



Granting Limited Signature Powers in Joint-Stock Companies through Signatory Directive

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1. Introduction

A joint-stock company is managed and represented by its board of directors as the compulsory legal management organ of the company. However, as companies grow and their operations expand, it becomes impractical for board members to handle all aspects of representation power. Therefore, this complexity of modern commerce and the demand for faster decision-making by relevant professionals often necessitate board of directors to authorize certain third parties with limited signature powers.

As ensuring transparency, drawing signature power limits of signatories and protecting third parties from potential misuse of limited signature powers is crucial, authorizing third parties with limited signature powers is subject to certain legal requirements under the Turkish Commercial Code No. 6102 ("TCC") including the registration and announcement of signatories and the signatory directive detailing their scope of representation power with the trade registry.

In parallel with these requirements, the Istanbul Trade Registry has also introduced additional practice rules through its announcement dated March 31, 2024 to ensure uniformity for all companies to the extent possible. In this context, the companies with headquarters in Istanbul and registered with the Istanbul Trade Registry must comply with these requirements while determining authorized signatories. In this article, we will evaluate granting limited signature powers in joint-stock companies through signatory directive along with new practice rules of the Istanbul Trade Registry.

2. Limiting Signature Powers

According to Articles 365 and 370 of the TCC, the authority to represent a joint-stock company without being subject to any limitation belongs to the board of directors as a rule and, the board of directors exercises such representation authority with joint signatures of any two of the board members unless the board of directors is composed of only one member. Having said that Article 370/2 of the TCC allows delegation of such unlimited representation authority to (i) certain

directors of the board of directors or (ii) third parties acting as managers provided that at least one board member remains as a signatory.

In addition to the above concept, Article 371/7 of the TCC also enables that board members having no representation authority due to the delegation made among the board of directors and other individuals could be vested with limited signature powers restricted by purpose or amount.

In order to duly implement such limitation on signature powers, first of all, the articles of association of the company must include a provision permitting the board of directors to issue a signatory directive. If the articles of association does not include such a provision, it must be amended first and the board of directors must be clearly authorized to issue a signatory directive.

Then, the signatory directive defining the limited signature powers must be prepared by the board of directors. The signatory directive may refer to multiple signature groups and authorities, each authorized for different transactions and subject to varying limitations according to the company's preferences and needs. The signatory directive is subject to registration with the trade registry. Upon registration, it is published in the Turkish Trade Registry Gazette and becomes visible and enforceable to third parties.

Once the registration process of the signatory directive is completed, the board of directors must appoint relevant signatories to the relevant signature groups defined in the signatory directive. The appointment term can be fixed with a specific date or determined for an unlimited term by stating until otherwise decided by the board of directors. Such appointments are also subject to registration with the trade registry.

In the final step, a signature circular should be issued for the signatories. If the signatories are foreign nationals or Turkish citizens living abroad and will be signing this document outside of Türkiye, the signature circular would need to be notarized and apostilled/legalized in the relevant country where the signatories are present. However, if the signatories will be signing this document in Türkiye, the signature circular must be notarized directly by the Turkish notary public regardless of the signatory's nationality.

3. New Practice Rules of the Istanbul Trade Registry

In addition to the foregoing requirements arising out of the TCC, the practice rules recently introduced and strictly sought by the Istanbul Trade Registry while appointing signatories and preparation of the signatory directives are as follows:

- a) As a rule, only the scope of limited signature powers must be defined and stated in the signatory directive.

- b) A signatory having unlimited signature powers on an individual basis cannot be appointed as an authorized signatory jointly with another person as having limited signature powers at the same time.
- c) A signatory having unlimited signature powers on a joint basis cannot be appointed as an authorized signatory jointly with another person as having limited signature powers at the same time. That being said, such a signatory may be determined as a limiting factor in terms of how limited power is exercised, as the case may be.
- d) A signatory having unlimited signature powers on a joint basis cannot be appointed as an authorized signatory solely as having limited signature powers at the same time.
- e) A signatory cannot be appointed to more than one signature group under the signatory directive.

4. Conclusion

Granting limited signature powers in joint-stock companies through signatory directive is a significant need and frequently used mechanism. The TCC requires companies to register and announce their signatories along with the signatory directive for transparency purposes. This method, as an alternative to issuance of power of attorney, ensures the signature power limits of signatories to become clearly visible and accessible to third parties and secures transaction reliability by preventing unauthorized actions. In order to make a contribution to the practice, the Istanbul Trade Registry has further clarified the requirements for its member companies. The joint-stock companies especially operate in Istanbul and planning to appoint signatories must comply with the rules introduced by the Istanbul Trade Registry.

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