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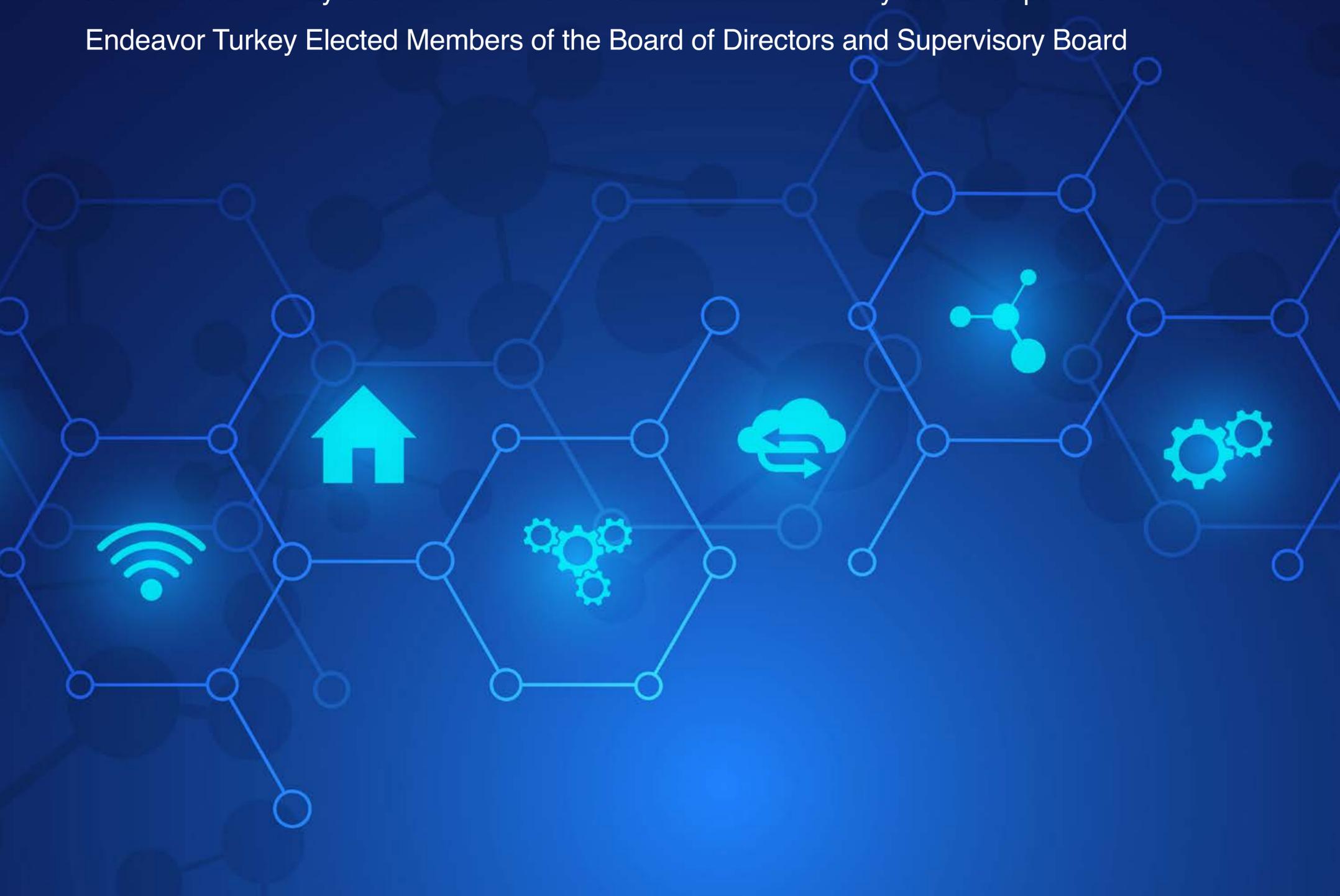
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RISING TREND: FINTECH

Interview with Koray Bahar: President of TOBB Fintech Assembly and Entrepreneur
Endeavor Turkey Elected Members of the Board of Directors and Supervisory Board



RISING TREND: FINTECH

It is an undeniable fact that technological developments and innovative business models have also left their mark on financial services. It would not be wrong to say that the pioneers of this change are FinTech startups. FinTech can be defined as the integration that aims to provide better, faster, easier and higher quality financial services by combining technology with financial services. The term FinTech is used as an abbreviation of the term “financial technology”.

