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Turkey
Lending & Secured Finance

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This country-specific Q&A provides an overview of lending & secured finance laws and regulations applicable in Turkey.

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Turkey: Lending & Secured Finance

1. Do foreign lenders (including non-bank foreign lenders) require a licence/regulatory approval to lend into your jurisdiction or take the benefit of security over assets located in your jurisdiction?

In principle, Turkish Banking Law No. 5411[(1)] (the "Banking Law") requires a licence to conduct banking activities commercially in Türkiye. Foreign lenders may extend loans to Turkish-resident borrowers without obtaining any license or regulatory approval, provided that:

(i) such lender is duly authorised to engage in lending activities in its jurisdiction of incorporation; **(ii)** the lending activity is conducted on a reverse inquiry basis; **(iii)** no solicitation, marketing or promotional activities are conducted towards Turkish borrowers; and **(iv)** the transaction complies with the foreign currency borrowing restrictions set out under Decree No. 32 on the Protection of the Value of the Turkish Currency[(2)] (the "Decree 32"), the Circular on Capital Movements dated May 2, 2018 (as amended and restated from time to time) (the "Circular") and other applicable Turkish foreign exchange regulations (see question 3 below for further details on these restrictions).

In relation to (iv) above:

- legal entities (i.e., corporates) incorporated in Türkiye are allowed, subject to certain requirements and restrictions that are set out under question 3 below, to obtain foreign currency loans from abroad. They cannot, however, obtain Turkish Lira loans from a foreign credit institution that does not have a license to carry out banking activities in Türkiye; and
- individuals resident in Türkiye cannot obtain foreign currency or foreign currency indexed loans domestically or from abroad.

There are generally no restrictions under Turkish law preventing foreign lenders from taking the benefit of security interests over assets located in Türkiye; however, certain regulatory and fiscal requirements may affect the structure and nature of the security package.

[(1)](Published in the Official Gazette dated November 1, 2005 and numbered 25983 (Bankacılık Kanunu))
[(2)](Published in the Official Gazette dated 11 August 1989 and numbered 20249 (Türk Parası Kıymetini Koruma Hakkında 32 Sayılı Karar) (as amended from time to time, including by the Council of Ministers' Decree No. 2018/11185 published in the Official Gazette dated 25 January 2018 and numbered 30312))

2. Are there any laws or regulations limiting the amount of interest that can be charged by lenders?

The Banking Law does not impose a statutory cap on interest rates for loans extended to commercial borrowers; there are however certain regulations under Turkish law limiting the amount of interest that can be charged by lenders. As a result, interest terms in commercial lending transactions are largely a matter of agreement between the parties, including the applicable rate and the method of calculation. Interest may also be capitalised in commercial loans, subject to compliance with the mandatory rules governing the compounding of interest under Turkish law.

While Turkish legal doctrine recognizes that an excessively high interest rate could, in theory, be challenged on grounds of usury or public policy, such arguments are applied restrictively in practice and are generally relevant only in exceptional circumstances in commercial transactions.

By contrast, Turkish law expressly prohibits the accrual of interest on default interest. Article 3 of Law No. 3095 on Legal Interest and Default Interest is a mandatory provision preventing the charging of additional interest on accrued default interest. Accordingly, contractual provisions providing for interest on default interest may not be enforceable to the extent they conflict with this prohibition.

There is no restriction on the parties' ability to determine the applicable interest periods; however, for compound interest to accrue under Turkish law, such periods are required to be at least three months.

3. Are there any laws or regulations relating to the disbursement of foreign currency loan proceeds into, or the repayment of principal, interest or fees in foreign currency from, your jurisdiction?

