

## SUMMARY TABLE SHOWING THE VARIOUS RESTRICTIONS AND EXEMPTIONS APPLICABLE TO CONTRACTS DENOMINATED IN OR INDEXED TO CURRENCIES OTHER THAN THE TURKISH LIRA

The below table sets forth certain types of contracts and Turkish domiciled parties' ability to execute such contracts denominated in or indexed to a currency other than the Turkish Lira (TRY).

This table is a summary of the recently adopted so-called "FX ban" relating to certain contracts between parties domiciled in Turkey and may not include all information that may be relevant to a particular transaction. As such, specific legal advice should be obtained with respect to any specific contract or transaction.

Dr. Esin Çamlıbel ([ecamlibel@turunc.av.tr](mailto:ecamlibel@turunc.av.tr)) would be happy to answer any questions you have about this table or any related matter.

Contract Type	General Rule	Exemptions/Notes
Sale of immovables located in Turkey (including dwellings and roofed workplaces)	<u>Cannot be</u> non-TRY denominated or indexed ( <i>i.e.</i> , must be in TRY)	Exemptions: <ul style="list-style-type: none"> <li>Non-Turkish citizens domiciled in Turkey where such person is the buyer; and</li> <li>Branches, representation offices, offices and liaison offices of non-Turkish domiciled persons, companies that are at least 50% owned (directly or indirectly) or otherwise jointly or directly controlled by non-Turkish domiciled persons, and companies in free trade zones with respect to their operations in such zones, in each case where the relevant entity is the buyer.</li> </ul>
Rental of immovables located in Turkey (including dwellings and roofed workplaces)	<u>Cannot be</u> non-TRY denominated or indexed ( <i>i.e.</i> , must be in TRY)	Exemptions: <ul style="list-style-type: none"> <li>Non-Turkish citizens domiciled in Turkey where such person is the tenant; and</li> <li>Branches, representation offices, offices and liaison offices of non-Turkish domiciled persons, companies that are at least 50% owned (directly or indirectly) or otherwise jointly or directly controlled by non-Turkish domiciled persons, and companies in free trade zones with respect to their operations in such zones,</li> </ul>

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<u>Contract Type</u>	<u>General Rule</u>	<u>Exemptions/Notes</u>
		<p>in each case where the relevant entity is the tenant;</p> <ul style="list-style-type: none"> <li>Lease agreements relating to operation of accommodation facilities licensed by the Ministry of Culture and Tourism; and</li> <li>Lease agreements for duty free shops.</li> </ul>
Employment contracts	<u>Cannot be</u> non-TRY denominated or indexed ( <i>i.e.</i> , must be in TRY)	<p>Exemptions:</p> <ul style="list-style-type: none"> <li>Contracts to be performed outside of Turkey;</li> <li>Seamen's employment contracts;</li> <li>Non-Turkish citizens domiciled in Turkey; and</li> <li>Branches, representation offices, offices and liaison offices of non-Turkish domiciled persons, companies that are at least 50% owned (directly or indirectly) or otherwise jointly or directly controlled by non-Turkish domiciled persons, and companies in free trade zones with respect to their operations in such zones, in each case where the relevant entity is the employer.</li> </ul>
Service contracts including consultancy, intermediary and transportation (non-employment)	<u>Cannot be</u> non-TRY denominated or indexed ( <i>i.e.</i> , must be in TRY)	<p>Exemptions:</p> <ul style="list-style-type: none"> <li>Contracts to which non-Turkish citizens are party;</li> <li>Contracts relating to exports, transit commerce, deliveries considered as exports and activities that promote the influx of FX into Turkey;</li> <li>Contracts between Turkish domiciled persons relating to activities outside of Turkey;</li> <li>Contracts between Turkish domiciled persons where the service begins in Turkey and ends abroad, begins abroad and ends in Turkey, or begins and ends abroad;</li> <li>Branches, representation offices, offices and liaison offices of non-Turkish domiciled persons, companies that are at least 50% owned (directly or indirectly) or otherwise jointly or directly controlled</li> </ul>

