or someone appointed by the official or certain institutions and officials authorized to perform actions concerning the public interest, with the intent to influence the official's actions or decisions. Bribery also occurs when an official solicits or receives something of value in exchange for performing or neglecting their public duties.

Institutions and officials having a public interest that can commit bribery include: professional associations of a public nature, companies established by such professional associations, cooperatives, associations working for the public's interest, and persons acting on behalf of publicly listed joint stock companies.

As part of implementing international agreements into domestic laws, the Criminal Code is also applicable to bribes offered by or given to: public officials appointed in a foreign state, judges, jury members or other officials serving in international or supranational courts or in courts of foreign states, members of international or supranational parliaments, individuals carrying out public activities for a foreign country, Turkish or foreign citizen arbitrators or representatives of international or supranational organizations established under international agreements.

Embezzlement *(zimmet suçu)* involves a public official who misappropriates goods that are entrusted to them or which they are obliged to protect and supervise by virtue of their position. Abuse of trust *(güveni kötüye kullanma suçu),* on the other hand, is a type of embezzlement that involves a private individual or a public individual *(not acting in capacity as a public official),* misusing someone else's property that has been entrusted to them for safekeeping or use. If the abuse of trust is committed by someone acting in a professional capacity, such as lawyers, accountants or company managers, the penalties are harsher. Company executives can commit this crime by diverting company funds for personal use or transferring them to unauthorized accounts, either for personal gain or to benefit third parties without proper approval from the company.

The above acts are punishable by imprisonment, in some cases for up to 12 years, depending on the specifics of the case. Additional judicial fines may also be imposed for certain crimes. The Criminal Code also places an obligation of public duty on individuals with knowledge of any criminal offence to report it to the Public Prosecutor's Office. Failure to

report is punishable by imprisonment for up to one year, while failure by public officials to report carries a penalty of imprisonment ranging from six months to two years.

That being said, the Code of Criminal Procedure grants suspects the right to remain silent. An individual is considered innocent until proven guilty and therefore has the right not to testify against themselves. Whether the right to remain silent applies to legal entities, such as corporations, remains a matter of debate, as this issue has yet to be addressed in judicial decisions. In addition, close relatives of suspects and certain professional groups such as accountants, lawyers or doctors, may refuse to testify in relation to the crimes they become aware of through their work.

The Criminal Code also provides leniency provisions for individuals who report corruption-related crimes to the authorities before an investigation commences. This rule does not, however, apply to the bribing of foreign public officials.

Law on the Prevention of Laundering Proceeds of Crime

The Law on the Prevention of Laundering Proceeds of Crime adds another layer of regulations that businesses in Türkiye must adhere to, particularly those in the financial sector. The law imposes obligations on various sectors, including banks, factoring companies, financial leasing companies, portfolio management companies and crypto asset service providers to verify customer identities, maintain accurate records and report suspicious transactions to the MASAK.

- *KYC (Know Your Customer) Obligations:* Entities subject to the law are required to verify the identity of their clients and their ultimate beneficial owners.

- *Suspicious Transaction Reporting:* Entities subject to the law are obliged to report any suspicious transactions to MASAK and in some cases to suspend the transaction, if they suspect that the transaction involves funds derived from or used for illegal activities. MASAK regularly publishes guidelines for the notification of suspicious transactions in order to ensure that obliged parties have a common understanding and approach to preventing the laundering of criminal proceeds and financing of terrorism and to assist the obliged parties with identifying suspicious transactions. Regardless of the transaction amount, a suspicious transaction must be reported to MASAK by the obliged parties within 10 business days of the transaction raising suspicion.

In July 2024, the Suspicious Transaction Reporting Guide for the Crypto Asset Service Providers was updated to better align with the evolving nature of financial technologies. Key updates include a simplified reporting form covering all modern financial technologies, the addition of crypto sector-specific transaction and account types and new categories for suspicious transactions. MASAK's online system, which allows electronic transaction reporting, has been redesigned and is now available to the crypto asset service providers.

MASAK is also authorized to exchange information with foreign counterparts, particularly in cases of cross-border money laundering or terrorist financing investigations, ensuring compliance with global anti-money laundering standards.

Violations of the law, such as failure to conduct KYC or report suspicious transactions, can result in administrative fines or, in severe cases, criminal charges, including imprisonment.

In accordance with the Turkish tax laws, all payments made to parties that required to issue invoices related to the delivery of goods or services, as well as any payments made between businesses and their shareholders or other individuals or entities, must be processed through financial institutions if they exceed ₺30,000. Cash payments are not permitted for amounts over this threshold, and these transactions are required to be handled by financial institutions only. This will trigger financial institutions' obligation to identify and report any suspicious activities related to such payments.

Corporate Liability for Corruption in Türkiye

Under Turkish law, criminal liability is a personal liability reserved for individuals rather than corporate entities. Therefore, corporate entities as legal persons may not be convicted or sentenced for committing a crime. Corporate corruption may be criminally punished only through the prosecution of a corporation's executives or board members. If found guilty,

individual executives or, where it is not possible to identify individual executives for the purposes of liability, the entire board may be punished by imprisonment.

In addition, the Criminal Code provides a special prevention mechanism in the form of non-criminal sanctions, such as monetary fines under the Law on Misconduct or the revocation of the licenses required for operations, which may be imposed against corporate entities that have benefited from corruption-related crimes. Furthermore, certain sectors, such as energy, have regulations restricting the participation of officers and board members sentenced under the Criminal Code for corruption-related crimes.

Corporate Compliance Programs

Corporate compliance programs are becoming increasingly important, especially for companies with international ties or those operating in sectors where regulatory oversight is high. While only a limited number of companies in Türkiye are legally required to implement compliance programs, such as banks, insurance companies and portfolio management companies, other corporations are also adopting voluntary compliance programs related to anti-bribery and anti-corruption.

XII. DATA PROTECTION

The Data Protection Law provides the guidelines, in line with the constitutional principles protecting privacy and confidentiality of personal life, applicable to the processing of personal data. The Data Protection Law, modeled after European Union practices, is applicable to any entity that processes, for any reason, any kind of personal data of real persons.

For the purposes of the Data Protection Law, "processing of personal data" means obtaining, recording, storing, retaining, changing, re-arranging, disclosing, conveying, acquiring, making available or categorizing personal data as well as blocking its usage. Personal data must be processed for specific, clear and legitimate purposes. Processed personal data must be accurate and must be updated when necessary. Furthermore, such data must be relevant to and limited or proportionate to the purpose for which it is being processed. Personal data must be maintained only for the time required by the relevant legislation or for the purpose for which it is processed.

Subject to certain exceptions, the personal data of real persons may not be processed without the data subject's explicit consent. Where such legitimate purpose ceases to exist and the processing of the data is no longer required, data controllers must either ex officio or upon request erase, destroy, or anonymize the stored data. Data controllers must also ensure compliance with such requirements by any data processors to which the data was transmitted.

The Data Protection Board, the ultimate authority responsible for enforcing the Data Protection Law and resolving complaints against data controllers arising out of alleged breaches of the Data Protection Law, has clarified that an explicit consent request must be sufficiently informative in nature. It may not, for example, be obscured in a lengthy text on the data processor's confidentiality notice. Furthermore, the Data Protection Board has clarified in its decisions that "opt-out" modes of obtaining consent, whereby the data subject is automatically and by default presumed to have consented to data processing, violate the Data Protection Law and that an "opt-in" mode of obtaining consent must be adopted.

There are certain limited exceptions to the consent requirement, for example if:

- Processing of such data is explicitly required by law;
- Processing is required to protect the life of the owner or a third party, for example, if the owner of the data is physically or legally incapable of providing consent;
- Processing is directly related to the execution or performance of a contract, in which case only the personal data of the parties may be processed;
- Processing is required for the data controller to fulfill its own legal obligations;
- Such personal data was previously made public by the owner;
- Processing is necessary to establish, use or protect a right;
- To the extent that processing does not harm the fundamental rights and liberties of the data owner, processing is required for the legitimate benefit of the data controller.

The Data Protection Law classifies certain data as "sensitive." These are data relating to race, ethnic origin, political opinion, philosophical belief, religion, sect and other beliefs, attire, membership in associations, foundations or trade unions, health-related information, criminal record and biometric and genetic features.

Within the category of sensitive data, the Data Protection Law provides further protections for special data relating to health and sexual activity. This data may only be processed if the data subject provides explicit consent or for a limited set of purposes, including safeguarding public health and carrying out healthcare activities and only by those who are under a statutory duty of confidentiality or by authorized agencies or if it is mandatory for the fulfilment of legal obligations in the fields of employment, occupational health and safety, social security, social services and social assistance.

The transfer of data is subject to the same rules and exceptions as the processing of data; however, further restrictions apply if data will be transferred abroad. To transfer data outside of Türkiye, the following alternatives need to be taken into consideration:

- Competency Decision of the Data Protection Board; or
- Transfer based on appropriate safeguards, which will include, among others, the preparation of Binding Corporate Rules that are subject to the approval of the Data Protection Board, or signing a standard contract, the form of which is issued by the Data Protection Board and which will be submitted to the Data Protection Board following its execution;
- Exceptional transfers on a case-by-case basis such as obtaining explicit consent in exceptional cases.

Under the applicable rules, the data controller must provide, among others, the following information to data subjects whose personal data is processed:

- The identity of the data controller and its representative, if any;
- The purpose of processing;
- To whom and for what purpose the data will be transferred; and
- The method of collection of personal data and the legal reason for collection and rights of the data subject.

In the case of an unlawful access to personal data, such as a data breach, data controllers must notify the Data Protection Board within 72 hours of the incident using the breach notification form published by the Data Protection Board. Affected data subjects must be notified as soon as reasonably possible.

Data subjects have the right to know if their personal data has been processed and, if so, to request any information related to the processing, usage or storage of the personal data, as well as the persons or entities in Türkiye or abroad to whom the personal data has been disclosed. The data subject may demand correction of their data or, if there is no longer a need to process such data, its deletion. The data subject may ask for damages compensation due to the illegal or irregular processing of personal data. Data subject information requests from a data controller must be processed within 30 days of the request. As discussed in more detail below, if the data controller fails to respond, rejects the application or provides an unsatisfactory response, the data subject may submit a complaint to the Data Protection Board.

Because data processing is a regulated activity, certain data processors are required to register with the VERBIS, a publicly available database kept by the Data Protection Board. Unless exempt from the requirement, all data controllers (individuals, as well as domestic or foreign legal entities) that process personal data pursuant to the Data Protection Law must be recorded with VERBIS prior to processing any personal data. There are certain exceptions to the registration requirements for real person data controllers, such as lawyers and accountants and certain legal entities, such as associations and foundations.

