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5 March 2024

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 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.

<u>Contract Type</u>	<u>General Rule</u>	<u>Exemptions/Notes</u>
Sale of immovables located in Turkey (including dwellings and roofed workplaces)	Cannot be non-TRY denominated or indexed (<i>i.e.</i> , must be in TRY)	Exemptions: <ul style="list-style-type: none">• Non-Turkish citizens domiciled in Turkey where such person is the buyer; and• 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.
Rental of immovables located in Turkey (including dwellings and roofed workplaces)	Cannot be non-TRY denominated or indexed (<i>i.e.</i> , must be in TRY)	Exemptions: <ul style="list-style-type: none">• Non-Turkish citizens domiciled in Turkey where such person is the tenant; and• 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,

* Most of the applicable rules were adopted in 2018, with certain amendments made in 2021 and 2022.

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		<p>in each case where the relevant entity is the tenant;</p> <ul style="list-style-type: none"> • Lease agreements relating to operation of accommodation facilities licensed by the Ministry of Culture and Tourism; and • Lease agreements for duty free shops.
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"> • Contracts to be performed outside of Turkey; • Seamen's employment contracts; • Non-Turkish citizens domiciled in Turkey; and • 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.
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"> • Contracts to which non-Turkish citizens are party; • Contracts relating to exports, transit commerce, deliveries considered as exports and activities that promote the influx of FX into Turkey; • Contracts between Turkish domiciled persons relating to activities outside of Turkey; • 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; • Accommodation agreements between Turkey-domiciled persons and lodging establishments licensed by the Ministry of Culture and Tourism;

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		<ul style="list-style-type: none"> • 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 recipient of services; and • Transportation contracts that are indexed to fuel prices.
Contracts for work (non-employment – e.g., construction)	<u>Cannot be</u> non-TRY denominated or indexed (i.e., must be in TRY)	<ul style="list-style-type: none"> • Contracts involving FX-based costs.
Sale of movables (goods)	<u>Can be</u> non-TRY denominated or indexed.	<ul style="list-style-type: none"> • Exception: vehicles – i.e., contracts for the sale of vehicles <u>cannot be</u> FX-denominated or indexed. • Payments made pursuant to contracts that can be non-TRY denominated and indexed must be made in TRY; <i>provided</i> that some such payments (e.g., certain contracts made and invoices dated prior to 19 April 2022; certain transactions on the Precious Metals and Diamond Markets of Borsa Istanbul; certain export and foreign trade transactions) may be made in other currencies [<i>note: some of these exceptions are applicable as of 21 April 2024</i>].
Rental of movables (goods)	<u>Can be</u> non-TRY denominated or indexed.	<ul style="list-style-type: none"> • Exception: vehicles – i.e., contracts for the rental of vehicles <u>cannot be</u> FX-denominated or indexed. • However, vehicle rental contracts executed prior to 13 September 2018 may remain FX-denominated if they were thus executed.

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Sale of software, and license and service contracts relating to software and hardware, in each case, produced outside of Turkey	<u>Can be non-TRY</u> denominated or indexed.	--
Financial leasing agreements, including, specifically, with respect to ships under applicable Turkish legislation relating to ship registrations.	<u>Can be non-TRY</u> denominated or indexed.	--
Agreements to which public (state) entities or companies owned by the Turkish Armed Forces Foundation are party.	<u>Can be non-TRY</u> denominated or indexed.	<ul style="list-style-type: none"> 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).
Agreements executed (i) as part of projects to be performed under FX-denominated or indexed tenders, agreements and 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.	<u>Can be non-TRY</u> denominated or indexed, and payments thereunder be made in a non-TRY currency.	<ul style="list-style-type: none"> Allowed only with respect to agreements other than the sale of immovables and 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"> Subject at all times to generally applicable foreign exchange rules.

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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">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).

Scope and Interpretation

- 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.
- Payments:** 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.
- Invoices:** Save for any relief that may be provided by the tax code, if a contract must be TRY-denominated, then invoices thereunder must also be TRY-denominated.
- Indexed Contracts:** 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.
- Service Contracts:** “Service contract” as used in the applicable legislation encompasses contracts that involve the delivery of goods or services (except for imports).

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- Mixed Contracts: If a contract includes elements of more than one type of contract, each such type must benefit from an exemption for the contract to be able to be non-TRY denominated or indexed.