

Read below the latest legal developments in Turkey. This latest roundup provides insight on the latest amended and repealed laws and regulations affecting different sectors.

To discuss how these developments affect your business interests please contact Fethi Pekin, Managing Partner.

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BANKING & FINANCE

BRSA Authorized to Determine Delivery Dates of Notifications

The Banking Regulation and Supervision Agency (“BRSA”) published the

- Regulation on Liquidity Coverage Ratio of Banks,
- Regulation Regarding the Amendment of Regulation on Calculation and Evaluation of Leverage Ratio of Banks,
- Regulation Regarding the Amendment of Regulation on Liquidity Adequacy of Banks,
- Regulation Regarding the Amendment of Regulation on Capital Adequacy of Banks and
- Regulation Regarding the Amendment of Regulation on Calculation and Implementation of Foreign Currency Net General Position/Equity Standard Ratio by Banks on Consolidated and Non-Consolidated Basis

in the Official Gazette dated March 21, 2014 and numbered 28948, and introduced revisions in regards to the delivery dates applicable for certain notifications to be sent to BRSA. In this respect, BRSA shall determine the applicable dates for the delivery of the notifications in regards to the calculations of;

- foreign exchange net general position/standard rate of shareholders’ equity;
- equity capital and consolidated equity capital;
- liquidity adequacy ratio with regards to the first and second periods;
- leverage ratio and consolidated leverage ratio.

The dates set for such notifications in the repealed provisions of the amended regulations have been abolished and the authority to designate such dates has been given to the BRSA by the abovementioned amendments. Accordingly, the BRSA shall determine the dates on which such notifications shall be made to the Agency through secondary regulations which would be published on a future date.

Immovable properties located in an Organized Industrial Zone are allowed to be subject to financial leasing agreements.

Please see Real Estate & Construction for the relevant article.

The Prohibition on Utilizing the Information Collected by the Banks Association of Turkey has been abolished

As per the Regulation Regarding the Amendment of the Regulation on the Banks Association of Turkey Risk Center (*published in the Official Gazette dated February 11, 2014 and numbered 28910*) the prohibition of the utilization of the information at the Risk Center (“**Information**”) by companies for which Article 73 of the Banking Law gives permission to interchange customer information, has been abolished. The previous regulation was strictly prohibiting the use of the Information by such companies in a manner allowing them to provide benefit, specifically through the production of software, models, or reports. The previous regulation had expressly stated that the property of any product, such as mentioned above, developed by the use of the Information shall belong to the Risk Center. The amendment has abolished the prohibition by explicitly allowing the utilization of such Information for the production of software, models, reports or any other products on the condition that such products are primarily offered to the Risk Center.

Introduction of New Guarantees under the First Group Guarantees for Banks

The Regulation Regarding the Amendment of the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables By Banks (*published in the Official Gazette dated January 12, 2014 and numbered 28880*) has introduced new types of guarantees which are considered under the First Group Guarantees for Banks. The guarantees issued in favor of banks shall be followed up through categorizing them in groups which provides for the determination of the mandatory reserves to be allocated by banks. Pursuant to the amendment, (i) lease certificates issued within the scope of the Law Regarding the Regulation of Public Finance and Debt Management numbered 4749 and dated March 28, 2002, (ii) lease certificates of which the banks are the fund utilizer, (iii) mortgage backed securities and (iv) asset backed securities issued by banks have been included in the first group of guarantees.

Prolonged Duration for Certain Temporary Provisions Granting Advantages to Certain Loans and Receivables

Pursuant to the amendment (*published in the Official Gazette dated February 7, 2014 and numbered 28906*) introduced by the BRSA to the Regulation on Procedures and Principles For Determination of Qualifications of Loans and Other Receivables By Banks, the duration stipulated for the special provisions granting certain advantages for the loans and other receivables of the residents of Libya and Syria, or other persons conducting operations in relation with Libya or Syria has been prolonged until December 31, 2014.

Responsibility of Banks from Bad Checks has Increased

Pursuant to the Communiqué (*published in the Official Gazette dated January 21, 2014 and numbered 28889*) issued by the Central Bank, the minimum amount, which shall be paid by the Bank in case of a totally or partially bad check, has been increased. In cases where the whole amount of the check cannot be paid, the correspondent bank shall be responsible to pay at least TL 1,120 or, if the amount of the check is lower than TL 1,120, the amount of the check. In cases where only a partial amount of the check cannot be paid, the correspondent bank shall be responsible to pay the least amount to supplement the partial payment to TL 1,120, or, if the amount of the check is lower than TL 1,120, the amount to supplement the partial payment to the amount of the check. The amendment has entered into force on January 27, 2014.