Turkish legal entities, unless exempt, must register with VERBIS if they employ 50 employees on an annual basis or if their total assets or liabilities stated in the annual balance sheet exceed ₺100 million. Data controllers whose main field of activity involves the processing of sensitive data, with less than 10 employees annually and an annual financial balance sheet total of less than ₺10 million, shall also be exempt from the obligation to register with VERBIS. This is a one-time registration to be updated as necessary.

When assessing the registration obligation of foreign data controllers, the Data Protection Board has not taken into consideration any criteria such as the number of employees, annual financial statements or the scope of activities. The Data Protection Board has stated that it is required and sufficient for a foreign data controller to process personal data of data subjects who are resident or located in Türkiye, and there appears to be *no de minimis* threshold for registration.

If a data controller becomes subject to the registration requirement (if it fulfills the criteria), then it must register with VERBIS within 30 days upon fulfilment of the criteria.

Exemption from the registration requirement does not relieve data controllers of other duties and obligations under the Data Protection Law. Regardless of whether they are obliged to be registered with VERBIS, data controllers should prepare an inventory of all personal data processed in Türkiye. The inventory should include information on (i) categories of personal data collected, (ii) purpose of processing, (iii) maximum retention period, (iv) information on whether the personal data is being transferred abroad and to where and (iv) security measures taken by the data controller to safeguard the data.

As the ultimate enforcer of the Data Protection Law, the Data Protection Board may investigate allegations of non-compliance either through a complaint lodged by a data subject before it or *ex officio*. To lodge a complaint before the Data Protection Board, a data subject alleging a violation must first petition the data controller requesting information or seeking a remedy to the alleged violation. The data controller must adequately respond to the data subject's request within 30 days. Upon receipt of the response, the data subject has the right to lodge a complaint before the Data Protection Board within 30 days. Data subjects must therefore contact their data controllers before petitioning the Data Protection Board.

The Data Protection Board has a diverse array of powers in its arsenal to ensure compliance with the Data Protection Law. These range from issuing administrative fines to non-compliant data controllers (except for public institutions) to making requests that data controllers revise their relevant texts and notifications relating to data processing. If the Data Protection Board considers that the facts of the case trigger criminal responsibility, it will also inform relevant government bodies (for instance, a prosecutor and other investigative authorities as the case may be). Below is a table summarizing the most commonly issued administrative fines by the Data Protection Board with the corresponding offenses applicable for the year 2026:

Offense	**Administrative fine (₺)**
Failure to comply with information obligations	from 85, 437 to 1,709,200
Failure to take measures to safeguard data	from 256,357 to-17,092,242
Failure to comply with the Data Protection Board's decisions	from 427,263 to 17,092,242
Failure to register with VERBIS	from 341,809 to 17,092,242
Failure to submit standard contracts for data transfer	from 90,308 to 1,806,177

Despite these extensive powers, the Data Protection Board has ruled on numerous occasions that it is not in a position to, nor authorized to, award damages to data subjects. It therefore refers the aggrieved party to general courts for damage claims.

Since non-compliance with the Data Protection Law may simultaneously violate rights of personhood protected by the Civil Code, data subjects who allege a violation of such rights may pursue damages or other restitution requests provided in the Civil Code through general courts, independent of any complaint they may or may not have lodged before the Data Protection Board.

Also, as per the Criminal Code, any person:

(i) Who illegally records personal data will be sentenced to imprisonment for a period of one to three years (this penalty shall be increased by half in case sensitive data will be the subject of the recording);

(ii) Who illegally delivers, circulates or transfers personal data to any third person or illegally obtains personal data will be sentenced to imprisonment for a period of two to four years;

(iii) Who fails to destroy data from the system (who is authorized to do so), even though the retention period set forth in the relevant law has expired, will be sentenced to imprisonment for a period of one to two years.

Right to be Forgotten

The Data Protection Board has ruled that the right to be forgotten is a general concept which may, based on the case at hand, be exercised by requesting the use of various tools such as “erasure,” “destruction,” “anonymization” or “exclusion from the index.” Because the Data Protection Board has ruled that search engines qualify as data controllers and that indexing activities conducted by search engines to sort and show search results qualify as data processing activities under the Data Protection Law, requests for exclusion from the index should be based on the right to be forgotten.

Individuals seeking exclusion from the index should first file a request with the search engine as data controller. Should the search engine fail to respond, reject the application or respond insufficiently, the data subject may then file a complaint with the Data Protection Board.

For the purpose of clarifying issues relating to exercising the right to be forgotten, the Data Protection Board in 2021 introduced guidelines on the right to be forgotten as applied to search engines. The guidelines seek to promote a balance between public interest in obtaining information and a data subject’s fundamental rights and freedoms. The Data Protection Board has deemed that certain criteria should be taken into consideration when evaluating an exclusion request. These criteria include, but are not limited to, whether the information (i) relates to a public figure or a minor, (ii) is inaccurate, insulting or degrading or relates to sensitive data, (iii) relates to the professional life of the individual, (iv) constitutes prejudice toward or puts the data subject at risk, (v) was published by the data subject themselves, (vi) includes content originally processed within journalistic activities, (vii) must be published out of legal obligation, or (viii) relates to a penal offence.

XIII. ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG)

ESG considerations in Türkiye have started to play a more important role at both the corporate and regulatory levels. In 2012, Borsa Istanbul was one of the five stock exchanges to join the Sustainability Stock Exchanges (SSE) initiative, supported by the United Nations, which, as of 2025, has 124 partner stock exchanges. However, until recently, there was no mandatory legal framework relating to ESG reporting, nor were Borsa Istanbul companies specifically required to put in place internal corporate ESG reporting framework as a listing rule.

In October 2020, the Capital Markets Board amended the existing corporate governance regulations to introduce the obligation of the listed companies to report on their sustainability performance, starting with their annual financial statements for the financial year 2020. The Capital Markets Board further provided the ESG principles applicable under the new regulation, but the ESG framework still operates on a voluntary basis insofar as the listed companies can explain the rationale for their non-compliance with the principles and evaluate its impact.

Although regulatory involvement is recent, there are other resources available to gather data on the corporate sustainability performance in Türkiye. Borsa Istanbul has been computing a 'BIST Sustainability Index' since 2014 (with the code XUSRD) as a benchmark for listed companies to evaluate their performance on ESG matters on both the national and the global level. The assessment of the companies has been conducted by a third party, "Ethical Investment Research Services Limited" and the list of companies subject to assessment is revised annually and announced by Borsa Istanbul in December of each year. According to the agreement executed by and between Borsa Istanbul and Refinitiv Information Limited, as of 2021, Refinitiv's sustainability assessment results will be used as reference for determining the companies to be considered for the BIST Sustainability Index.

Since 2017, Borsa Istanbul has also been publishing information relating to ESG performance and targets in its integrated annual reports. These reports, prepared in accordance with the International Integrated Reporting Framework, provide information on Borsa Istanbul's efforts on ESG. According to the 2019 Annual Integrated Report, ESG-related issues rank high in terms of importance for the exchange's stakeholders as well as the exchange's short, medium and long-term performance.

Several major governmental actions have been taken to support the fight against climate change. The publication in July 2021 by the Ministry of Trade of the Green Deal Action Plan (YMEP) was the first initiative. A direct response to the European Green Deal announced in December 2019 by the European Union, YMEP aims to preserve and strengthen the commercial relationship between Türkiye and the EU through harmonizing Turkish law with European Green Deal regulations.

On October 7, 2021, the Turkish Parliament ratified an adapted version of the Paris Climate Agreement and passed the Law Regarding the Approval of the Paris Agreement relating to the mitigation, adaptation and financing of climate change initiatives in Türkiye.

To support the financing of investments contributing to environmental sustainability, in February 4, 2022, the Capital Markets Board published the Guidelines on Green/Sustainable Debt Instruments and Green/Sustainable Lease Certificates on its website. The intention of the Guidelines is to regulate the core elements of and the principles for the issuance of green debt instruments and green lease certificates in Türkiye. The Capital Markets Board has also published the draft Guidelines on Green, Sustainable and Social Capital Market Instruments, which regulate the principles for issuance of green, sustainable and social capital markets instruments both in Türkiye and abroad, as well as the Guidelines on Sustainability-Linked Capital Markets Instruments, which regulate issuances whose financial and/or structural characteristics may change depending on whether the issuer achieves pre-determined Sustainability/ESG targets.

On April 11, 2025, the "Communiqué on the Calculation of Green Asset Ratio by Banks" was published in the Official Gazette with the aim of establishing the procedures and principles for calculation and reporting of green asset ratio and other key performance indicators in measuring banks' contributions to the financing of environmentally sustainable economic activities. This legislation prevents banks from simply labeling a loan as 'green,' but requires evidence of its environmental impact.

There are also efforts from the Turkish lenders' side to encourage companies to prioritize sustainability in their business operations. A number of Turkish private banks have issued green bonds, whereby the proceeds are ring-fenced in a way that could be used for lending solely to sustainable projects such as renewable energy, energy efficiency and/or circular economy projects.

These steps to be more responsive to the global climate crisis should sit well with global lenders and financial markets. Indeed, they are in line with the global trend to assess and place a premium on companies that have an overall ESG strategy.

In mid-2022, a new Environmental Impact Assessment Regulation was published to replace the previous one and to set out new procedures and principles with respect to the environmental impact assessment process. Among other things, the content of the environmental impact assessment application and project presentation forms now include sections with respect to sustainability and ESG assessments for new projects. So-called "sustainability plans" comprising of zero-waste plans, traffic management plans, greenhouse gas reduction plans, environmental and social management plans are now also required to be included in both forms. The EIA application form also includes an assessment of the effect of the project on climate change as well as the effects of climate change on the project, going beyond the assessment of "greenhouse gas emissions" in the form attached to the old regulation.

Following the developments in the EU in terms of the net-zero emission target of the Green Deal, Türkiye is preparing to adopt its own carbon pricing mechanism and enact legislation to fight against climate change through the Climate Law No. 7552, which brings considerable changes as compared to the first one and which was promulgated on July 2, 2025. Under the Climate Law, an emission trading system will be established, as a carbon pricing mechanism, limiting or encouraging the limitation of greenhouse gas ("GHG") emissions and GHG-causing activities through the trading of GHG emission allowances in parallel to the EU. Additionally, businesses, the operations of which result in carbon emissions, will become obliged to obtain a GHG emission permit to continue their operations within three years as of the enactment of the Climate Law. Finally, a settlement system will be introduced by meeting the allowance obligations with carbon loans.