In the FinTech industry around the world, emerging technologies such as artificial intelligence, blockchain, and the internet of things can be utilized and many innovative services can be offered. The most prominent of these services are; open banking, cryptocurrencies, smart contracts, peer to peer (p2p) borrowing platforms and robotic consulting. There are many FinTech startups of different forms that offer similar services in Turkey. In Turkey, which is an attractive market especially for FinTech startups, the FinTech industry continues to grow at an accelerating rate.

In the legal framework, there is no comprehensive legislation applicable to the entire FinTech sector under Turkish legal system. Legislation related to various fields such as regulations on electronic money institutions, electronic commerce law, internet law, banking law, and personal data protection law can be applied depending on the type or business plan of the FinTech startup.

Notable Recent Developments on Fintech

The coronavirus pandemic and the measures taken within the scope of the pandemic have changed our consumption habits maybe more than ever. The increasing digitalization trend with the pandemic also increased the demands for FinTech services and the sector experienced an accelerated growth. Parallel to this growth, there have been important legal developments that will affect the FinTech field in late 2020 and 2021. In this regard, we have compiled some remarkable developments for you.

TR QR Code Regulation. On 21 August 2020, Regulation on the Generation and Use of TR QR Code in Payment Services entered into force. This regulation applies to payment transactions within the scope of the Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions. The regulation includes provisions regarding the use of QR code and the rights and obligations of the subjects in the transaction so that these payment transactions can be made easier, faster and more reliable.

Cryptocurrency regulations. On 16 April 2021, Regulation on the Non-Use of Crypto Assets in Payments was published in the Official Gazette. With this regulation, crypto assets were defined for the first time in Turkish law. Also, the direct or indirect use of crypto assets in payments and the provision of services for such use are prohibited. Contrary to popular belief, this regulation, which had a great impact on the public, did not directly prevent the purchase and sale of crypto assets. However, payment and electronic money institutions are prohibited from intermediating with platforms that offer crypto asset purchase, sale, custody, transfer or issue services, or fund transfers from these platforms.

On 1 May 2021, Regulation on Measures Regarding the Prevention of Laundering Proceeds of Crime and Financing of Terrorism was amended. In this way, “crypto asset service providers” were included in the scope of organizations responsible for preventing money laundering and terrorist financing. These organizations include banks, payment service providers and leasing companies.

Digital banking. Digital banking, which is a banking activity that provides services only in the digital environment without branch offices, is being implemented in many parts of the world. The Ministry of Treasury and Finance announced that digital banking licensing will be enabled in the Economy Reform Package. In the Economic Reforms Action Plan, published in this direction on 23 March 2021, it was determined that digital banking licensing would be enabled until 31 December 2021.

In conclusion, it is a fact that the investments received by FinTech startups and the FinTech industry in our country are growing day by day. Parallel to the development of technology; new business plans are also starting to be implemented. This growth further strengthens the current need for regulation in order to respond to the needs of the industry and to prevent rapid and uncontrolled development from harming consumers.

The recent enactment of new regulations regarding the FinTech field and the fact that the targets for the FinTech field have found a place in the economy action plans are indicators that works on regulation will be continued. If we consider the effects of each new regulation on the daily life of citizens and the sector, we can say that we will witness exciting sectoral and legal developments in the field of FinTech.

Interview with Koray Bahar: President of TOBB Fintech Assembly and Entrepreneur

Turkish Financial Technologies Assembly was established as the 63rd Sector Assembly within Turkish Sector Assembly of the Union of Chambers and Commodity Exchanges of Turkey (**TOBB**). Koray Bahar, the founding partner and general manager of Figopara, one of the pioneering ventures in this field, was selected to the Presidency of the Assembly. In this issue, we interviewed with Koray Bahar on the fintech industry, who is an entrepreneur and investor and has been our client for many years and has had his name written in golden letters in this field, and is followed closely by those interested.

Can you predict the future of the fintech industry in Turkey? How do you think the sector will be in the near future in 5-10 years?