Mandatory Reserves Allowed to Receive Interest

Pursuant to the Communiqué Regarding the Amendment of the Communiqué on Mandatory Reserves (*published in the Official Gazette dated March 26, 2014 and numbered 28953*), the previous provision prohibiting the payment of interest for the mandatory reserves has been abolished. Following the publication of the Communiqué in the Official

Gazette, interest has now been allowed to be paid by the Central Bank for the mandatory reserves allocated by banks at the Central Bank in accordance with the relevant Communiqué. The principles regarding the interest, such as the rate and conditions of payment, shall be determined by the Central Bank. It is expected on future dates that the Central Bank will determine the terms and conditions for the payment of interest through the preparation of a secondary regulation.

Other Regulations

- The Council of Ministers Decree numbered 2014/5885 and dated January 2, 2014, in regards to the Regulation regarding the Organization of the Banking Regulation and Supervision Agency, published in the Official Gazette dated March 16, 2014 and numbered 28943.
- Communiqué Regarding the Amendment of the Communiqué on the Uniform Chart of Accounts and Prospectus to be Implemented by Financial Leasing, Factoring and Financing Companies published in the Official Gazette dated February 7, 2014 and numbered 28906.
- Pursuant to the Regulation Regarding the Amendment of the Regulation on the Financial Statements and Accounting Applications of Financial Leasing, Factoring and Financing Companies (*published in the Official Gazette dated February 7, 2014 and numbered 28906*), a temporary article with regards to the vehicle loans has been included in the relevant Regulation.
- The amendments (*published in the Official Gazette dated January 28, 2014 and numbered 28896*) to (i) the Regulation on the Supervision of the Information Securities and Banking Procedures Performed by Independent Auditing Companies, (ii) the Communiqué on the Report Regarding the Supervision of the Information Securities and Banking Procedures Performed by Independent Auditing Companies, and (iii) the Communiqué on the Principles to be Implemented in the Information Systems Management, has introduced the definition of the universal term COBIT in relevant legislation.



CAPITAL MARKETS

Public Disclosure of Special Events

The Capital Market Board ("**CMB**") has issued the Communiqué No. II-15.1 on Special Events ("**Communiqué**") (*published in the Official Gazette dated January 23, 2014 and numbered 28891*). The Communiqué sets forth the procedures and principles regarding the public disclosure of "insider information" and "ongoing information". Some of the new regulations covered by the Communiqué are outlined below:

- Shareholders shall make the necessary disclosure in regards to any insider information unknown to the issuer in case where they hold at least 10% of the shares of the company.
- As well as the issuers, persons under disclosure requirement are allowed to postpone the disclosure.
- Future considerations shall be disclosed in accordance with the procedure and restrictions set by the Communiqué.

- In the event the amount of transactions of (i) persons with administrative liabilities and (ii) the parent company of the issuer, exceeds TL 50,000 (TL 100,000 for securities other than shares), such transactions shall be disclosed to the public by the persons who conducted such transactions.

The Communiqué entered into force on February 23, 2014, one month after the publication date.

Infrastructure REITs

In order to submit an alternative to the market for the financing of infrastructure investments, the Communiqué regarding Infrastructure Real Estate Investment Trusts was published in the Official Gazette, dated January 29, 2009 and numbered 27125. Such communiqué is repealed by the Communiqué No. (III.48.4) (*published in the Official Gazette dated January 23, 2014, 28891*) and Communiqué No. (III-48.1a) ("**Amendment**"), which is amending the Communiqué regarding Principles of Real Estate Investment Companies (*published in the Official Gazette dated January 23, 2014, 28891*) has been issued by the CMB in order to insert provisions in regards to Infrastructure Real Estate Investment Trusts ("**Infrastructure REITs**") to such Communiqué.

With the Amendment, regulations regarding Infrastructure REITs are further developed in order to provide the market an efficient financial instrument in the financing of projects that require high capital. In addition, in order to draw the attention of foreign investors to this model, the opportunity of sale to the qualified investors is provided. In the event this model is utilized, the financing of big projects through capital markets without placing any burden to the public budget and transferring the revenue of such projects to the investors will be possible.