Any disbursement of foreign currency loan proceeds and repayments of repayment of principal, interest or fees in foreign currency by Turkish residents is primarily governed by Decree No. 32 and the related secondary legislation, in particular the Circular (the "FX Legislation"). In accordance with the FX Legislation:

(i) Turkish-resident individuals can only obtain financing from abroad in Turkish Lira and cannot obtain foreign currency or foreign currency-indexed loans, whether domestically or from abroad. (ii) Legal entities (i.e., corporates) incorporated in Türkiye are allowed, subject to certain requirements and restrictions as set out below, obtain foreign currency loans depending on whether they generate foreign currency income. In recent years, certain restrictions have been introduced under the FX Legislation on foreign currency borrowings by Turkish legal entities. In principle, Turkish legal entities that do not have foreign currency income cannot obtain foreign currency loans from abroad.

By way of exception, such entities may obtain foreign currency loans from abroad if they:

- have an outstanding foreign currency cash loan balance exceeding USD 15,000,000 (fifteen million U.S. Dollars) on the date of utilisation, subject to certain reporting requirements; or
- generate foreign currency income, provided that: the sum of the outstanding cash loans on the date of utilisation and of the amount of the loan to be obtained from abroad, does not exceed the total amount of foreign income in the past three financial years.

Additional exceptions exist under the FX Legislation including, among others, loans utilised by public institutions or by banks and financial institutions, loans obtained under an investment incentive certificate, and financing related to export or other foreign currency-earning activities (including prospective foreign currency revenues) etc. Additional exemptions apply also to loans connected with internationally announced tenders, defence industry projects and public-private partnership (PPP) model projects, as well as certain sector-specific and transaction-based cases such as renewable energy investments, privatisation tenders and intra-group foreign currency borrowings.

Turkish legal entities are required to transfer and utilize loans from abroad through banks licensed in Türkiye; however, this requirement does not apply to (i) loans granted by foreign credit institutions to Turkish-residents for their business carried out abroad, provided that the loans granted are directly utilised abroad; and (ii) loans disbursed for the purpose of refinancing of previously extended loans by foreign lenders to Turkish-residents, provided that such loans are directly directed to the repayment of the refinanced loan.

Accordingly, loan proceeds must be disbursed into an account held with a bank operating in Türkiye, and repayments of principal, interest and fees are likewise be made through Turkish banks. In practice, the borrower is required to submit the loan agreement (including key terms such as amount, maturity and interest rate) to the intermediary bank to enable it to fulfil its notification and reporting obligations. Foreign currency loans may be disbursed and repaid in foreign currency without conversion into Turkish lira, provided that the applicable procedural requirements are satisfied.

4. Can security be taken over the following types of asset: i. real property (land), plant and machinery; ii. equipment; iii. inventory; iv. receivables; and v. shares in companies incorporated in your jurisdiction. If so, what is the procedure – and can such security be created under a foreign law governed document?

In Türkiye, as a general rule, a security interest can be established over any asset, provided that it is (i) sufficiently identifiable; (ii) transferable and executable; and (iii) of economic value. Additional requirements include the existence of a valid underlying debtor creditor relationship; the pledgor's legal capacity, the absence of statutory limitations or prohibitions and compliance with applicable perfection requirements. Security interests over assets located in Türkiye are subject, in terms of their creation and validity, to Turkish law pursuant to the lex situs principle.

A Turkish law security package may consist of the following:

(i) mortgage over real estate and/or superficies rights, covering the real property (land) itself, as well as its integral parts and accessories; **(ii)** pledge over movable assets, equipment and inventory; in the form of a commercial movable assets pledge over assets that are

identified or identifiable – a floating charge is not recognised under Turkish law; **(iii)** assignment of receivables, which typically includes (a) insurance proceeds; and/or (b) receivables arising under contractual arrangements; and **(iv)** pledge over the shares in a company incorporated in Türkiye.

Other types of security exist under Turkish law such as: **(i)** pledge over bank accounts; **(ii)** pledge over intellectual property rights; and **(iii)** corporate guarantees, guarantee letters, completion guarantees or suretyship. Unlike a guarantee, which is an independent contractual relationship between the guarantor and the beneficiary, a suretyship will be reliant on the underlying contractual relation (e.g. the validity of the suretyship will depend on the validity of the underlying borrowing etc.).

5. Can a company that is incorporated in your jurisdiction grant security over its future assets or for future obligations?

