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Banking & Finance

The BRSA to introduce amendments to the Financial Restructuring Regulation in favor of Foreign Financial Institutions

The Banking Regulation and Supervision Agency (the “**BRSA**”) has recently prepared the Draft Regulation (the “**Draft Regulation**”) amending the Regulation on Restructuring of Debts owed to Financial Sector (the “**Financial Restructuring Regulation**”) and circulated the Draft Regulation to Turkish banks being member of the Banks Association of Turkey (*Türkiye Bankalar Birliği*) (the “**BAT**”) on November 1, 2018.

What does the Draft Regulation bring?

- Turkish banks, financial leasing companies, factoring companies, financing companies, capital market institutions, insurance and reinsurance companies, payment services and e-money institutions and system operators will no longer be authorized to benefit, in their capacity as debtors, from the financial restructuring opportunity.
- Upon the execution of financial restructuring agreements, statute of limitation shall not be suspended.
- Foreign financial institutions that have extended credit facilities to Turkish companies will be able to participate in the financial restructuring process without obtaining any approval of the creditors’ certain majority or fulfilling any other conditions. Accordingly, procedures and principles regarding the participation of foreign financial institutions in the financial restructuring process shall be re-determined under financial restructuring framework agreements (the “**Framework Agreements**”).

Conclusion

Noting that foreign financial institutions have already shared their concerns about the Financial Restructuring Regulation, the Draft Regulation is intended to minimize such concerns and to meet expectations of foreign financial institutions. Additionally, the Framework Agreement which has been prepared by the BAT and entered into force with the approval of the Banking Regulation and Supervision Board on September 19, 2018 is expected to be amended with a view to facilitate participation of foreign financial institutions in the financial restructuring process.

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