Tender Offers

CMB has issued the Communiqué II-26.1 regarding Tender Offers ("**Communiqué**") (*published in the Official Gazette dated January 23, 2014, 28891*). The Communiqué mainly sets forth principles and procedures regarding mandatory and voluntary tender offers arising from the changes in the management control. In this regard, the definition of management control is amended pursuant to the Capital Market Law as owning 50% or more of the voting rights of the company directly or indirectly with the related parties or individually; differently from the previous communiqué which used to cover both voting rights and shares.

Dividend Distribution Policies

CMB has issued the Communiqué II-19.1 regarding Dividends ("**Communiqué**") (*published in the Official Gazette dated January 23, 2014, 28891*) which, among other issues in regards to the dividend distributions, determines the rules regarding the minimum content of dividend distribution policies in public companies. Pursuant to the Communiqué, the dividends shall be distributed to the shareholders pro rata their shareholding ratio and the issuance and acquisition dates of the shares shall be ignored and Dividends shall not be distributed to the owners of privileged or usufruct shares, members of the board of directors, employees of the company and persons other than the shareholders without a provision in the articles of association of a company.

Obligation to Notify the Insider Trading and Manipulation Crimes

Communiqué V-102.1 regarding the Obligation to Notify the Insider Trading and Manipulation Crimes ("**Communiqué**") (*published in the Official Gazette dated January 21, 2014, 28889*) regulates the obligation of notification regarding crimes of insider trading and manipulation defined in the CML. The principles regarding confidentiality of the notifications and protection of the notifying persons is also among the issues covered by the Communiqué. In addition, guiding regulations on the procedures and form requirements of the notifications take place in the Communiqué. According to the Communiqué, investment entities shall notify CMB of suspicious transactions they come across within five days. The Communiqué shall enter into force on July 1, 2014.

Measures regarding the Investigations of Insider Trading and Manipulation

Communiqué V-101.1 regarding Measures to be Applicable in the Investigations of Insider Trading and Manipulation (“**Communiqué**”) (*published in the Official Gazette dated January 21, 2014, 28889*) has been issued by the CMB. The purpose of the Communiqué is to take necessary measures in the event the crimes of insider trading and manipulation are committed or there is a reasonable doubt on the fact that such crimes have been committed, so that an effective operation for the market is provided.

Market Abuse Actions

Communiqué VI-104.1 on Market Abuse Actions (“**Communiqué**”) (*published in the Official Gazette dated January 21, 2014, 28889*) regulates the determination of actions and transactions which cannot be explained with a reasonable economic or financial reason and prevent the operation of Borsa Istanbul and other organized markets in safety, clarity and stability. The Communiqué further determines the sanctions to be applied to the persons who carry out such actions and transactions.

Covered Bonds

Communiqué III-59.1 on Covered Bonds (“**Communiqué**”) (*published in the Official Gazette dated January 21, 2014, 28889*), replaces the communiqués on both asset covered bonds and mortgage covered bonds. In the Communiqué, the term “covered bond” is defined and the limit for the outstanding proportion of the issued covered bonds is determined. Depending on the rating note, the issuance limit could be doubled. In addition, the opportunity is provided for the financial leasing companies and finance companies to be mortgage covered bonds issuers, along with the banks and mortgage finance companies,

Asset Backed and Mortgage Backed Securities

CMB published the Communiqué III-58.1 on Asset Backed and Mortgage Backed Securities (“**Communiqué**”) (*published in the Official Gazette dated January 9, 2014, 28877*) replacing the communiqués on asset finance funds/ asset backed securities and housing finance funds/ mortgage backed securities. Some of the rules covered by the Communiqué are set out below:

- Banks, financial leasing and financing companies, mortgage financing institutions and investment entities with broad authorities are allowed to establish asset finance/housing finance funds.
- Legal entities, institutions and organizations which transfer their assets to the fund portfolio or mortgage financing institutions are defined as originators.
- Along with public offering and sale to the qualified investors, asset backed and mortgage backed securities can be sold through private placement unless their minimum unit nominal value is less than TL 100,000.

