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Notification to be made in line with the Foreign Direct Investments Law

As per Article 5 of the Regulation for Implementation of Foreign Direct Investment Law, companies registered in Turkey with foreign capital are required to fill out the notification form attached to the Regulation and submit the same to the Ministry of Economy- General Directorate of Incentive Implementation and Foreign Investment together with its balance sheet and income statement pertaining to the relevant year until the end of May each year.



Debt Assuming to be Realized by the Secretariat of Treasury

Regulation Regarding Debt Assuming to be realized by the Secretariat of Treasury has been published in the Official Gazette and entered into force on 19 April 2014.

It has been introduced and regulated within the Regulation that the Secretariat of Treasury may assume debts of the private sector arising from the Build-Operate-Transfer projects with a minimum investment amount of TL 1 billion and the Build-Lease-Transfer projects that are realized by the Ministry of Health and Ministry of Education with a minimum investment amount of TL 500 million, provided that the contracts for such projects are terminated before their terms and the projects are transferred to the relevant administration. In other words, in case of an early termination, the Secretariat will assume the debts wholly or partially and such project will be transferred to the administration.

During the implementation of the Regulation, "Senior Facility" shall mean the financing amount obtained abroad for the financing of the investment or services excluding the equity undertaken for the project; "Project" shall mean the investment and services described in Article 8/A of the Law No.4749 Regarding Public Finance and Debt Management; and "Derivative Products" shall mean the financial product purchased by the Company under the senior facility with respect to exchange rate and interest risks and which will be included in debt assuming as per the derivative cost limit set forth in the debt assuming agreement.

The investment amounts stated above will be determined based on the amounts in the feasibility report which constitute a basis for (i) the High Planning Council decision or (ii) in the absence of the High Planning Council decision, tender specifications. In the case of an investment in a foreign currency, its equivalent in Turkish Lira will be calculated over the average exchange rate in the investment program for the relevant year.

The Secretariat may assume the total facility along with the financing costs if the contract was terminated for any reason other than the fault of the investor company. However, if the contract was terminated due to fault of the investor company, the Secretariat may assume up to 85% of the total facility. Threshold for the derivative costs will be determined by the Secretariat by considering the term of senior facility and type of the derivative instrument. In any case the threshold for the derivative cost cannot exceed %10 of the senior facility amount.

In order for the principal facility amount, default interests and other financing costs which remain outstanding due to fault of the company to fall within the scope of the Regulation, the shareholders of such company shall be required to provide joint guarantees in favor of the Secretariat at the amount not less than %10 of the highest installment amount to be made to the creditors of the company under the senior facility.

As per the Regulation, the following are excluded from the scope of the Regulation:

- Facilities to be used for financing of the equity which was allocated to the project by the company,

- Cost increases which occurred due to fault of the company, and
- Facilities to be used to cover the cash needs of the company.

Also the Regulation sets forth the debt assuming process, limitations and terms of the payments, collection and enforcement of the payments in details.

The Turkish language text of the Regulation can be found at the following link:

<http://www.resmigazete.gov.tr/eskiler/2014/04/20140419-12.htm>

Governmental Incentive for Investments

Decree Amending the Decree No.2012/3305 Regarding Governmental Incentive for Investments was published in the Official Gazette dated 9 May 2014.

The Decree extends some of the deadlines thereof and introduces new investment areas within the scope of the Decree no.2012/3305 as follows:

I. Deadline for applications for the interest support under an incentive certificate with respect to the strategic investments, has been extended to 31 December 2014.

II. Deadline of initiating the investment in order to benefit the corporate tax discounts for large scale investments and regional incentives has been extended to 31 December 2014.



III. Deadline of initiating the investment in order to benefit from the support for employer's contribution to insurance premiums which is granted for period of between 3 and 7 years, has been extended to 1 January 2015.

IV. The Decree introduces an extension for the scope of the primary investments and includes the following: (i) thermal tourism investments which may benefit from regional incentives, (ii) nurseries, daily care centres and preschool institutions which will be maintained by private sector, (iii) except the "Non-Incentivised Investments" and upon the project approval of the Ministry of Energy and Natural Resources; the investments with a minimum 500 tons of oil energy consumption annually, and realized at the existing manufactures, and achieved 20% energy saving per unit, and energy efficiency investments with investment return of maximum 5 years, (iv) investments on electricity production from waste heat recovery, and (v) investments on liquid natural gas and underground natural gas with a minimum investment amount of TL 50 million.