The new Carbon Border Adjustment Mechanism (CBAM regime) of the EU will have material effect on Turkish companies which are importing goods to this zone. Accordingly, each importer importing certain goods to the EU produced by industries which have high emissions has become obliged to comply with new reporting and regulatory obligations such as obtaining CBAM certificate to support EU's carbon footprint reduction target. CBAM Regulation foresees a transition period between October 1, 2023, and December 31, 2025, during which the importers in the iron, steel, aluminum, fertilizers, electricity and cement sectors are obliged to make quarterly emissions reporting. During this period, obtaining CBAM certificate by the importers will be optional and not mandatory. In that respect, in July 2025, a draft Emission Trading System Regulation was submitted for the public's review, as the Climate Law mandated the establishment of an Emission Trading System as one of the primary tools for reducing greenhouse gas emissions in order to achieve the net-zero emission target, the green growth vision and the fight against climate change. Thereafter, in August 2025, the Draft Carbon Crediting and Offsetting Regulation, which aims to establish and implement the procedures and principles for Türkiye's carbon offsetting system, regulate offsetting transactions, govern the trading of carbon credits generated from programs/projects within the Republic of Türkiye's borders in international carbon markets and facilitate the registration of credited programs/projects, has been submitted for the public's review.

On December 27, 2023, the Public Oversight, Accounting and Auditing Standards Authority (Authority) determined the scope of application of the Turkish Sustainability Reporting Standards (TSRS) in the preparation of sustainability reports by businesses, companies and institutions through the decision of its Board (Board). The Board also published the TSRS 1 and TSRS 2 standards for sustainability reports of the following companies, in line with the IFRS S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures", with the purpose of ensuring global validity and establishing uniformity. The Authority also announced criteria for certain corporations such as financial leasing companies and investment institutions which will be obliged to apply TSRS while preparing their sustainability reports.

Recently, the Climate Change Presidency has submitted the draft Regulation on Türkiye Green Taxonomy for the public's review aiming to regulate the principles and procedures of the Green Taxonomy of Türkiye to (i) support economic activities aligned with sustainable development goals, (ii) promote the flow of financing toward sustainable investments, and (iii) prevent greenwashing in the market.

The Regulation on the Management of Industrial Emissions, based on Directive No. 2010/75/EU on Industrial Emissions and with the purpose of aligning with the European Union legislation, was published in the Official Gazette on January 14, 2025. The regulation aims to protect the environment and human health by reducing industrial emissions and waste generation, promoting green transformation, circular economy and decarbonization. The said regulation which came into force on December 1, 2025, covers businesses such as facilities with a rated thermal power of 50 MW or more for power generation, petroleum refining, coke coal production, gasification, liquefaction and pyrolysis, metal production and processing, mineral industry, chemical industry, waste management and facilities engaged in activities using organic solvents. Accordingly, such facilities shall obtain a certificate showing that they are being operated in accordance with the green transformation process in the industry. Additionally, the Public Oversight, Accounting and Auditing Standards Authority has issued the Regulation on Sustainability Audit on January 17, 2025 which regulates (i) the sustainability audit to be conducted mainly within the framework of the Commercial Code, the Decree Law No. 660 on the Organization and Duties of the Public Oversight, Accounting and Auditing Standards Authority or on a voluntary basis, (ii) the authorization and responsibilities of independent audit firms and independent auditors who will operate in the field of sustainability, (iii) supervision and audit by the Authority, and (iv) the administrative sanctions with respect thereto.

The Ministry of Trade has submitted the draft Regulation Amending the Regulation on Commercial Advertising and Unfair Commercial Practices, aiming to prevent greenwashing by ensuring accurate consumer information, protecting consumers' economic interests and aligning with developments in digital marketing practices. The draft includes comprehensive provisions regarding advertisements made through social media influencers, environmental claims, targeted advertising, the use of artificial intelligence, conditional sales, discounted sales and consumer reviews. These amendments have been prepared based on the evolving consumption habits, alignment with the European Union's Digital Services Act, the need to combat misleading environmental claims, the increasing prevalence of AI-generated content and rising consumer complaints.

Please see the "SECTOR HIGHLIGHT II – CLIMATE LAW AND CARBON MARKETS" section for further details.

XIV. SECTOR HIGHLIGHT I – FINTECH

The Turkish FinTech market hosts a substantial number of participants of varying scales. Despite the competitive nature of the market, its participants often collaborate to ensure fairness. Consumers increasingly seek fast, user-friendly and widely accessible digital financial platforms and Turkish FinTech companies, much like their global counterparts, are working to meet these expectations. A notable example is BKM Express, a multibank, cashless payment platform utilized by approximately 200 FinTech businesses and banks.

According to the Turkish Investment and Finance Office announcement dated October 7, 2025, FinTech investments in Türkiye reached a record high of US$201.3 million in the first quarter of 2025, compared to US$196.1 million for the entire year of 2024. As of 2025, there are 50 licensed payment and e-money institutions, six digital banks, one Banking-as-a-Service (BaaS) provider and 58 crypto asset service providers (CASPs) currently under evaluation for licensing by the Capital Markets Board, demonstrating the sector's continued expansion and regulatory maturation.

Globally, the FinTech market is projected to maintain its strong trajectory, with estimates pointing towards a valuation of approximately US$830 billion by the early 2030s. While Türkiye's FinTech industry continues to mature rapidly, it has entered a high-growth phase characterized by record-breaking activity. Notably, the sector attracted US$201.3 million in investments in the first quarter of 2025 alone, surpassing the total volume of the previous year.

Turkish FinTech start-ups are advancing innovative – and often global-scale – solutions to meet evolving consumer demand. Furthermore, the synergy between Türkiye's robust banking sector and Fin Tech enterprises has deepened, facilitated by advanced Open Banking regulations and the seamless integration provided by the Interbank Card Center (BKM) infrastructure.

FINTECH BUSINESS ENVIRONMENT

Payment Services and E-Money Institutions

Matters regarding Payment Institutions, which are solely authorized by law to provide "payment services" (such as facilitating fund transfers, bill collection or providing payment infrastructure), are yet precluded from holding user "balances" in the form of electronic money or issuing such value. Same is valid for matters regarding electronic money institutions, which are authorized to perform electronic money issuance in addition to the operations permitted for payment institutions, and are regulated under the Law on E-Payment. This constitutes a highly dynamic sector in Türkiye. The total transaction volume of electronic money and payment institutions in Türkiye has reached ₺21 trillion, with 86 institutions currently operating in this space.

Additionally, platforms like BKM play a crucial role in facilitating digital payments between banks. BKM Express, for instance, has streamlined the digital payment process, taking over a portion of the transaction volume traditionally handled by banks. ~~A~~BKM is estimated to manage approximately 15 percent of the total transaction volume processed by banks.

Law on E-Payment applies to payment systems, security settlement systems, payment institutions and electronic money institutions operating in Türkiye. Only banks and payment service providers authorized by the Central Bank are allowed to carry out payment services in Türkiye.

The Central Bank has raised its audits in 2025 to the strictest level in its history to support the "Secure Financial Institution" stance. In this context, not only small players but also well-known major brands in the sector have been scrutinized.

Large-Scale Cancellations: The licenses of some major companies that failed to comply with regulations or violated major provisions of Law on E-Payment, such as supervision and audit and financial structure requirements, have been revoked. The cancellation of operating permits of a total of 11 institutions with significant market share, including Pay Fix, Ininal and Papara, in 2025, along with the suspension of activities of four licensed companies, is the clearest indicator of the regulator's "zero tolerance" policy.

Companies wanting to operate as electronic money or payment institutions are required to apply to the Central Bank for a license. This application process consists of three stages:

1. *Pre-Assessment:* The company's articles of association, management structure and capital adequacy are subject to preliminary review. In this stage, the company's capacity to meet the below-mentioned capital requirements are assessed.

	Payment institutions (₺)	E-money Institutions (₺)
Capital requirement	2 million	5 million
Min equity capital	30 million	80 million
Warranty*	3 million	5 million
• *The collateral amount is not included in min equity capital amount additionally, in 2025 institutions are required to obtain Professional Liability Insurance of at least ₺ million annually or maintain this as collateral.*		

2. *Detailed Examination:* During this phase, the company's business plan, technological infrastructure, internal control and risk management systems are thoroughly reviewed. If the application is accepted, the Central Bank conducts a more detailed assessment of the submitted documents and plans.

3. *License Approval:* If the company is assessed to meet all the requirements, the Central Bank grants the license, allowing the company to commence its operations.

The application fee for the license is approximately ₺1.5 million This fee is a mandatory cost that must be paid during the evaluation process and is part of the steps the company must complete to obtain the license.

Institutions which successfully complete the licensing process can issue electronic money or provide payment services.

It is worth mentioning that integrators/aggregators and wallet services - which are extremely common in Türkiye - do not require any licenses to operate.

Risk Management and Onboarding (Customer Acceptance) Processes: The Central Bank has raised technical infrastructure standards within the scope of combating fraud and preventing money laundering (AML).

Remote Identity Verification (Remote KYC): The use of AI-supported biometric verification and NFC technologies in customer acquisition processes, known as onboarding, has been made subject to mandatory standards. Digital Wallet has been clearly defined in legislation for the first time, and licensing of companies providing this service has become mandatory. Companies, including , operating in this field without licenses were given a compliance period until October 7, 2024, and the process has been completed. Active Supervision: In 2024 and 2025, the Central Bank imposed administrative fines totaling over ₺160 million on more than 55 institutions that failed to comply with the risk management rules.

All in all, the Turkish e-money and payment ecosystem has effectively transformed into a high-yield magnet for global capital, far surpassing the saturation of Western markets to become the region's premier 'unicorn factory.' For the shrewd international investor, the Turkish market is no longer a gamble but a verified goldmine. Combining a tech-native young demographic with advanced banking infrastructure, the country offers a rare 'high-multiplier' environment where early entry today promises not just substantial ROI but also a strategic foothold in the EMEA region's most dynamic financial hub ahead of the projected 2026 boom.

Open Banking

Open banking provides a way for third parties, with consent, to access personal financial data maintained by banks. Open banking has dismantled the monopoly once held by banks over customer financial data and opened new competitive avenues in FinTech. Thus, the Central Bank has published a guideline regarding possible set-ups for open banking. Law on E-Payment, which was updated on November 2, 2019, added payment order initiation service and services of

providing consolidated information on online platforms, while also defining Payment Services Data Sharing Services as payment services under the law.

BKM API Gateway, which was designed for the needs of the country and developed with domestic resources, was commissioned on December 1, 2022. Payment service providers, the top 10 banks that had payment accounts and were among the top 10 participants in the Central Bank Payment Systems in terms of the total number of payment transactions in 2020 were required to connect to the BKM API Gateway by December 1, 2022, while other payment service providers, the banks, payment and electronic money institutions, were required to connect to the BKM API Gateway by December 1, 2023.

It was assessed that it would be appropriate to grant additional time, particularly for payment and electronic money institutions, to complete their technical and operational work smoothly, and as a result, the compliance deadlines were extended. As long as BKM delays the integration processes, the development of open banking in Türkiye will continue to be hampered.