New Corporate Governance Principles

CMB has issued the Communiqué II-17.1 on Corporate Governance (“**Communiqué**”) (*published in the Official Gazette dated January 3, 2014 and numbered 28871*) to replace communiqués on determination and application of the corporate governance principles and principles regarding joint stock companies subject to the CML. New corporate governance principles are attached to the Communiqué.

The obligation to pass a resolution of the board of directors determining the principles of the transaction to be made with the related parties of the company is regulated in the Communiqué. Such provision also applies to the affiliates of the company.

In addition, the Communiqué stipulates that the investor relations unit of the company shall work directly under the general manager, deputy general manager or any other manager with administrative liability equaled thereto and shall submit a report at least once a year to the board of directors in relation to the activities carried out.

Shares Redeemed by the Company

CMB has issued the Communiqué No II-22.1 on Shares to be Redeemed ("**Communiqué**") (*published in the Official Gazette dated January 3, 2014 and numbered 28871*) and regulated public company's acquisition of its own shares with a communiqué for the first time. Such issue was previously regulated with a CMB decision. The Communiqué mainly sets forth the principles regarding company's acquisition of its own shares and securing its shares with a pledge, disposal or redemption of acquired shares and public disclosure of such transactions. Some of the issues covered by the Communiqué are set out below:

- The program period regarding acquisition of the shares increased to at least 3 years for the companies the shares of which are traded on Borsa Istanbul.
- Total amount of the acquired shares shall not exceed the total amount of the sources subject to the distribution of profit in the last annual financial statement.
- Share acquisitions of the affiliates of public companies, share acquisitions of the third persons on his behalf but for the account of the affiliates of the companies, securing a pledge of the third persons on his behalf but for the account of the affiliates of the companies are within the scope of the Communiqué.

Real Estate Investment Funds

CMB has issued the Communiqué III-52.3 regarding Real Estate Investment Funds ("**Communiqué**") (*published in the Official Gazette dated January 3, 2014 and numbered 28871*). With the Communiqué, real estate investment funds have gained a legal background for the first time. The Communiqué regulates the principles regarding fund's foundation, activities and sale to the qualified investors. Real estate investment funds are mostly founded aiming at local or global institutional investors and they provide opportunity for securitization of the real estates, provide liquidity for large-scaled real estates and bring together the investors and real estate owners.

Real estate investment funds shall be established by regular or real estate portfolio management companies and units of real estate investment funds may be sold to the qualified investors and at least 80% of the total value of real estate investment funds shall consist of real estate investments.

Venture Capital Investment Funds

CMB has issued the Communiqué III-52.4 on Venture Capital Investment Funds ("**Communiqué**") (*published in the Official Gazette dated January 2, 2014 and numbered 28870*) which covers provisions on incorporation and activities of venture capital investment funds and sale of units of such funds to qualified investors. With the Communiqué, a structure which is compatible with successful international practices has been introduced to Turkish legislation.

Venture capital investment funds could be founded by portfolio management companies and venture capital portfolio management companies, and units of venture capital investment funds may be sold to the qualified investors. At least 80% of the total value of venture capital investment funds shall consist of venture capital investments. Venture capital investment is allowed to be conducted through different methods such as direct or indirect shareholding, mezzanine financing or purchase of debt instruments issued by venture capital firms.

New Communiqué on Right to Squeeze-Out and Right to Sell

CMB has issued the Communiqué II-27.1 on Right to Squeeze-Out and Right to Sell ("**Communiqué**") (*published in the Official Gazette dated January 2, 2014 and numbered 28870*). With the Communiqué, procedures and principles regarding controlling shareholders' right to squeeze-out and other shareholders' right to sell their shares to the controlling shareholder in public companies are determined for the first time. Pursuant to the Communiqué; a squeeze-out right arises in the event that controlling shareholder holds the 95% of the total voting rights in the company. In such case, minority shareholders shall have a right to sell their shares.

Regulation on Procedures and Principles regarding Compensation of the Investors and Gradual Liquidation

Under the scope of the harmonization with EU legislation, Investor Compensation Center (YTM) has been established within the frame of the conditions set forth in the CML, in place of Investors' Protection Fund covered in the previous Capital Markets Law (Law No. 2499). For this purpose, Regulation on Procedures and Principles regarding Compensation of the Investors and Gradual Liquidation (*published in the Official Gazette dated March 29, 2014 and numbered 28956*) ("**Regulation**") has been issued by the CMB.