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<u>Contract Type</u>	<u>General Rule</u>	<u>Exemptions/Notes</u>
		<p>by non-Turkish domiciled persons, and companies in free trade zones with respect to their operations in such zones, in each case where the relevant entity is the recipient of services; and</p> <ul style="list-style-type: none"> <li>• Transportation contracts that are indexed to fuel prices.</li> </ul>
Contracts for work (non-employment – <i>e.g.</i> , construction)	<u>Cannot be</u> non-TRY denominated or indexed ( <i>i.e.</i> , must be in TRY)	<ul style="list-style-type: none"> <li>• Contracts involving FX-based costs.</li> </ul>
Sale of movables (goods)	<u>Can be</u> non-TRY denominated or indexed.	<ul style="list-style-type: none"> <li>• Exception: vehicles – <i>i.e.</i>, contracts for the sale of vehicles <u>cannot be</u> FX-denominated or indexed.</li> </ul>
Rental of movables (goods)	<u>Can be</u> non-TRY denominated or indexed.	<ul style="list-style-type: none"> <li>• Exception: vehicles – <i>i.e.</i>, contracts for the rental of vehicles <u>cannot be</u> FX-denominated or indexed.</li> <li>• However, vehicle rental contracts executed prior to 13 September 2018 may remain FX-denominated if they were thus executed.</li> </ul>
Sale of software, and license and service contracts relating to software and hardware, in each case, produced outside of Turkey	<u>Can be</u> non-TRY denominated or indexed.	--
Financial leasing agreements, including, specifically, with respect to ships under applicable Turkish legislation relating to ship registrations.	<u>Can be</u> non-TRY denominated or indexed.	--
Agreements to which public (state) entities or companies owned by the Turkish Armed Forces Foundation are party.	<u>Can be</u> non-TRY denominated or indexed.	<ul style="list-style-type: none"> <li>• Allowed only with respect to agreements other than the sale of immovables and rental of immovables (<i>i.e.</i>, these must be in TRY).</li> </ul>
Agreements executed (i) as part of projects to be performed under FX-denominated or indexed tenders, agreements and	<u>Can be</u> non-TRY	<ul style="list-style-type: none"> <li>• Allowed only with respect to agreements other than the sale of immovables and</li> </ul>

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international treaties to which public (state) entities or companies are parties, (ii) by contractors or authorized companies under such projects, (iii) by parties in a contractual relationship with entities described in (ii) on the one hand and third parties on the other hand.	denominated or indexed.	employment contracts ( <i>i.e.</i> , these must be in TRY).
Agreements executed with respect to transactions undertaken pursuant to the Law on the Regulation of Public Finance and Debt Management (No. 4749), and agreements to which banks are party with respect to such transactions.	<u>Can be non-TRY</u> denominated or indexed.	--
Undertakings relating to the denomination, issuance and trading of, and transactions relating to, capital markets instruments (including foreign instruments, depository receipts, and shares in foreign funds).	<u>Can be non-TRY</u> denominated or indexed.	<ul style="list-style-type: none"> <li>Subject at all times to generally applicable foreign exchange rules.</li> </ul>
Agreements executed by Turkish domiciled (i) commercial airlines engaged in the transport of passengers, cargo or mail, (ii) companies providing maintenance services to aircraft, aircraft engines or parts thereof, (iii) state-owned or private entities licensed under civil aviation legislation to provide ground handling services at airports, and (iv) entities and companies formed or at least 50% owned (directly or indirectly) by entities in (i) through (iii) on the one hand, and Turkish domiciled persons on the other hand.	<u>Can be non-TRY</u> denominated or indexed.	<ul style="list-style-type: none"> <li>Allowed only with respect to agreements other than the sale of immovables, rental of immovables and employment contracts (<i>i.e.</i>, these must be in TRY).</li> </ul>

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## Scope

- As a general rule, if a contract has to be denominated in TRY, any other payment obligations arising out of that contract must also be denominated in TRY.
- Contracts indexed to precious metals and/or commodities that are priced in non-TRY currencies in international markets are also considered to be FX-denominated contracts and thus subject to the applicable prohibitions and exemptions described above. However, parties are permitted to index transportation contracts to fuel prices.
- Any negotiable instruments underlying or executed pursuant to a contract that must be TRY-denominated must also be TRY-denominated. However, any such instruments that were prepared and became effective prior to when the initial “FX ban” came into effect, *i.e.*, 13 September 2018, do not have to be redenominated.<sup>1</sup>
- Any exempted contracts executed prior to 13 September 2018 will also benefit from the applicable exemptions.

## Meaning of Being Domiciled in Turkey

As a general rule, where a contract type is subject to the FX ban, the ban relates only to contracts executed between parties domiciled in Turkey. Accordingly, again as a general rule, a contract between a party domiciled in Turkey and a counterparty not domiciled in Turkey is not subject to any FX denomination restrictions. However, in applying the FX ban, foreign branches, representation offices, offices, liaison offices of, funds managed by, and foreign companies directly or indirectly at least 50% owned by, persons domiciled in Turkey will be considered as being domiciled in Turkey. Having said that, if the applicable contract is to be performed outside of Turkey, such entities will not be considered as being domiciled in Turkey.

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<sup>1</sup> Any existing contracts based in or indexed to a currency other than TRY had to be redenominated in TRY by 13 October 2018. Having said that, certain changes applicable to redenomination requirements were made after this date. It is not clear whether a party that believes it has been adversely affected by a redenomination that is no longer required can demand the redenomination to be annulled.