Digital Banking

As digital banks gain global momentum, traditional banks face challenges from these new players that offer simple, user-friendly products, data-driven interactions and quick loan approvals, often eliminating fees and commissions. With its tech-savvy population, Türkiye is no exception to the worldwide shift in customer preferences toward digital platforms. The long-awaited Regulation on Operating Principles of Digital Banks and Service Model Banking (the "Digital Banking Regulation") came into effect on January 1, 2022, to address this accelerating trend.

The Digital Banking Regulation outlines the procedures and principles for (i) branchless banks that exclusively provide services through electronic channels such as internet banking, mobile banking, telephone banking, ATMs and WAP-banking and (ii) banking services provided to financial technology companies and other businesses via a Banking-as-a-Service (BaaS) model. The Digital Banking Regulation holds significance for allowing entities without banking licenses to establish digital banks, by introducing an exclusive license for digital banking.

In line with general principles, digital banks can perform all activities allowed for credit institutions, while adhering to both the Digital Banking Regulation and other legal provisions applicable to credit institutions. These activities vary according to their classification as deposit or participation banks. Likewise, digital banks are subject to same conditions for establishment and operation as traditional banks, as set out in the Regulation on Transactions of Subject to Authorization and Indirect Shareholding ("Authorization Regulation"). Additional provisions from the Digital Banking Regulation, however, apply to digital banks without prejudice to the provisions of the Authorization Regulation. Such additional provisions also include a ₺1 billion minimum capital requirement to be paid in cash without any kind of collusion and conditions regarding digital banks' management, operating program and business plan along with the adequacy assessment of information systems.

The Digital Banking Regulation further introduces restrictions for enabling a smoother integration of digital banks into the Turkish banking landscape and maintaining the distinction between business models. Accordingly, digital banks can only engage with financial consumers and small and medium-sized enterprises but may extend loans to large-sized enterprises and other banks. Although digital banks must open a physical office and may receive support services from support service organizations, they cannot operate branches. This restriction further includes correspondents, agencies, representation offices and other similar units and excludes the general directorate and associated service units. Digital banks must also apply income-based limitations when offering unsecured consumer loans and face monetary limits if the income cannot be determined. To lift some of these limitations, digital banks may apply to the BDDK after increasing their minimum paid-in capital, ₺1 billion to ₺2.5 billion. Currently, there are six digital banks that have received pre-approval and are operational.

Virtual Currencies and Platforms

Virtual currency (electronic money) in Turkish law refers to the monetary values backed by funds collected by the electronic money issuer, stored electronically, used to perform payment transactions and accepted as a means of payment by natural as well as legal persons other than the electronic money issuer. Electronic money and electronic

money issuers are strictly regulated. On December 29, 2022, the Central Bank issued a statement regarding the digital Turkish Lira which can be considered as a stablecoin and has stated that they are currently testing payments in digital Turkish Lira. The statement further reveals that the Central Bank prioritizes working on the legal framework for payments in digital Turkish Lira and that the digital Turkish Lira will be put into use in the near future.

In addition, the "bigram Gold" project, which flows through the blockchain network realized jointly by the Central Bank, Borsa Istanbul and Takas Bank, is active and gold can be traded as a virtual value.

Regulations have been made by the Capital Markets Board in terms of platforms and crypto trading exchanges in Türkiye are subject to licensing. Platforms operating before the regulation submitted their license applications to the Capital Markets Board on November 8, 2024; started the license evaluation process and can continue their activities during the decision period. Platforms that will be newly established and/or will operate for players in Türkiye will not be able to operate in Türkiye until the application is finalized. There is no license application fee like e-money and/or payment institutions. However, since the companies will be subject to the Capital Markets Board, there is a capital requirement in amount of ₺50 million. On the other hand, crypto platforms are also liable under MASAK, provided that the FATF is taken as a basis; they will not be able to onboard their customers without completing KYC processes. The custody accounts of the platforms must be kept in banks.

Initially, the number of platforms that had pre-notified their intention to apply for a license in 2024 was 80. As of 2025, 77 out of 80 applications are still ongoing and three platforms have withdrawn their license applications, declaring that they will request platform liquidation. In total, 14 platforms have declared that they will cease their activities and 63 platforms' applications were not accepted by the Capital Markets Board. The year 2025 represents a landmark period for the Turkish crypto sector, defined by its transition into a regulated environment under the Capital Markets Board of Türkiye. Following the implementation of the new legal framework, an initial wave of over 80 entities applied for a CASPs license. The Capital Markets Board has since undertaken a rigorous vetting process; while no licenses have been granted to date, certain applications have been rejected, leaving a total of 58 companies actively awaiting licensure. Far from stifling the market, this move toward regulatory clarity has evidently catalyzed significant growth. The Capital Markets Board itself has reported that overall profitability in the sector has surged by 67 percent. Furthermore, according to the first liquidity report issued by the Capital Markets Board, CASPs operated with a remarkable 150 percent profitability in 2025, a figure achieved even after absorbing the new costs associated with regulatory compliance. Concurrent with this impressive profitability, the sector demonstrated robust expansion, posting an overall growth of 15 percent, signaling the emergence of a mature and financially sound market that thrives under its new legal structure.

It is not known yet whether all 58 companies will be approved after the licensing process. The licensing process is expected to take up to one year.

Furthermore, in a parallel and significant development, the Central Bank, in coordination with the Capital Markets Board, has initiated an application process for the Digital Lira project. Participation in this pioneering initiative is exclusively restricted to licensed e-money and financial institutions, which will be involved in the creation of a digital asset transacted on a blockchain. A critical legal question, which is the subject of intense market anticipation, is how this digital currency will ultimately be classified. It is currently uncertain whether the Digital Lira will be regulated as a "stablecoin" or a general "crypto-asset." Should it be classified as a stablecoin, it remains to be seen whether it will fall under the purview of the existing Law on E-Payment or if it will be governed by the Capital Markets Board's new, bespoke crypto-asset regulation.

New Rising Era: WealthTech

The WealthTech sector in Türkiye is experiencing a remarkable surge, with a new generation of digital platforms offering automated and accessible investment solutions to a wide user base. This rapid growth, however, operates within a sensitive regulatory landscape. Many of these platforms risk triggering licensing requirements from the Capital Markets Board, particularly when their services border on providing direct portfolio management or investment advisory. Despite these regulatory complexities and the inherent risk of future scrutiny, the demand for such innovative financial tools is undeniably strong, driven by a digitally-savvy population seeking alternatives to traditional asset management. Reflecting this powerful market traction, the Turkish WealthTech scene has become a hotbed for venture capital, attracting significant funding rounds and validating investor confidence in its high-growth potential.

XV. SECTOR HIGHLIGHT II – CLIMATE LAW AND CARBON MARKETS

With an objective to comply with the goals of the European Green Deal declared by the European Union on December 11, 2019, to fight against climate change and to support the green transformation, the Ministry of Trade published the Green Deal Action Plan in July 2021("Action Plan").

The Action Plan aims to harmonize with the regulations and principles adopted under the European Green Deal in order to contribute to Türkiye's transition to a more sustainable, resource-efficient and green economy, in a way that will preserve and carry forward Türkiye's existing integration within the scope of the EU Customs Union. The main objectives of the Action Plan are as follows:

- Limiting carbon emissions
- Green and cyclical economy
- Green financing
- Supplying clean, economical and secure energy
- Sustainable agriculture
- Sustainable and smart transportation
- Fighting against climate change
- Adopting principles of diplomacy
- Informatory and awareness activities regarding the European Green Deal

On February 17, 2021, the Ministry of Environment published the Climate Change Declaration ("**Climate Declaration**"). According to the Climate Declaration, the National Climate Change Strategy 2050 and Action Plan will be implemented to reduce greenhouse gas ("**GHG**") emissions and adapt to climate change. One of the main goals of the Climate Declaration is the preparation and enactment of a climate law and regulation related to the emissions trading system.

Legal Framework

(i) **Climate Law:** According to the Climate Law, the following instruments will be used to fight against climate change in line with the principles of climate justice, precautionary principle, participation, integration, sustainability, transparency, fair transition and progress:

- Establishment of the Türkiye Green Taxonomy ("Taxonomy") by the Presidency of Climate Change (the "Climate Presidency") to contribute to the mobilization of climate finance by setting principles and criteria for economic activities which contribute to combating climate change in line with set environmental goals;
- Preparation of a National Contribution Declaration on a periodical basis designating the strategic and action plans to decrease GHG emissions and carrying out of climate change adaptation activities in line with this declaration, such as net-zero targets and strategy plans to mitigate climate risks and leverage opportunities;
- Development of resources for climate financing and incentivization of green/sustainable capital market instruments by governmental authorities, such as the establishment of an ETS market and voluntary carbon market by Borsa Istanbul;

- Establishment of a carbon border adjustment mechanism for dealing with embedded GHG emissions of goods imported into the Customs Territory of Türkiye;
- Implementation of measures to reduce the impacts of climate change on ecosystem and biodiversity;
- Establishment of disaster risk assessment and early warning systems to reduce climate-related losses;
- Establishment of institutes, research and application centers under the Climate Presidency.
- Organizing trainings to increase public awareness;
- Revision of curricula to include the climate change factor to Turkish education.

In addition to the above, as a carbon pricing mechanism, an emission trading system will be established limiting the GHG emissions and GHG-causing activities, by way of the trading of GHG emission allowances, in parallel to the EU practices.

Businesses, the operations of which result in carbon emissions, will become obliged to obtain a GHG emission permit to continue their operations within three years as of the enactment of the Climate Law.

The Climate Law also regulates the establishment of a Carbon Pricing Board, which will be authorized to determine the carbon pricing instruments, the Emission Trading System (ETS) and breakdown of free allowances which will be granted within the scope of an ETS.

The Climate Law introduces penalties for misleading statements and documents, capping administrative fines at ₺50 million, and allows for a remedy period of up to one year.

A settlement system is introduced by meeting the allowance obligations with carbon loans. The Climate Law envisages a grace period during which the administrative fines imposed due to incompliance with the law will be reduced by 80 percent. The length of this period and the content will be eventually determined by the Carbon Market Board based on the views of governmental authorities and civil society organizations.

Preparation and adaptation obligations regarding legislation and planning tools shall be fulfilled by the relevant institutions and organizations until November 31, 2027 at the latest. The Climate President is authorized to extend this period up to one year.

The Climate Law mainly focuses on emissions trading and is therefore criticized for not prioritizing the fight against climate change. Notwithstanding, it is a major step for Türkiye, especially in relation to its meeting the standards of the Green Deal Action Plan and its trading with the EU. Since the details and operation of the system will be regulated by secondary legislation, a clearer view can be formed once the secondary legislation is enacted, in terms of the actual functionality of the newly introduced legal framework regarding the elimination of carbon tax risk under the CBAM mechanism, reaching the net zero emission targets and especially its ability to fight against climate change.