In order to the investors to be compensated in an efficient manner, the Regulation builds a secure system by providing a prepayment stage for the investment entities which enables compensation before the gradual liquidation process. Accordingly, a decision regarding compensation could be taken by the CMB in three months with regards to the related investment entity, the financial status of which has been weakened, and compensation process could be commenced.

Other Regulations

- CMB has issued the Communiqué II-15.2 regarding Special Events in relation to the Companies the Shares of which are not Traded on Borsa Istanbul (*published in the Official Gazette dated January 23, 2014 and numbered 28891*).
- Regulation regarding Amendment of the Istanbul Stock Exchange Quotation Regulation ("**Regulation**") (*published in the Official Gazette dated March 29, 2014 and numbered 28956*) entered into force in order to make small-scale amendments on the Borsa Istanbul Quotation Regulation.



CORPORATE M&A

Commercial Titles

Communiqué on Commercial Titles (*published in the Official Gazette dated February 14, 2014 and numbered 28913*) has been issued by the Ministry of Customs and Trade. The Communiqué regulates principles on determination of the commercial titles of companies. Accordingly, in principal, the commercial title of a company could be determined without any constraints; provided that words showing the subject of activity and type of the Company shall be in Turkish.

More Moderate Criteria for Auditing Requirement

Please see Tax Alert 2014/1 for the relevant article.



COMPETITION

On January 2014, the draft law (“**Draft Law**”) amending the Law on Protection of Competition (“**Competition Law**”) was submitted to the review of the Grand National Assembly of Turkey.

The Competition Law, which was entered into force in 1994, was being criticized and a need for modernization was being raised by increasing number of academicians and practitioners. Such discussions intensively increased particularly following the reforms in the EU legislation, conducted through a number of regulations including Council Regulation (EC) 2003/1 and Council Regulation (EC) No 139/2004. An attempt was conducted in 2008 but the draft law amending the Competition Law could not successfully pass the Grand National Assembly of Turkey.

At the moment, the Draft Law is under review of the Industry, Commerce, Energy, Natural Resources, Information and Technology Commission of the Grand National Assembly of Turkey and yet to be finalized and enacted.

Although there is considerable room for improvement in the Draft Law and a number of concerns have been rightfully raised, it should be noted that the enactment of the Draft Law would be a significant step forward for the development of Turkish competition legislation and harmonization with EU legislation.

Some of the novelties proposed by the Draft Law are briefly explained below.

- De Minimis Principle: In accordance with the EU legislation, the Draft Law, for the first time in Turkish competition practice, provides flexibility to the Competition Board in terms of not initiating an investigation with respect to certain potential infringements, parties to which do not trigger certain criteria based on market share, turnover etc., which would be determined by the Competition Board.
- Concentrations (currently referred to as “mergers and acquisitions” under Competition Law): Not only the terminology, but also the approval test and procedure for Competition Board’s review of merger and acquisition transactions is proposed to be amended significantly. According to the Draft Law, creation or strengthening a dominant position will no longer be a part of the test for the approval. The approval test will be based only on whether the transaction significantly impede effective competition in the market or a part of it, through creating or strengthening a dominant position or otherwise.
- Review Period: Among the changes in the procedure of the review, it is worth to mention that the Draft Law proposes the review period to be extended to 30 business days (from 30 days), which, if necessary, can be extended to 4 months by the Competition Board.
- Investigations: Important amendments clarifying the Competition Board’s powers (mainly in terms of information requests) with respect to investigations are proposed by the Draft Law.
- Confidentiality: Among these, a provision which is expected to be subject to a revision before the Draft Law is enacted, concerns Competition Board’s right to request information and documents from public and private persons, entities and authorities. The proposed wording provides that the Competition Board’s power shall override the provisions of other laws and one cannot deny providing the requested information or document based on the confidentiality or secrecy provisions in other applicable laws, so long as the information/document is not a state secret. Serious concerns have been rightfully raised in terms of the proposed provision, which may easily be interpreted to prevail over the secrecy and privilege of attorney-client relationship protected by the Lawyers Act (Law No. 1136) and open the door for requesting client’s

confidential information and documents from the lawyer or potentially making unannounced investigations in the lawyer's office.

In addition, in February 2014, the Competition Board published the draft Regulation on Administrative Fines to be Imposed in case of Violation of Law No. 4054. Such draft regulation sets forth various reforms in the determination of the administrative fines to be imposed by the Competition Board.



