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To discuss how these developments affect your business interests please contact either:

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Banking & Finance

FURTHER AMENDMENT TO THE CAPITAL MOVEMENT CIRCULAR

The Central Bank of the Republic of Turkey introduced an explanatory provision to the Capital Movements Circular dated May 2, 2018 (the “**Circular**”) regarding the calculation of the credit balance of Turkish residents with the letter of Ministry of Treasury and Finance dated August 26, 2020 and numbered 470196 (the “**Letter**”).

What’s New?

As is known, Turkish resident legal entities with a credit balance of at least USD 15 million are exempt from the prohibition of utilising foreign currency denominated loans without having foreign currency income. Pursuant to Article 16/A of the Circular, which is introduced by the Letter, the amount of the foreign currency denominated loans extended from abroad or within Turkey to Turkish residents which are not compliant with the relevant legislation shall be included in the calculation of the respective borrower’s credit balance. However, in cases where the credit balance of such borrower exceeds USD 15 million by including such amounts, the relevant surplus shall be excluded from the calculation.

Conclusion

The recently added Article 16/A of the Circular explains the scope of Turkish residents’ credit balance and further clarifies that loan amounts utilized unlawfully shall not be taken into consideration in the calculation of minimum USD 15 million credit balance in order to benefit from the aforementioned exemption.

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