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## Banking & Finance

### AMENDMENT TO THE CAPITAL MOVEMENT CIRCULAR

The provisions of the Capital Movements Circular of the Central Bank of the Republic of Turkey (the “**Circular**”) regarding the foreign currency denominated loans and funds to be extended by banks and factoring companies have been amended pursuant to the letter dated July 20, 2020 and numbered 394743 of the Ministry of Treasury and Finance (the “**Letter**”).

#### What’s New?

As per Article 42(3) of the Circular, foreign currency denominated financings provided by banks and factoring companies (the “**FIs**”) by way of taking over existing and future receivables in relation to transactions other than export and transit trade are deemed as foreign currency denominated loans. The Circular was, however, not addressing the issues such as the scope of the foreign currency denominated loans; and which party of the underlying relationship should be reported and notified to the Risk Center of Turkish Banks’ Association (the “**Risk Center**”) as the borrower.

It is further clarified under the Letter that in case of FIs taking over existing and future domestic trade receivables on a non-recourse basis, the respective transaction shall not be deemed as foreign currency denominated loan. The FIs shall notify the Risk Center on behalf of the seller on the transfer date. Furthermore, on the maturity date of the transferred receivables, the FIs will notify the Risk Center for the deduction of respective amounts from the credit balance of the seller, regardless of whether such receivables are collected or not.

#### Conclusion

With the Letter, the reporting procedures and scope of the funds and loans extended by the FIs have been clarified.

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