DISPUTE RESOLUTION

Voluntary Product Recall

Amendments to the Ministry of Science, Industry and Technology Market Oversight and Supervision Regulation ("**Regulation**") was published in the Official Gazette on February 25, 2014. Such amendments involve provisions in connection with the voluntary recall of products by their manufacturers. In this regard, a number of relevant material amendments are listed below.

- A manufacturer may recall industrial products which are unsafe or do not comply with technical specifications.
- A manufacturer shall apply to the local provincial directorate of the Ministry of Science, Industry and Technology ("**Ministry**") with information and documentation relating to a recall, indicating the amount of time needed to complete the recall. A notification is not necessary in cases where products have not reached end-users and sold on the market.
- The provincial directorate shall specify a period, not exceeding one year, for the recall to be completed, taking into consideration the manufacturer's request, the specifics of the recall, and the prevalence of the product in the market.

In this regard, companies should take necessary measures to ensure their compliance with the abovementioned amendments relating to product recall.

Increased Fines Shall Be Imposed To Companies For Certain Violations Of Consumer Protection Law Provisions

Consumer Protection Law (*published in the Official Gazette dated November 28, 2013 and numbered 28835*) entering into force on May 28, 2014, involves monetary fines, required to be annually increased by the re-evaluation ratio. Since the re-evaluation ratio is set as 3.93% for the year 2014, monetary fines shall be increased to the numbers indicated in the below table:

Violation of the company	Fine
Deceptive or misleading representation through mass media advertising	TRY 91,370-
Unlawfully unfair terms in consumer agreements	TRY 149- per violation
Failure of indicating the "defect" on the packaging of defective goods, use 12-point bold type in	TRY 302- per violation

consumer agreements, or breached the terms of an instalment sales agreement, timeshare vacation or tour package	
Failure of providing sufficient information to consumers about sales campaigns, or breached the terms of a door-to-door sales contract	TRY 759-
Failure of providing explicit and legible safety information to consumers for goods or services deemed harmful to consumers or the environment	TRY 3,043- (the seller, however, will only be subject to a fine of TRY 606-)
Conducting a sales campaign without the authorization of the Ministry of Customs and Trade	TRY 121,826-

Accordingly, while conducting their operations in Türkiye, companies should take such increase into consideration and ensure compliance with the relevant provisions of Consumer Protection Law.



EMPLOYMENT

Workplace Danger Classes

The Communiqué on Danger Classes regarding Occupational Health and Safety (*published in the Official Gazette dated December 26, 2012 and numbered 28509*) has been amended on February 4, 2014. The subject of the amendment is with respect to the danger classes that the workplaces shall be covered by. For instance, workplaces which engage in wholesale trade of paints, varnishes and lacquers; wholesale trade of agro-chemical products and jewellery repair are classified in the dangerous class. On the other hand, wholesale trade of precious metal ores and concentrates are classified in the low dangerous class.



ENERGY & CLIMATE CHANGE

New Rules for Electricity Market Distribution

New Regulation on Electricity Market Distribution (*published in the Official Gazette dated January 2, 2014 and numbered 28870*) (the “**Regulation**”) has been issued by Energy Market Regulation Authority based on the Electricity Market Law which has recently entered into force. The purpose of the Regulation is the operation and planning of the distribution system securely and with low costs as well as the determination of procedures and principles on consumers connected or to be connected with the system. The Regulation stipulates procedures and principles on the planning and operation of the distribution system to be applicable to the distribution companies and distribution

system consumers, their obligations, rules to be followed by the same with respect to design and operation of facilities. It should be noted that distribution means the transmission of electricity through transmission lines having the voltage level equal to 36 kV and less in the distribution zones by the distribution companies.

Some of the major differences between the Regulation and the former regulation regarding the distribution in electricity market (*published in the Official Gazette dated February 19, 2003 and numbered 25025*), which has been repealed as per the Article 47 of the Regulation, include the following: (i) Organized Industrial Zones have been included within the scope of “free consumers” who have the right to choose their own supplier, (ii) connection to the distribution systems applications and their evaluations shall be made in accordance with the provisions of Connection and System Utilization Regulation, instead of Electricity Market Customer Services Regulation, (iii) Connection Agreement between the distribution company and the consumer shall be made as per the Connection and System Utilization Regulation instead of Electricity Market Customer Services Regulation, (iv) Lastly, procedures on connection application and its evaluation have been changed.

