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## Banking & Finance

### Foreign currency loans to be extended to Turkish residents to be restricted by the Central Bank

The Decree No. 32 Regarding Protection of the Value of Turkish Currency (*published in the Official Gazette dated August 11, 1989, No. 20249*) issued by the Council of Ministers under the Law No. 1567, as amended (the “**Decree No. 32**”) is to be further amended by the Central Bank of Turkey (“**Central Bank**”). With the changes an important impact is expected on extending foreign currency and foreign currency indexed loans to Turkish residents. The Draft Decree (the “**Draft Decree**”) on the Amendment of the Decree No. 32 generally foresees amendments in foreign currency lending as follows:

- A general prohibition for Turkish residents who do not have foreign currency revenues in utilizing foreign currency/foreign currency indexed loans from abroad or within Turkey except for some exceptions.
- The prohibition on utilizing foreign currency/foreign currency indexed loans are regulated under two different articles as (i) loans utilized from abroad (i.e. from financial institutions located outside of Turkey) and (ii) loans utilized within Turkey (i.e. from banks and financial institutions within Turkey) in order to provide more clarity on loans and utilization from different sources.
- There are some exceptions with regards to the abovementioned general prohibition on loans to be utilized from abroad by Turkish residents; such as Turkish residents whose credit balance is over 15 Million USD and state institutions and organisations, banks and other financial institutions located in Turkey are permitted to obtain foreign currency/foreign currency indexed loans from abroad. Furthermore, as per the Draft Decree, Turkish residents who have foreign currency revenue but the credit balance of the same are under 15 Million USD, such Turkish residents may utilize foreign currency/foreign currency indexed loans from abroad as per the limitations pursuant to the calculation method set forth under the Draft Decree.

- Parallel exceptions are applicable with regards to the abovementioned general prohibition on loans to be utilized within Turkey by Turkish residents. With the prohibition on extending foreign currency/foreign currency indexed loans by banks and financial institutions in Turkey, current articles relating to utilization of foreign currency loans by Turkish residents from banks and financial institutions in Turkey (i.e. loans amount of which are over 5 Million USD with the maturity over 1 year) are planned to be abolished and removed from the Decree No. 32 in its entirety.
- Two different alternatives are envisaged with regards to foreign currency loans and foreign currency indexed loans (whether to apply same rules to each type or separate them from each other depending on their specifications), upon which the final draft would be formulated following market's opinion and analysis on the same.

Furthermore, foreign currency/foreign currency indexed loan utilizations to be made by real person Turkish residents is another point being considered under the Draft Decree and Draft Communiqué as to whether to exclude real person Turkish resident merchants from the scope of the general prohibition on this matter.

The rationale behind the Draft Decree is to enhance the Turkish economy against exchange rate fluctuations and to facilitate the exchange rate risk management in a more efficient manner.

The Draft Decree and Draft Communiqué are not enacted yet and reviews and negotiations are still underway.

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