The Turkish language text of the Decree can be found at the following link:

<http://www.resmigazete.gov.tr/eskiler/2014/05/20140509-20.htm>

Regulation on Insurance Agencies

Regulation on Insurance Agencies, which regulates the qualifications of real persons and legal entities which will carry out insurance services and incorporation principles of the same, has been published in the Official Gazette and entered into force on 22 April 2014.

Some of the provisions introduced by the Regulation are as follows:

Real persons who will carry out insurance agency services shall; (i) have the title of technical personnel, (ii) reside in Turkey, (iii) not be sentenced for any crimes stated under the Regulation, (iv) have declared assets not less than 25.000-TL, (v) have technical capabilities for agency services, and (vi) meet the requirements with respect to level of education and work experience stated in the annex of the Regulation.

Legal persons who will carry out insurance agency services shall; (i) have their registered office in Turkey, (ii) have at least TL 25,000 paid-in capital, (iii) have technical capabilities for agency services, and (iv) provide that their directors, representatives and shareholders meet the requirements for real person agencies stated above.

The Regulation also sets forth that in order to carry out agency services; a certificate of conformity shall be obtained from the Secretariat of Treasury and every insurance agency shall be registered to a special list which will be maintained by Turkish Union of Chambers and Exchange Commodities (TOBB) for insurance agencies. Furthermore, 'insurance agency' or 'insurance broker' titles must be used by insurance agents in their commercial title. Banks which will carry out agency services and entities incorporated under special laws and authorized to carry out insurance agency services shall inform the TOBB with respect to the insurance companies to which they provide brokerage services and their scope of authority for such brokerage activities.

It is stated under the Regulation that the insurance agencies will be liable for the damages arising from their professional activities and the Secretariat of Treasury will be authorized to regulate principles of professional liability insurance for the insurance services.

As per this Regulation, agency permit will be granted by insurance companies through a special power of attorney which cannot be assigned to other agencies or persons. Such power of attorney shall include the insurance branches and authorities of the agency and shall be duly registered and announced.

The Regulation also sets forth required elements for the insur-

ance agreements, principles for insurance policies and collection of the premiums.

The Turkish language text of the Regulation can be found at the following link:

<http://www.resmigazete.gov.tr/eskiler/2014/04/20140422-3.htm>

Regulation on Activities to be considered as Insurance Services, Insurance Agreements in favour of Consumers and Distance Insurance Agreements

Regulation on Activities to be considered as Insurance Services, Insurance Agreements in favour of Consumers and Distance Insurance Agreements has been published in the Official Gazette dated 25 April 2014 and entered into force so as (i) to set forth the scope of insurance agreements and (i) to regulate consumer relations in this regard. Some of the provisions introduced by the Regulation may be listed as follows:

Activities of insurance and reinsurance companies are restricted with only insurance services or other services related thereof. Reinsurance companies will be subject to the same restrictions.

Under the Regulation, (i) agreements in which a party undertakes to perform a physical or intellectual work and (ii) warranties for products or services granted under the Consumer Law are excluded from the scope of insurance.

As for the insurance agreements conducted in favour of consumers, the seller/provider cannot indicate, imply or announce itself as payer of insurance coverage and it cannot claim any payment from the consumer for such insurance. The Regulation also

sets forth principles of distance insurance agreements.

The Turkish language text of the Regulation can be found at the following link:

<http://www.resmigazete.gov.tr/eskiler/2014/04/20140425-8.htm>

Approval of the Convention on Cybercrime

Convention on Cybercrime signed on 10 November 2010 in Strasbourg has been approved by the Law No. 6533 which was published in the Official Gazette and entered into force as of 2 May 2014. By means of the Law, Turkey adopted the Convention with a number of reservations and declarations mainly on interstate extradition and jurisdiction of Turkish courts over Turkish citizens with respect to criminal cases.

The Turkish language text of the Law can be found at the following link:

<http://www.resmigazete.gov.tr/eskiler/2014/05/20140502-12.htm>



Answers. Not theories.

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