Key Recent Changes in Turkish Banking Regulations

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I. Introduction

Turkey has introduced several amendments on the Turkish banking regulations to expand the tools to protect the financial integrity in the first half of 2019.

In this article, our aim is to reveal recent amendments made to the Turkish banking regulations as well as the Capital Movements Circular published by the Central Bank of the Republic of Turkey ("***Central Bank***").

II. Scope of Recent Amendments Introduced to the Banking Regulations

1. Amendment to the Minimum Payment Amount for Credit Card Debts

According to amendments made to Article 17 of the Regulation on the Bank Cards and Credit Cards, without making any exceptions according to the credit card limits, the minimum payment amount for credit card debts can be at least 30% of the debts of the relevant period. Prior to these amendments, the minimum payment amount for credit card debts was determined according to the certain credit card limits.

2. Amendments to the Instalment Terms for Credit Card Debts

Following the amendment made to the Regulation on the Bank Cards and Credit Cards at the beginning of 2019, the Banking Regulation and Supervision Agency ("***BRSA***") has been authorized to determine the instalment terms for product and service purchases made by credit cards and cash withdrawals by obtaining opinion of Presidential Strategy and Budget Directorate as well as the Ministry of Treasury and Finance and the Ministry of Trade. By this amendment, it is aimed to enable the decision-making process regarding instalment periods to be rapid and to provide flexibility in implementation.

Firstly, it is important to state that general instalment term for credit card debts has been determined as 12 months. In addition to this general instalment term, the BRSA has determined different instalment terms for the credit card debts of different product and services so far.

In this respect, the BRSA has amended the general instalment terms for (i) purchase of furniture from 12 months to 18 months; (ii) purchase electronic devices (*i.e. video, camera and sound systems as well as television etc. with a price above TRY 3,500*) from 3 months to 6 months; (iii) purchase of television with a price of up to TRY 3,500 from 9 months to 12 months; (iv) airlines and domestic accommodation expenses from 9 months to 12 months; (v) tax payments from 9 months to 12 months; (vi) purchase of electric appliance (*i.e. fridge, washing machine, dish washer, electrical household appliances etc.*) from 12 months to 18 months; (vii) corporate credit cards debts from 12 months to 18 months; (viii) expenses related to purchases of computer except tablets and transportation from 6 months to 12 months; and (ix) domestic expenses related to travel agencies, health and social services expenses from 9 months to 12 months.

Lastly, it is important to note that the instalment term regarding jewellery expenses except printed and bullion jewellery has been determined as 4 months.

3. Amendment to the Effective Date of Foreign Exchange Purchase Transactions

In order to eliminate speculative transactions for manipulations and enable an efficient credit system as well as minimize possible negative effects of such transactions on banking system, the BRSA has adopted a decision on transferring foreign currency to the account of the relevant person and making it available for the usage after 1 business day following the transaction.

According to such decision, this amendment to the effective date of foreign exchange purchase transactions apply to foreign exchange purchase transactions (including effective) in the amount of USD 100,000 or more (or corresponding amount in other currencies) made by real persons during a day.

Therefore, this amendment does not apply to legal entities with real foreign exchange demand and real persons with foreign exchange demand up to USD 100,000 (or corresponding amount in other currencies).

III. Recent Amendments Introduced to the Capital Movements Circular

As per Article 21/1(c) of the Capital Movements Circular, Turkish residents who utilize foreign exchange loans from Turkey or abroad within the scope of investment incentive certificates are exempted from the requirement to have foreign exchange income. By entering into force of the recent amendment made to the Capital Movements Circular, in order to prevent recurring utilization of foreign exchange loans utilized within the scope of investment incentive certificate from Turkey or abroad, Turkish residents utilizing such foreign exchange loans must declare whether it has been utilized any loan previously based on the same investment incentive certificate, if any, the amount of the loan, date of utilization and information of the bank which has intermediated utilization of this loan. These declarations are then maintained in the relevant loan documents.

Another amendment has been introduced to the Capital Movements Circular in order to prevent recurring utilization of foreign exchange loans utilized by Turkish residents who (i) have won the domestic tenders announced internationally, (ii) have undertaken defence industry projects approved by the Defence Industry Directorate or (iii) are responsible for carrying out projects within the scope of public private partnerships, from Turkey or abroad.

As per this amendment, the intermediary bank or financial institution must annotate the (i) original pages of the agreements regarding the tender or the project involving information on parties, subject, amount, date and signatures, or (ii) original signed copies of letters of certification issued by the relevant authority including the amount and date of the relevant agreement.

According to Article 19/6 of the Capital Movements Circular, Turkish banks are required to check whether the loans utilized from abroad are compliant with the general rules stipulated under the Capital Movements Circular. In this respect, it is required to obtain written declaration, information and documents certifying such declaration from the relevant companies in order to detect whether foreign exchange amounts, transferred to company's account from abroad, exceeding USD 50,000 and whose purpose cannot be determined, are loans or not. With this change, money transfers cannot be completed and the relevant amount must be refunded in case the relevant company does not submit a written declaration about the transfer made from abroad and/or information and documents certifying such declaration.

IV. Conclusion

There have been a number of amendments in banking legislation in recent months particularly on the minimum payment amount for credit card debts, instalment terms for credit card debts, effective date of foreign exchange purchase transactions. Additionally, Central Bank has also amended some provisions of the Capital Movements Circular especially in order to prevent recurring utilization of foreign exchange loans by Turkish residents.

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