It is a frequently asked question. There is a very serious young population in Turkey and they were born into the digital age. Right now, all young people have mobile phones and they grow up doing everything digitally. Almost no one of the young age has ever seen cased computers. For this reason, serious opportunities are coming with this new generation in the field of fintech.

In fact, we started to use fintechs solutions and products in every aspect of our lives. I think MoneyPay application launched by Migros today is a very good example of this. Even a retail company like Migros, which has been physically selling products for years, has turned into a fintech company today. Its customers can transfer money 24/7, pay bills through Migros application and even make investments. This is a very striking



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example. In the upcoming period, it will be a cliché, but; I think that the motto “one day all companies will be fintech companies” will come to life. We clearly see that this change started in Turkey. Therefore, I look at the development of this field positively and I think that there are a lot of things open to change. Currently, there is almost no application in Turkey regarding the management of our personal assets. However, when we look abroad, we can see obvious examples such as PayPal. I foresee that examples from abroad will be patterned by companies in Turkey and that such practices may enter our lives in the near future. We can say that the next five years will be the golden age of fintech. On the other hand, in terms of regulations, current regulations in Turkey allow the system to operate, but new regulations that will enable more inclusive and faster adaptation are required. Licenses to be granted with new regulations will further increase the potential of the FinTech ecosystem.

What do you think sets fintech startups apart from startups operating in other fields? What should fintech startups pay particular attention to?

I am aware that the examples given when talking about the industry are conglomerates. Indeed it should not be forgotten that fintech startups are behind the companies as developers and as companies providing infrastructure. For example, in Migros, this company was Colendi. Although not many people have heard of Colendi in Turkey, the efforts of such fintech startups behind such applications cannot be denied.

Startups do this entirely based on digital data and technology. Therefore, the names of startups that we are just beginning to hear will lead the market. It is necessary to take a closer look at what these companies are doing. When transferring or receiving money from abroad; it is an incredible innovation to manage it completely digitally rather than dealing with checks and bills. Likewise, crypto trading platforms are in a striking place in the fintech field. On one platform, two billion dollars can be traded in a single day. Therefore, we can say that there are companies that are booming in this field and that they are at the very beginning of the road.

Today, we don't have a fintech that has become a "unicorn", but it's obvious that it is in the offing. I think that at the end of the next five years, fintech will be the ground where Turkey will produce the most unicorns. Related to the question, the more role models and good stories there are in other industries, the more fintech startups can be inspired by it and adapt it. They are also good examples for the investor side. The fact that Trendyol and Yemeksepeti are known today with such successful investments sets a good example for other sectors and also investors, primarily fintech. That's why existing stories are very important for fintech startups to improve themselves and shape the future.

While this field is developing so much, are there any obstacles in front of it in Turkey? If so, how should these obstacles be exceeded?

In fact, we have come a long way in this field in Turkey. Compared to three years ago, we are in a much better position for fintech startups to do business in Turkey. But we still have a lot of things to do and we should do them fast. We are just now doing the process we call “digital onboarding” and this is only possible for individual customers for now. Institutions and SMEs are still not in this scope. Therefore, such an infrastructure needs to be created so that fintechs should be paved the way more on the basis of regulation.

On the other hand, the barriers to enter into this sector also need to be lowered. Today, it is necessary to put high capitals in order to be a payment institution or to operate as a digital bank. However, if these can be brought down

Another issue is “cloud”. Since the principle of "keep Turkey's data in Turkey" was adopted, this creates a disadvantage in competition. In addition, when this happens, the costs that startups face are also increasing. However, cloud-based applications can compete with their rivals abroad with more flexible and competitive conditions if the regulation was not so strict and could be used more easily. While competitors can do the same business abroad for more affordable prices, the fact that Turks have to do it in a costly way limits their freedom. I believe that regulation in this area should be paved.

Endeavor Turkey Elected Members of the Board of Directors and Supervisory Board

The new term general assembly of Endeavor Turkey, which aims to contribute to sustainable economic development by supporting entrepreneurs, was held. While Koray Bahar was re-elected as a member of the board of directors; Görkem Gökçe, the founding partner of our firm, was re-elected as a member of the Endeavor Turkey supervisory board. We congratulate them and all the elected members and wish them success in their duties.

Answers. Not theories.

Gokce Attorney Partnership

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About our firm

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