(ii) **Industrial Emissions Management Regulation (IEM Regulation):** IEM Regulation prepared in accordance with the Environmental Law and Presidential Decree No. 1 on the Organization of the Presidency of the Republic, will be effective as of December 1, 2025. The IEM Regulation includes administrative and technical procedures and principles for the purpose of preventing and reducing industrial emissions and waste generation at source.

For the purposes of the IEM Regulation, the activity groups that will be required to obtain a Certificate of Green Transformation in Industry ("**GTI Certificate**") include power generation, petroleum refining, coke production, gasification, liquefaction and pyrolysis and metal production and processing, mineral industry,

chemical industry, waste management and facilities engaged in activities using organic solvents with a rated thermal power of 50 MW or more.

According to the IEM Regulation, the facilities within the scope of the IEM Regulation are obliged to obtain a GTI Certificate for the completion of the environmental permit and license process. The GTI Certificates of these facilities will be issued according to categories A (100 points), B (90-99 points), C (80-89 points), D (70-79 points), E (60-69 points), F (50-59 points) according to the Best Available Techniques ("**BAT**") application associated with their activities and the emission levels associated with BAT published by the Ministry of Environment.

Facilities that are in operation or in the process of an environmental impact assessment application at the time the Regulation enters into force, which is December 1, 2025, will be obliged to submit the information and documents requested within the scope of the IEM Regulation to the Ministry of Environment within 90 days, at the latest, following the issuance of the environmental permit and/or license. These facilities will be required to obtain at least a level F GTI certificate until December 31, 2028 and at least a level D GTI certificate until December 31, 2030.

With the GTI Certificate, businesses will be able to benefit from financial supports such as incentives, grants and loans according to the relevant legislation.

Obligations of facilities holding GTI Certificate designated under the IEM Regulation are as follows:

a) operate in accordance with the requirements of the GTI Certificate;

b) inform the Ministry within 30 days in case of renewal of the environmental permit and/or license, and renew the GTI Certificate;

c) take measures determined by the relevant legislation in order to prevent accidents that may occur and to limit their effects on human health and environmental quality;

d) to prevent and reduce pollution at source, to reduce waste, wastewater and emissions, to use energy, water, raw materials and other resources efficiently;

e) to take all necessary preventive measures by applying BAT;

f) record the aggregated annual load data on the release of pollutants to receiving environments such as air, water and soil, as well as the transportation of pollutants and waste in wastewater, in the electronic database;

g) comply with the emission levels (BAT-IES) and emission limit values (ELV) associated with BAT and/or to implement green transformation accordingly;

h) ensure cooperation in field visits, on-site inspection, conformity assessment, inspection and control activities; and

i) take the necessary measures to prevent the risk of pollution and to ensure that the activity site is restored to its former condition or suitable for its new planned use in the event of the definitive cessation of activities.

(iii) **Sustainability Audit Regulation:** The Sustainability Audit, entered into force on January 17, 2025, covers the procedures and principles regarding the sustainability audit to be conducted, the authorization of independent audit firms and independent auditors to operate in the field of sustainability, keeping their registry records, their obligations, responsibilities, their examination and audit by the Public Oversight Authority and the administrative sanctions to be imposed on them.

(iv) **Draft ETS Regulation:** The Draft ETS Regulation delineates the essential elements of the system, including its scope, phases of commencement and implementation, the allocation methodology and the compliance mechanism; furthermore, it integrates the existing GHG Regulation into a unified regulatory framework. According to the Draft ETS Regulation, the ETS System covers Category B facilities (facilities with an annual emission calculated according to the conditions specified in such Regulation, exceeding 50,000 tons of CO_2 equivalent and equal to or less than 500,000 tons of CO_2 equivalent) and Category C facilities (facilities with an annual emission exceeding 500,000 tons of CO_2 equivalent under the same conditions). However, schools, universities, hospitals, and institutions, continents, headquarters, or facilities belonging to Defense Industry Organizations will not be included in the ETS, limited to the activities they carry out. Nevertheless, facilities that are within the scope of the ETS and then excluded will remain within the scope during the system year in which the change occurs.

According to the draft ETS Regulation, from the date of entry into force of the Climate Law, businesses within the scope of the ETS will be required to obtain a GHG emission permit from the Climate Presidency within three years in order to carry out their activities that cause GHG emissions. Enterprises operating at multiple facilities are required to obtain separate permits for each facility. Within this three-year period, businesses will be deemed to have GHG emission permits, valid once, in order to continue their activities within the scope of the ETS; the Climate Presidency is authorized to extend this period up to two years.

The GHG emission permit will be valid for five years from the date of its issuance, and businesses will be obliged to apply for renewal of the permit at least six months before the expiry date of the document and to obtain a new permit before the five-year period expires.

With regard to allowances, the number of free allowances that facilities within the scope of the ETS will receive for a system year, the amount of primary market allocation and the total amount of the additional reserve, if used, are defined as the ETS ceiling. The ETS ceiling will be announced within the scope of the National Allocation Plan to be published within 60 days from the deadline for the verified GHG emission reports covering the system year.

Businesses wanting to receive free allowances shall apply to the Climate Presidency by paying the application fee electronically; if these applications are made late or if errors affecting the calculations are detected, sanctions such as offsetting/increased fee payment may be applied. Allowances to be distributed free of charge will be determined by benchmarking, taking into account the different sections of the facilities.

All transactions, such as the issuance, placing on the market, holding, transfer, delivery and cancellation of allowances, shall be carried out through the Transaction Registry System. Businesses are obliged to deliver the allowances corresponding to the amount of GHG emitted by their facilities for each year through the Transaction Registry System by the last business day of November. If delivery is not made, the missing amount will be compensated in the following year, and legal sanctions may be applied. It is stated that these obligations will remain in effect even if the facility is closed. Businesses that do not have sufficient allowances for delivery may use an additional reserve if they meet certain conditions. The delivery deadline for businesses that fulfill their obligations with this reserve is the end of December.

The Carbon Market Board (“CM Board”) will decide on the distribution of free allowances and the amount of additional reserves to be offered. The CM Board is also authorized to approve the National Allocation Plan prepared by the Climate Presidency.

Allowances will be offered for sale in the primary market according to a tender schedule determined and announced by the Climate Presidency. This schedule will be announced to the public within 15 business days after the National Allocation Plan is published. In the secondary markets, participants will be able to buy and sell allowances using the continuous trading method.

A Market Stability Mechanism is established to prevent price fluctuations. The “Market Stability Reserve” is created to balance the allowance amounts and prices in the market. In addition, some allowances can be transferred to future years (banking) or borrowed from future years and used in that year (borrowing).

The Board is authorized to determine the minimum and maximum carbon price ranges to be applied in the ETS Market.

The Draft ETS Regulation regulates the activities subject to the monitoring, reporting and verification of GHG emissions. Businesses are obliged to prepare a GHG emission monitoring plan and monitor their GHG emissions in accordance with this plan and the procedures and principles to be determined by the Climate Presidency, as well as report them to the Climate Presidency. This reporting process will show the GHG emissions and activity levels monitored between January 1 and December 31 of the previous year, every year by April 30. However, GHG emission reports will be verified by relevant independent and accredited verifier organizations before being sent to the Climate Presidency.

The ETS will start with a pilot period application for the years 2026-2027 and will be implemented within the framework of the activities listed in the Draft ETS Regulation. Businesses carrying out activities in the pilot period will be given 100% free allocation for the activities they carry out, according to the benchmarking method, the principles of which are specified in the Draft ETS Regulation. Flexibility mechanisms will not be operated by using carbon credits in the pilot application, and allowances will only be used to fulfill the obligations of this period. The relevant market transactions will continue until April 30, 2029, after which the allowances for the pilot period will be considered invalid. In addition, administrative fines will be applied with an 80 percent discount.

The first implementation period will start with the GHG emissions for 2028, cover category B and category C facilities, and end with the GHG emissions for 2035.

Those who violate the provisions of the Draft ETS Regulation, or fail to fulfill their obligations arising from it, will be subject to the relevant provisions of applicable laws, depending on the nature of the violation. Additionally, administrative fines are foreseen for those who fail to submit their verified GHG emission reports within the specified timeframe, based on the category of their facilities.

(v) **Draft Offsetting Regulation:** The Draft Offsetting Regulation establishes a comprehensive framework for converting GHG emission reduction activities into carbon credits, use of these credits for offsetting purposes and ensure their registration. The regulation applies to public institutions, private sector organizations and real and legal persons. The regulation envisages the establishment of the Carbon Offsetting System of Türkiye, which is a national-level system enabling the generation of carbon credits from emission reduction and removal projects falling outside the scope of the ETS Market. Each ton of CO_2 equivalent carbon credit produced under Carbon Offsetting System is defined as a Turquoise Credit. These credits can only be obtained from projects developed in Turkey in accordance with specified methodologies.
Credits are considered valid only upon full compliance with established monitoring, verification and registration processes. The Draft Offsetting Regulation envisages the establishment of two separate registration systems to ensure the traceability of carbon credits at both national and international levels. Through these systems all transactions, such as credit generation, transfer, retirement and cancellation, will be centrally monitored.

The Turquoise Credits may be utilized in both mandatory and voluntary offsetting practices. Furthermore, the Draft Offsetting Regulation provides for an authorization document system to enable carbon credits developed in Türkiye to be valid in international markets with specific requirements. Accordingly, (a) credits can only be exported under the corresponding adjustment principle, so they must be deducted from T’s National Contribution Declaration targets, and (b) organizations wanting to participate in the crediting mechanism under Article 6 of the Paris Agreement must obtain an authorized entity document. Finally,

system users, verification bodies and project implementers may be audited by the Presidency and Turkish Standards Institution (TSE).

The Presidency and TSE are authorized to audit system users, verification bodies and project implementers. Non-compliance with the provisions of the regulation including false statements, registration breaches or methodological non-compliance may result in sanctions such as deletion of records, revocation of authorization or exclusion from the system. Credits based on incomplete, incorrect or misleading statements will be considered invalid and related commitments will be deemed unfulfilled.

(vi) **Draft Regulation on Operation of ETS:** The Draft ETS Operation Regulation establishes the procedures and principles for the ETS market and the Transaction Registry System (TRS), designed to promote greenhouse gas emission reductions in line with T's net-zero emission target under Climate Law. Enerji Piyasaları İşletme A.Ş. (EPİAŞ) is designated as the Market Operator responsible for operating two types of markets: (i) the Primary Market, where allowances are distributed to undertakings through an auction mechanism according to a calendar determined by the Presidency and (ii) the Secondary Market, where distributed allowances are traded among participants through continuous trading methods, consisting of spot and potentially forward allowance markets. All transactions will be conducted through the ETMT.