Electricity Market Connection and System Utilization

Electricity Market Connection and System Utilization Regulation (*published in the Official Gazette dated January 28, 2014 and numbered 28896*) (the “**Regulation**”) has been issued by the Energy Market Regulation Authority based on the Electricity Market Law which has recently taken effect. Accordingly, the Regulation governs rules and procedures on the connection to electricity transmission or distribution system and the utilization of such systems and interconnection lines by individuals and legal entities. As per the Article 6 of the Regulation, distribution companies, Organized Industrial Zones and consumers shall apply to TEİAŞ (*Turkish Electricity Transmission Company*) in order to connect to and use the transmission system. Individuals and legal entities shall apply to the distribution company located in the relevant distribution region for connecting to the distribution system pursuant to the Article 10 of the Regulation.

In addition, Provisional Article 13 of the Electricity Market License Regulation (*published in the Official Gazette dated November 2, 2013 and numbered 28809*) and Electricity Market System Connection and Utilization Communiqué (*published in the Official Gazette dated March 27, 2003 and numbered 25061*) (the “**Communiqué**”) have been repealed on January 28, 2014 (*published in the Official Gazette dated January 28, 2014 and numbered 28896*). The repealed provisional Article 13 of the Electricity Market License Regulation and the Communiqué were regulating the system utilization and connection requests of individuals and legal entities to the transmission and/or distribution systems; which have been regulated in detail by the Electricity Market Connection and System Utilization Regulation published in the Official Gazette dated January 28, 2014 and numbered 28896.

Distribution Licenses Available for Organized Industrial Zones

Regulation on Electricity Market Activities of Organized Industrial Zones (*published in the Official Gazette dated March 14, 2014 and numbered 28941*) (the “**Regulation**”) has been issued by Energy Market Regulation Authority. The purpose of the Regulation is to determine the procedures and principles to be implemented on the activities of Organized Industrial Zones (the “**OIZ**”) in the electricity market to meet the needs of their participants, in case the relevant OIZ wishes to engage in electricity market activities by obtaining OIZ distribution and/or generation license. The Regulation further stipulates the principles regarding the determination of distribution prices and prices of other services, licensing of OIZs and bringing the electric energy generated or provided into the use of participants.

Please note that some of the major differences between the Regulation and the former regulation regarding the electricity market activities of organized industrial zones (*published in the Official Gazette dated December 29, 2006 and numbered 26391*), which has been repealed as per Article 31 of the Regulation, include the following: (i) new license types of pre-license and distribution license have been introduced by the Regulation. The Regulation stipulates provisions regarding the application of such license types and principles, conditions, rights and obligations

with respect to them, (ii) OIZs are now entitled to operate in electricity market by obtaining OIZ distribution and/or generation license

A New Implementation Regulation on Turkish Petroleum Law

A New Regulation on Implementation of Turkish Petroleum Law (*published in the Official Gazette dated January 22, 2014 and numbered 28890*) has been issued by Ministry of Energy and Natural Resources. The regulation envisages rules for implementation of the provisions of the Turkish Petroleum Law. For instance, licence obtainment procedure, forms for licence applications, operation licences applications, notifications to the relevant authorities, public tender rules for research and operation licence allocation etc.

EPDK Decision Required for the Extension of Gas Distribution Areas

Regulation on Amendment of Natural Gas Distribution and Customer Services Regulation (*published in the Official Gazette dated January 15, 2014 and numbered 28883*) has amended Article 70 of the Natural Gas Distribution and Customer Services Regulation. As to amendment, in case of extension of borders of distribution zones due to amendment of laws other than natural gas market legislation, such extensions shall be applicable by a decision of Energy Market Regulatory Board provided that the extended border does not intervene with the borders of another distribution zone.

Other regulations

- Regulation on Amendment of the Regulation regarding Election of Legal Entities Applied for Engaging with Natural Gas Storing Activities at the Same Location (*published in the Official Gazette dated March 11, 2014 and numbered 28938*) has been issued by Energy Market Regulation Authority.
- Article 32 of the Petroleum Market Licensing Regulation (*published in the Official Gazette dated June 17, 2004 and numbered 25495*) has been amended by the Amendment Regulation (*published in the Official Gazette dated March 27, 2014 and numbered 28954*).