The Market Operator shall establish and operate the TRS, an electronic data system through which the issuance, holding, transfer, revocation, cancellation and redemption of allowances are carried out and monitored on a facility-by-facility basis. Enterprises subject to the ETS are required to open accounts within the TRS and conduct transactions on behalf of their registered facilities. Free allowances distributed following approval by the Presidency may be transferred between a participant's own facilities and traded in secondary markets. Additional reserve auctions may be organized upon request of the Presidency for eligible participants only.

Bilateral agreements concerning allowance trading between market participants must be reported to the Market Operator, with implementation periods determined by the Board. Market participants are required to provide collateral to ensure continuity of cash flow and protect creditor participants in case of non-performance, with detailed provisions on acceptable collateral types, calculation methods and settlement procedures set forth in the Draft Regulation on Operation of ETS.

Trading of Carbon Allowances, Pricing and Market Dynamics

Under the cap-and-trade mechanism which ETS operates, a cap will be set on the total amount of GHG's that can be emitted by covered entities, and emission allowances will be allocated within this cap. The primary source of allowances will be through auctions conducted.

Emission allowances will be tradable through a centralized platform ETMT, which is yet to be fully established but will resemble platforms like the European Energy Exchange. In parallel, matters relating to allowances are regulated in the Climate Law.

ETMT will facilitate the buying and selling of allowances. Allowances will be stored in a central registry system, which ensures that all allowances are tracked and managed securely. Entities will be required to have accounts in this central registry to hold and transfer allowances. Ownership of allowances is transferred electronically between entities via the central registry, which records all transactions and updates ownership information in real-time. The ETMT ensures transparency and efficiency in the trading and management of emission allowances.

Market participants will be required to acquire allowances to cover their verified emissions. The process of acquiring these allowances will involve participating in auctions or purchasing them on the secondary market. As per the GHG Regulation, entities are obligated to accurately measure and verify their emissions annually. By the end of each compliance period, they must surrender a number of allowances corresponding to their verified emissions. The verification process requires third-party verification by accredited entities. The final details of the allowance acquisition methods and deadlines will be detailed

upon the finalization of the legislation. This requirement ensures that the allowances held match the emissions reported. The aim is to ensure transparency, market efficiency, and adherence to emission reduction targets.

The price of allowances in the ETS will primarily be determined by market mechanisms, rather than central regulation. It is expected that the price of allowances will be driven by supply and demand dynamics within the market, although the EMRA may implement measures to stabilize the market if necessary.

The EMRA will oversee the ETS but will not centrally regulate the prices of allowances; however, it may implement measures such as market stability mechanisms to address excessive price volatility and ensure market integrity. The aim is to create a market-driven price for allowances while maintaining the flexibility to intervene if necessary to stabilize the market. While the exact allocation volume is yet to be finalized, the system is designed to avoid both significant shortages and oversupply by adjusting the cap and allocation methods in response to market conditions.

Any market manipulation will result in penalties and potential suspension from trading Under the 11th Development Plan and mechanisms for price stability are expected to follow the model of the EU ETS Market Stability Reserve Regulation (Regulation (EU) 2015/757).

XVI. SECTOR HIGHLIGHT III – ISLAMIC FINANCE

The Islamic finance sector, generally referred to as "participation banking" (*katılım bankacılığı*) or "interest-free banking" (*faizsiz bankacılık*), has rapidly evolved into a substantial component of the financing mix in Türkiye. Despite its size and prospects, the Islamic finance market is subject to a dual regulatory structure, applying the same legal frameworks as conventional finance, most notably the Banking Law and the Law No. 6361 on Financial Leasing, Factoring and Financing Companies.

While the sector lacks specific primary pieces of legislation, in general this is not considered as an impediment and Islamic finance transactions, both lendings and issuances are heavily governed by secondary legislation, including regulations and communiqués issued by the BDDK and the Capital Markets Board. There is also no dedicated and centralized supervisory authority for Islamic finance transactions, but BDDK and the Capital Markets Board extend their authorities over these transactions as well.

In addition to the government's initiatives, Turkish participation banks have also adopted creative measures to broaden the Islamic finance market. The first green Sukuk issuance in Türkiye in 2022 (the Sustainable Tier 2 Sukuk issuance by Kuveyt Türk) is a notable example. As with every other financial market, digitalization is also on the agenda of the Turkish Islamic finance market.

Overview of the participation banking market

Türkiye has demonstrated a clear and determined strategic commitment to fostering the Islamic finance industry. One of the pieces of evidence of Türkiye's commitment is the establishment of state-owned participation banks. Also, the Ministry of Finance has issued a number of Sukuks and development of the participation banking sector is included in the mandate of the Turkish Wealth Fund.

Market Size

The sector's growth trajectory is robust, underpinned by both established private institutions and strategic state-backed entities.

(i) **Institutional structure:** According to BDDK data, there are nine licensed participation banks and two of these, namely T.O.M. Katılım and Hayat Finans Katılım, are digital participation banks. Three of the institutions on the list, Vakıf Katılım, Ziraat Katılım and Emlak Katılım are state-owned and the rest are privately owned.

(ii) **Scale of operations:** According to the latest BRSA and Participation Banks Association of Türkiye (**TKBB**) reports, the total consolidated asset size of the participation banking sector has reached approximately TRY 5.5 trillion (approx. USD 180 billion), accounting for 11.5 percent of the total Turkish banking assets.

(iii) **Target and momentum:** Türkiye's long-term strategy, communicated by the Presidential Finance Office and TKBB, sets an ambitious target for participation banking's market share to reach 15 percent of total banking assets by 2027. This expectation is fueled by continuous regulatory support and strong retail and corporate demand for Shariah-compliant financing products.

Regulatory and Judicial Framework

Despite the continuous growth and considerable investor interest, the legal framework presents a unique set of challenges and accommodations.

(i) **Absence of specialized primary legislation:** A defining characteristic remains the absence of specialized primary legislation or a dedicated Shariah authority comparable to those in leading Gulf

Cooperation Council jurisdictions. This means that product structuring must ensure legal enforceability within the existing, conventional statutory framework.

(ii) **Tax exemptions:** One of the most important achievements for promoting Islamic finance products has been the legislative effort to achieve tax parity between Shariah-compliant and conventional financing methods. The regulatory intent is to neutralize the tax burden resulting from the inherent multi-step nature of certain Islamic structures, such as *Murabahah* (cost-plus sale) and Ijarah (lease), where asset ownership needs to be transferred a number of times to be able to implement the structure. Consequently, specific amendments to tax legislation introduced exemptions and allowances, removing significant economic barriers to implementation.

(iii) **Jurisdiction:** Türkiye's judicial system does not feature specialized Shariah courts. As a result, disputes involving participation banking products fall under the jurisdiction of the commercial courts. This reliance on general commercial and contract law necessitates the careful drafting of underlying documentation to ensure that Shariah principles and contractual obligations are legally enforceable.

(iv) **Internal Shariah governance:** While centralized Shariah oversight is absent, participation banks are generally mandated under applicable secondary legislation to establish internal Shariah governance structures, often through advisory committees or outsourcing to third-party consultants, to monitor transactional compliance. This internal validation process is essential for maintaining investor confidence and ethical adherence.

Islamic Capital Markets

The development of the *Sukuk* market, known locally as "lease certificate" (*kira sertifikası*), has been the most significant driver of the sector's international visibility and growth in capital markets.

Legal framework

The Capital Market Law and complimentary communiqués issued by the Capital Markets Board explicitly address *Sukuk*. This targeted approach facilitates the securitization of asset-based transactions, allowing for both domestic and international issuances by corporate, financial and public entities, including the Ministry of Finance.

(i) **Tax exemptions:** The most important regulatory action for the Turkish Islamic finance market's success has been the introduction of tax exemptions and allowances for *Sukuk al-Ijarah* (lease certificate) issuances. Corporate income tax and value-added tax exemptions apply to the underlying asset transfers in sale and leaseback structures. This provision effectively eliminated the compounding tax liability that would otherwise render these structures economically unviable compared to the conventional bonds.

(ii) **Broadened structuring scope:** Recent regulatory enhancements have not only codified *Ijarah* but have also broadened the scope of permissible Sukuk structures to include Murabahah (asset-based sales) (*alım-satıma dayalı*) and Wakalah (agency/investment) (*yönetim sözleşmesine dayalı*) structures. This diversification allows originators greater flexibility in selecting assets and tailoring instruments to specific liquidity needs.

Investor protection

A critical feature of the Turkish *Sukuk* framework is the incorporation of strong investor protection mechanisms. The ring-fencing is achieved through the following structure:

(i) Issuances are structured through a special purpose vehicle as the asset leasing company (*varlık kiralama şirketi*) (the **ALC**), which acts as the issuer.

(ii) Turkish law provides for the statutory ring-fencing of assets pertaining to a *Sukuk* issuance in the event of the ALC becoming insolvent. Under this regime, the underlying assets are legally segregated; meaning they cannot be disposed of, pledged, attached or added to the ALC's bankruptcy estate until all obligations to certificate holders have been fully discharged.

(iii) This protection ensures that the income generated from the Sukuk assets is primarily reserved for the benefit of the certificate holders, providing a fundamental layer of security for both domestic and international investors, a feature highly valued by rating agencies and institutional funds.

Sovereign Sukuk issuances

The government's efforts have been instrumental in providing market liquidity and establishing benchmarks.

In this respect, the Ministry of Treasury regularly issues *Sukuk* both domestically and internationally. These issuances serve a dual purpose: expanding the investor base and firmly positioning Istanbul as a major regional hub for Shariah-compliant financial services.

Notably, the government has pioneered the issuance of innovative instruments, such as gold-indexed *Ijarah* instruments, demonstrating a willingness to leverage Islamic financial principles to attract liquidity and diversify funding sources beyond conventional debt markets.

Participation finance products (Shariah-Compliant Lending)

The primary activity of participating banks involves providing financing through transaction structures that avoid the contractual payment or receipt of *Riba* (interest).

The financing provided is fundamentally based on asset-backed or partnership models. The frequently used structures are as follows:

(i) *Murabahah* (Cost-Plus Financing):

This is the most common form of short-term financing, which is also being commonly used by Turkish leasing companies to tap into international liquidity markets. The bank purchases an asset requested by the client, such as machinery, commodities and vehicles, and subsequently sells it to the client at a pre-agreed mark-up (profit margin), payable over a defined instalment period.

The bank assumes ownership risk for a fleeting period and the final profit is a fixed sale price, not an accrued interest rate. This ensures compliance with the prohibition of *Riba*.

(ii) *Ijarah* (Lease Financing):

Functionally equivalent to conventional leasing, the bank purchases an asset and leases it to the client for a specific term and rental payment.

The *Ijarah* contract must stipulate that the risk and liabilities associated with asset ownership, such as insurance or major maintenance, remain, to some extent, with the lessor (the bank) during the term, reinforcing the asset-backed nature of the transaction.

(iii) *Musharakah* and *Mudharabah* (Partnership/Equity Finance):

These represent true profit-and-loss sharing models. In *Musharakah*, both the bank and the client contribute capital to a venture and the profit/loss is shared according to a pre-agreed ratio. In *Mudharabah*, one party provides the capital (the bank) and the other provides the labour/expertise (the client).

While conceptually preferred in Shariah, these higher-risk equity-based structures constitute a smaller, though growing, portion of the total participation finance portfolio due to capital adequacy requirements and the practical challenges of loss verification.

Appendix 1: Table of Defined Terms

Action Plan	*Yeşil Mutabakat Eylem Planı*, The Green Deal Action Plan, published by Türkiye's Ministry of Trade in July 2021, outlining steps to align national policies and practices with the European Green Deal
Anti-Money Laundering Regulation	*Suç Gelirlerinin Aklanmasının ve Terörün Finansmanının Önlenmesine Dair Tedbirler Hakkında Yönetmelik*, published in the Official Gazette dated January 9, 2008, and numbered 26751
Asset leasing company (*varlık kiralama şirketi*) (the ALC)	*Varlık Kiralama Şirketi*, A special-purpose vehicle that issues lease-based financing instruments
Authorization Regulation	Regulation on Transactions of Subject to Authorization and Indirect Shareholding published in the Official Gazette dated November 1, 2006, and numbered 26333
Banking Law	*Bankacılık Kanunu*, Law no. 5411 on banking published in the Official Gazette dated November 1, 2005, and numbered 25983
Banks Association of Türkiye	*Türkiye Bankalar Birliği ("TBB")*, a professional organization, founded in 1958, established pursuant to the Banking Law that includes all deposit banks and development and investment banks operating in Türkiye
BAT	Best Available Techniques (BAT), *Mevcut En İyi Teknikler (MET)*, the most effective and advanced methods, technologies and practices that minimize industrial emissions and environmental impact
BDDK	*Bankacılık Düzenleme ve Denetleme Kurumu*, the banking regulation and supervision agency of the Republic of Türkiye
BKM	*Bankalararası Kart Merkezi*, Interbank Card Center
BKM Express	*Bankalararası Kart Merkezi*, Türkiye's interbank card center responsible for payment infrastructure, card transactions and clearing systems
BLT	Build-lease-transfer
Borsa Istanbul	*Borsa İstanbul Anonim Şirketi*, the Istanbul Stock Exchange
BO	Build-operate
BOT	Build-operate-transfer
BOTAŞ	*Boru Hatları ile Petrol Taşıma Anonim Şirketi*, the state-owned petroleum and gas pipeline corporation of the Republic of Türkiye
BSMV	*Banka ve Sigorta Muameleleri Vergisi*, banking and insurance transaction tax ("BITT")
BTC	Baku-Tbilisi-Ceyhan crude oil pipeline
Capital Markets Board	*Sermaye Piyasası Kurulu ("SPK")*, the capital markets board of Türkiye
Capital Market Law	*Sermaye Piyasası Kanunu*, Law no. 6362, published in the Official Gazette dated December 30, 2012, and numbered 28513
CASPs	Crypto Asset Service Provider
CEE	Central and Eastern Europe
Central Bank	*Türkiye Cumhuriyet Merkez Bankası ("TCMB")*, the Central Bank of the Republic of Türkiye
Central Registry Agency	*Merkezi Kayıt Kuruluşu Anonim Şirketi ("MKK")*, the Central Registry Agency of the Republic of Türkiye
Civil Code	*Türk Medeni Kanunu*, Law no. 4721 published in the Official Gazette dated December 8, 2001, and numbered 24607
Code of Criminal Procedure	*Ceza Muhakemesi Kanunu,* Law no. 5271 on criminal procedure published in the Official Gazette dated December 17, 2004, and numbered 25673
Climate Declaration	The Climate Declaration, issued by the Ministry of Environment on 17 February 2021, announcing Türkiye's intent to implement the National

	Climate Change Strategy 2050 and the Green Deal Action Plan to reduce greenhouse gas emissions and strengthen climate adaptation
Climate Law No. 7552	*İklim Kanunu*, Law no. 7552, published in the Official Gazette dated July 09, 2025, and numbered 32951
CM Board	The Carbon Market Board*, Karbon Piyasası Danışma Kurulu*, the authority responsible for determining the distribution of free emission allowances, setting additional reserve amounts, and approving the National Allocation Plan prepared by the Climate Presidency
Code of Obligations	*Borçlar Kanunu*, Law no. 6098 published in the Official Gazette dated February 4, 2011, and numbered 27836, came into force on July 1, 2012, except for certain provisions that came into force on July 1, 2020
Code of Criminal Procedure	*Ceza Muhakemesi Kanunu,* Law no. 5271 on criminal procedure published in the Official Gazette dated December 17, 2004, and numbered 25673
Commercial Code	*Türk Ticaret Kanunu*, Law no. 6102 published in the Official Gazette dated February 14, 2011, and numbered 27846, came into force on July 1, 2012, except for certain provisions that came into force on January 1 and July 1, 2013, and January 1, 2014
Commercial Court	*Ticaret Mahkemeleri*, Commercial Courts of the Republic of Türkiye
Commercial Enterprise Pledge Law	*(Obsolute)Ticari İşletme Rehni Kanunu*, Law no. 1447 on commercial enterprise pledges, published in the Official Gazette dated July 28, 1971, and numbered 13909
Competition Authority	*Rekabet Kurumu*, the competition authority of the Republic of Türkiye
Competition Board	*Rekabet Kurulu,* the competition board of the Republic of Türkiye
Competition Law	*Rekabetin Korunması Hakkında Kanun*, Law no. 4054 on protection of competition, published in the Official Gazette dated December 13, 1994, and numbered 22140
Constitution	*Türkiye Cumhuriyeti Anayasası*, the Constitution of the Republic of Türkiye as entered into force on November 7, 1982, and amended from time to time
Council of State	*Danıştay*, the Council of State of the Republic of Türkiye
Court of First Instance	*Asliye Hukuk Mahkemesi*, Court of First Instance of the Republic of Türkiye
Climate Residency	*İklim Değişikliği Başkanlığı*, The Climate Presidency, the national authority responsible for leading and coordinating Türkiye's climate policies
Criminal Code	*Türk Ceza Kanunu*, Law no. 5237 published in the Official Gazette dated October 12, 2004, and numbered 25611
Crypto Regulation	*Ödemelerde Kripto Varlıkların Kullanılmamasına Dair Yönetmenlik,* published in the Official Gazette dated April 16, 2021, and numbered 31456
Currency Protection Decree	*Türk Parası Kıymetini Koruma Hakkında Karar*, Council of Ministers Decree Numbered 32 published in the Official Gazette dated August 11, 1989, and numbered 20249, and amended from time to time
Data Protection Board	*Kişisel Verileri Koruma Kurumu ("KVKK")*, the data protection board of the Republic of Turkey
Data Protection Law	*Kişisel Verilerin Korunması Kanunu,* Law no. 6698 on the protection of personal data published in the Official Gazette dated April 7, 2016, and numbered 29677
Digital Banking Regulation	Regulation on Operating Principles of Digital Banks and Service Model Banking published in the Official Gazette dated December 29, 2021, and numbered 31704
Draft Carbon Markets Regulation	*Türkiye Emisyon Ticaret Sistemi Yönetmeliği Taslağı*, published for public consultation on July 22, 2025

EBC	İcra ve İflas Kanunu, Law no. 2004 on enforcement and bankruptcy (the Enforcement and Bankruptcy Code) published in the Official Gazette dated June 19, 1932, and numbered 2128
Electricity Market Law	*Elektrik Piyasası Kanunu*, Law no. 6446 on electricity market published in the Official Gazette dated March 30, 2013, and numbered 28603
EMRA	*Enerji Piyasası Düzenleme Kurumu*, The regulator overseeing Turkey's electricity, natural gas, petroleum, and LPG markets
Energy Charter	The Energy Charter framework originates from the European Energy Charter, a political declaration adopted in the concluding document of the Hague Conference on December 17, 1991; the legally binding Energy Charter Treaty was subsequently signed in Lisbon on December 17, 1994
Environmental Law	Çevre Kanunu, Law no. 2872 on environment, published in the Official Gazette dated August 11, 1983, and numbered 18132
EPDK	*Enerji Piyasası Düzenleme Kurumu*, the energy market regulatory authority of the Republic of Türkiye (EMRA)
EPİAŞ	*Enerji Piyasaları İşletme Anonim Şirketi*, the energy market management company of the Republic of Türkiye
ETS	Emissions Trading System (ETS), a carbon-pricing mechanism where the Turkish government sets a cap on total greenhouse gas emissions and allocates or auctions emission allowances to companies
EU	European Union
EU ETS	*European Union Emission Trading System*, established under Directive 2003/87/EC of the European Union
Euratom	The European Atomic Energy Community
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
Foreign Direct Investment Law	*Doğrudan Yabancı Yatırımlar Kanunu*, Law no. 4875 on foreign direct investment, published in the Official Gazette dated June 17, 2003, and numbered 25141
GHG	Greenhouse gas
GHG Communiqué	*Sera Gazı Emisyon Raporlarının Doğrulanması ve Doğrulayıcı Kuruluşların Akreditasyonu Tebliği*, Communiqué on Verification Reporting and Accreditation of Verification Intuitions for Greenhouse Gas published in the Official Gazette dated December 02, 2017, and numbered 30258
GHG Regulation	*Sera Gazı Emisyonlarının Takibi Hakkında Yönetmelik*, Regulation on Greenhouse Emissions, published in the Official Gazette dated May 17, 2014, and numbered 29003
GDP	Gross Domestic Product
General BOT Law	*Bazı Yatırım ve Hizmetlerin Yap-İşlet-Devret Modeli Çerçevesinde Yaptırılması Hakkında Kanun*, Law no. 3996 on build-operate-transfer model, published in the Official Gazette dated June 13, 1994, and numbered 21959
General Directorate of Mining and Petroleum Affairs	*Maden ve Petrol İşleri Genel Müdürlüğü*, General Directorate of Mining and Petroleum Affairs which is part of the Ministry of Energy and Natural Resources of the Republic of Türkiye
General Directorate of Land Registry	*Tapu ve Kadastro Genel Müdürlüğü*, General Directorate of Land Registry which is part of the Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye
GTI Certificate	Green Transformation in Industry (GTI) Certificate, *Sanayide Yeşil Dönüşüm Belgesi*, an authorization required for certain high-impact industrial sectors,