PHARMACEUTICALS, HEALTHCARE & BIOTECHNOLOGY.

Health Services License Abolished

Health services license has been abolished as per the Article 7 of the Law Regarding the Amendment of Decree Law Concerning the Organization and Duties of the Ministry of Health and other Several Laws (*published in the Official Gazette dated January 18, 2014 and numbered 28886*) (Law No: 6514) (the “**Law**”) since the sub paragraph two of the Article 57 of the Statutory Decree Concerning the Organization and Duties of the Ministry of Health (*published in the Official Gazette dated November 2, 2011 and numbered re. 28103*) has been repealed by the Law. Furthermore, Regulation on Health Services License (*published in the Official Gazette dated November 30, 2012 and numbered 28483*) has been abolished by the Regulation Regarding the Abolishment of the Regulation on Health Services License (*published in the Official Gazette dated February 20, 2014 and numbered 28919*). As per the repealed regulation, individuals and legal entities were required to obtain license from the Ministry of Health (“**Ministry**”) in order to provide health services or open health facilities. The requirement to obtain a license was abolished by the Ministry in order to reduce the additional costs of new health investments since the investors are also required to obtain permission from the Ministry.

Other Regulation

- Amendment on Biocidal Products Regulation was published in the Official Gazette dated March 12, 2014 and numbered 28939.



INSURANCE

Reinsurance Support for Turkish Catastrophe Insurance Pool

Pursuant to the new Ministry Decree on Reinsurance Support for Excess of Loss for Compulsory Earthquake Insurance Risks Undertaken by DASK (Turkish Catastrophe Insurance Pool) (*published in the Official Gazette dated January 10, 2014 and numbered 28878*), taking into account the reinsurance and protection program for the period between November 1, 2013 – October 31, 2014, for reinsurance part which exceeds 800 million Euros for excess of loss, 10% from each part corresponding to 235 million Euros shall be allocated to DASK as reinsurance support for the excess of loss.

Other Regulation

- Regulation Regarding Financial Structure of Insurance, Reinsurance and Pension Companies (*published in the Official Gazette dated August 7, 2007 and numbered 26606*) was amended on with the Regulation published in the Official Gazette dated March 29, 2014 and numbered 28956.



REAL ESTATE & CONSTRUCTION

Major Amendments to Organized Industrial Zone Law

There have been several amendments to the Organized Industrial Zone Law (Law No: **4562**) by the Law Regarding Amendment of Several Laws and Ministry Decrees (*published in the Official Gazette dated February 27, 2014 and numbered 28926*) (Law No: **6525**) and the Law Regarding Amendment of Several Laws (*published in the Official Gazette dated March 1, 2014 and numbered 28928*) (Law No: **6527**).

As per these amendments, among other things, additional clauses have been inserted in the Organized Industrial Zone Law. As per such clauses;

1. An Organized Industrial Zone shall have its own expropriation proceedings to be conducted by Governorship, Provincial Special Administration, Municipalities, or Investment Observation and Coordination Directorate,
2. Financial leasing transactions could be conducted by participation and development and investment banks under the Organized Industrial Zone Law and
3. Immovable properties located in an Organized Industrial Zone are allowed to be subject to financial leasing agreements. However, in such a case, among others, the affirmative opinion of the Organized Industrial Zone

Administration shall be obtained. It should be noted that, the relevant land shall not be used for any purposes other than the allocation purpose and the financial lessor shall meet the qualifications of participators to the relevant Organized Industrial Zone indicated in the establishment protocol of the same.

Technology Development Areas

A new Implementation Regulation on Technology Development Areas (published in the Official Gazette dated March 12, 2014 and numbered 28939) ("**Regulation**") has been issued by Ministry of Science, Industry and Technology in order to support companies engaging in technology and to establish technology development areas such as universities, research and development facilities etc. thereto. In the new Regulation, different then the former regulation, conditions of appointment of the technology development area director company manager has been regulated, the liabilities of the director company has been broadened and a new form of company called "incubation company" in order to provide support for young investors has been envisaged.

Other Regulation

- Article 99 of the Regulation on Implementation of Organized Industrial Zones (*published in the Official Gazette dated August 22, 2009 and numbered 27327*) has been amended by an amendment regulation (*published in the Official Gazette dated January 28, 2014 and numbered 28896*).

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