	confirming that facilities meet environmental standards and are aligned with green transformation goals under the IEM Regulation
ICC	International Chamber of Commerce
ICSID	International Centre for Settlement of Investment Disputes
ICSID Convention	Washington Convention on the Settlement of Investment Disputes Between States and Nationals of Other States
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
Industrial Emissions Management Regulation (*IEM Regulation*)	*Endüstriyel Emisyonların Yönetimi Yönetmeliği*, Law no. 42731, published in the Official Gazette dated January 14, 2025, and numbered 32782
Industrial Property Law	*Sınai Mülkiyet Kanunu*, Law no. 6769 on industrial property, published in the Official Gazette dated January 10, 2017, and numbered 29944
Industrial Zones Law	*Endüstri Bölgeleri Kanunu*, Law no. 4737 on industrial zones, published in the Official Gazette dated January 19, 2002, and numbered 24645
Intellectual Property Law	*Fikir ve Sanat Eserleri Kanunu*, Law no. 5846 on intellectual property, published in the Official Gazette dated December 31, 1951, and numbered 7981
International Accounting Standards Board	An independent, private-sector body, formed in 2001 and operating under the IFRS Foundation, that develops and approves the International Financial Reporting Standards
International Energy Agency	The intergovernmental organization established in 1974 under the framework of OECD
International Private and Procedure Law	*Milletlerarası Özel Hukuk ve Usul Hukuku Hakkında Kanun*, Law no. 5718 on international private law and related procedure published in the Official Gazette dated December 12, 2007, and numbered 26728
International Workforce Law	*Uluslararası İşgücü Kanunu*, Law no. 6735 on international workforce, published in the Official Gazette dated August 13, 2016, and numbered 29800
ISDA	International Swaps and Derivatives Association
ISTAC	Istanbul Arbitration Centre
kV	Kilovolt
KKDF	*Kaynak Kullanımını Destekleme Fonu*, Resource Utilization Support Fund ("RUSF"), a tax on foreign currency loans
KDV	*Katma Değer Vergisi,* value added tax
Labor Law	*İş Kanunu*, Law no. 4857 on labor, published in the Official Gazette dated June 10, 2003, and numbered 25134
Law on the Prevention of Laundering Proceeds of Crime	Suç Gelirlerinin Aklanmasının Önlenmesi Hakkında Kanun, Law no. 5549 on the Prevention of Laundering Proceeds of Crime, published in the Official Gazette dated October 18, 2006, and numbered 26323
Law on E-Payment	*Ödeme ve Menkul Kıymet Mutabakat Sistemleri, Ödeme Hizmetleri ve Elektronik Para Kuruluşları Hakkında Kanun*, Law no. 6493 on Security Settlement Systems, Payment Services and Electronic Money Institutions Law, published in the Official Gazette dated June 20, 2013, and numbered 28690, published in the Official Gazette dated June 06, 2013, and numbered 28690
Law No.6361 on Financial Leasing, Factoring and Financing Companies	*Finansal Kiralama, Faktoring, Finansman ve Tasarruf Finansman Şirketleri Kanunu*, Law no. 6361 on Financial Leasing, Factoring and Financing Companies, published in the Official Gazette dated December 13, 2012, and numbered 28496

Law of Unions and Collective Bargaining Agreements	*Sendikalar ve Toplu İş Sözleşmesi Kanunu*, Law no. 6356 on unions and collective bargaining agreements, published in the Official Gazette dated November 7, 2012, and numbered 28460
Law on Bribery and Corruption	*Mal Bildiriminde Bulunulması, Rüşvet ve Yolsuzluklarla Mücadele Kanunu*, Law no. 3628 on declaration of property and combating bribery and corruption published in the Official Gazette dated May 4, 1990, and numbered 20508
Law on Misconduct	*Kabahatler Kanunu*, Law no. 5326 on misconducts, published in the Official Gazette dated March 31, 2005, and numbered 25772
m	Million
MASAK	*Mali Suçları Araştırma Kurumu*, Financial Crimes Investigation Board ("FCIB")
MENA	Middle East and North Africa
Mining Law	*Maden Kanunu*, Law no. 3213 on mining, published in the Official Gazette dated June 15, 1985, and numbered 17875
Ministry of Energy	*Enerji ve Tabii Kaynaklar Bakanlığı*, Ministry of Energy and Natural Resources of the Republic of Türkiye
Ministry of Environment	Çevre, Şehircilik ve İklim Değişikliği Bakanlığı, Ministry of Environment, Urbanization and Climate Change of the Republic of Türkiye
Ministry of Finance	*Hazine ve Maliye Bakanlığı*, Ministry of Treasury and Finance of the Republic of Türkiye
Ministry of Forestry	*Tarım ve Orman Bakanlığı*, Ministry of Agriculture and Forestry of the Republic of Türkiye
Ministry of Health	*Sağlık Bakanlığı*, Ministry of Health of the Republic of Türkiye
Ministry of Industry	*Sanayi ve Teknoloji Bakanlığı*, Ministry of Industry and Technology of the Republic of Türkiye
Ministry of Labor	Çalışma ve Sosyal *Güvenlik Bakanlığı*, Ministry of Labor and Social Security of the Republic of Türkiye
Ministry of Trade	*Ticaret Bakanlığı*, Ministry of Trade of the Republic of Türkiye
Movable Pledge Law	*Ticari İşlemlerde Taşınır Rehni Kanunu*, Law no. 6750 on movable property pledge in commercial transactions, published in the Official Gazette dated October 28, 2016, and numbered 29871
MW	Megawatt
NATO	North Atlantic Treaty Organization
New York Convention	New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards
OECD	The Organization for Economic Co-operation and Development
Official Gazette	*Resmî Gazete*, the official gazette of Republic of Türkiye that publishes, among others, laws, regulations, decrees and international treaties. Founded by the Regulation on the Publication of the Official Gazette dated June 22, 1927
Parliament	*Türkiye Büyük Millet Meclisi*, Turkish Grand National Assembly
Participation Banks Association of Türkiye (TKBB)	*Türkiye Katılım Bankaları Birliği ("TKBB")*, a professional organization, founded in 2002, established pursuant to the Banking Law that include all participation banks operating in Türkiye
Petroleum Law	*Türk Petrol Kanunu*, Law no. 6491 on Petroleum, published in the Official Gazette dated June 11, 2013, and numbered 28674
PPP	Public Private Partnership
Presidency	President or Office of the President of the Republic of Türkiye
Privatization Administration	Özelleştirme İdaresi Başkanlığı, the privatization administration of the Republic of Türkiye

Privatization High Council	Özelleştirme Yüksek Kurulu, the high council of the privatization administration of the Republic of Türkiye
Producer Price Index	Domestic producer price index as published by TURKSTAT
Public Disclosure Platform	*Kamuyu Aydınlatma Platformu ("KAP")*, public disclosure platform of the Republic of Türkiye, a system through which notifications required by the capital markets board and Borsa Istanbul regulations are publicly disclosed
Public Oversight Authority	*Kamu Gözetimi, Muhasebe ve Denetim Standartları Kurumu ("KGK")*, public oversight, accounting and auditing standards authority of the Republic of Türkiye
Registry of Pledged Movables ("TARES")	*Taşınır Rehin Sistemi*, Türkiye's electronic registry system for recording and managing security interests over movable assets
Renewable Energy Law	*Yenilenebilir Enerji Kaynaklarının Elektrik Enerjisi Üretimi Amaçlı Kullanımına İlişkin Kanun*, Law no. 5346 on the utilization of renewable energy resources for electricity generation, published in the Official Gazette dated May 18, 2005, and numbered 25819
Savings Deposit Insurance Fund	*Tasarruf Mevduatı Sigorta Fonu ("TMSF")*, the savings deposit insurance fund
Settlement and Custody Bank	*Takasbank İstanbul Takas ve Saklama Bankası Anonim Şirketi*, Istanbul Settlement and Custody Bank, Inc.
Supreme Court of Appeals	*Yargıtay*, Supreme Court of Appeals of the Republic of Türkiye
TANAP	Trans-Anatolian Natural Gas Pipeline
Taxonomy	The Türkiye Green Taxonomy, *Türkiye Yeşil Taksonomi Yönetmeliği*, is a classification system to be created by the Climate Presidency that sets principles and criteria for identifying environmentally sustainable economic activities
TEDAŞ	*Türkiye Elektrik Dağıtım Anonim Şirketi*, the electricity distribution company of the Republic of Türkiye
TEİAŞ	*Türkiye Elektrik İletim Anonim Şirketi*, the electricity transmission company of the Republic of Türkiye
TOR	Transfer of operating rights
Tourism Promotion Law	*Turizmi Teşvik Kanunu*, Law no. 2634 on tourism promotion, published in the Official Gazette dated March 16, 1982, and numbered 17635
TPAO	*Türkiye Petrolleri Anonim Ortaklığı*, the petroleum company owned by the Republic of Türkiye
Trade Registry Gazette	*Ticaret Sicil Gazetesi*, the Trade Registry Gazette published by the Union of Chambers and Commodity Exchanges of Türkiye
TRS	Transaction Registry System, *İşlem Kayıt Sistemi*, recording and tracking all ETS allowance transactions
TSE	*Türkiye Standardları Enstitüsü*, Türkiye's national standards body responsible for setting and enforcing technical and quality standards
Turkish Accounting Standards and Turkish Financial Reporting Standards	Accounting and financial reporting standards as published by the Public Oversight Authority
₺ (TL)	*Türk Lirası*, the lawful currency of the Republic of Türkiye
Turkish Employment Agency	İŞKUR, the employment agency of the Republic of Türkiye
Turkish Investment and Finance Office	Turkish Investment and Finance Office, Türkiye Yatırım ve Finans Ofisi
Turkish Patent and Trademark Office	*Türk Patent ve Marka Kurumu*, the patent and trademark institute of the Republic of Türkiye

Turkish Wealth Fund	*Türkiye Varlık Fonu ("TVF")*, the sovereign wealth fund founded in accordance with the Law no. 6741, published in the Official Gazette dated August 26, 2016, and numbered 29813
TURKSTAT	*Türkiye İstatistik Kurumu ("TÜİK"),* Turkish Statistical Institute as founded in accordance with the Law no. 5429, published in the Official Gazette dated November 18, 2005, and numbered 25997
UNCITRAL	Secretariat of the United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
US$	The lawful currency of the United States of America
US$ Cent	One hundredth of a US$
VERBIS	*Veri Sorumluları Sicil Bilgi Sistemi,* Data Controllers Registry Information System
Work Health and Safety Law	İş Sağlığı ve İş Güvenliği Kanunu, Law no. 6331 on workplace health and safety, published in the Official Gazette dated June 30, 2012, and numbered 28339
World Bank Group	The group of international organizations founded on December 27, 1945 following the ratification of Bretton Woods Treaty
WTO	World Trade Organization
YEKA	*Yenilenebilir Enerji Kaynak Alanı*, renewable energy resource areas ("RERA")
YMEP	*Yeşil Mutabakat Eylem Planı*, Green Deal Action Plan ("GDAP")

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