A company incorporated in Türkiye can grant security over future assets and/or future obligations, provided that such assets or obligations are described in the relevant security agreement with sufficient precision to ensure they are identified or identifiable once they come into existence.

In practice, before the relevant asset exists or the relevant right arises, the security interest cannot be perfected or be effective against third parties. Until such time, these arrangements operate as contractual undertakings only. Once the relevant assets or rights come into existence, the relevant perfection requirements can be satisfied and the security interest can be established.

6. Can a single security agreement be used to take security over all of a company's assets or are separate agreements required in relation to each type of asset?

Under Turkish law, it is generally not feasible to take security over all of a company's assets through a single security agreement, as distinct formality and perfection requirements apply to different security types.

Turkish law does not recognize a “blanket lien” concept covering all assets under a single instrument. Therefore, separate security agreements tailored to the legal nature of each asset type are required to be executed.

As an exception, a movable assets pledge can be used to take security over all or certain assets of a commercial enterprise, such as machinery, equipment, inventory, receivables, intellectual property rights, trade names and business names.

7. Are there any notarisation or legalisation requirements in your jurisdiction? If so, what is the process for execution?

Certain security arrangements require notarisation or legalisation as a perfection requirement or to ensure enforceability against third parties.

For instance, a movable assets pledge under the Movable Pledges in Commercial Transactions Law No. 6750[1] is perfected by executing a movable asset pledge agreement in *ex officio* form before a notary public and registering it with the electronic registry (*TARES*).

A vehicle pledge or a pledge over the shares of a limited liability company require notarisation for perfection. Share pledges are typically annotated in the company's share ledger, and the relevant annotation page is notarised to inform third parties.

For certain other security types (such as the assignment of receivables), notarisation is not required; however, execution before a notary public could be preferred, as it crystallises the perfection time of the security and helps preserving creditors' rights in the event of bankruptcy.

[(3)](Published in the Official Gazette dated October 28, 2016 and numbered 29871 (Ticari İşlemlerde Taşınır Rehni Kanunu).)

8. Are there any security registration requirements in your jurisdiction?

Certain security types of security require registration with the relevant registries, where the relevant assets are held. Mortgages over immovableassetsproperty are required to be registered with the land registry. Pledges over movable assets are required to be registered withanthe electronic registry (TARES). Pledges over seavehiclesvessels, aircraft, mines and ores, and motor vehicles are also required to be registered with the relevant registries applicable to such assets. Pledges over shares in public companies held with the Central Securities Depository (CRAMKK) (Merkezi Kayıt Kuruluşu) are also required to be recorded atwith the CRAMKK. A notification has to be filed with the Ministry of Treasury and Finance if a guarantee,asuretyship or non-cash guarantee is granted by a Turkish corporate in respect of cross borderconnection with cross-border lending pursuant to

the FX Legislation, for the purposes of recording of foreign debt recording purposes.

9. Are there any material costs that lenders should be aware of when structuring deals (for example, stamp duty on security, notarial fees, registration costs or any other charges or duties), either at the outset or upon enforcement? If so, what are the costs and what are the approaches lenders typically take in respect of such costs (e.g. upstamping)?

Certain land registry fees and notarial fees may be payable in connection with the perfection of security where registration or notarisation is required.

Pursuant to the Stamp Tax Law No. 488[4] (the "Stamp Tax Law"), loans extended by banks, foreign credit institutions or international finance institutions to Turkish entities, and the security documents entered into in connection with such loans, are exempt from stamp tax. This is the most commonly relied upon exemption in financing transactions in Türkiye. This being said, stamp tax analysis may be required on a case-by-case basis.

Lending activities may also attract certain other taxes, depending on whether the relevant lender is authorised to conduct lending activities in its jurisdiction of incorporation. In addition, a contribution to Resource Utilisation Support Fund ("RUSF") may be payable, calculated as percentage of foreign currency-denominated facilities under the facility agreement, as follows:

- 3% for facilities with an average term of up to 1 year;
- 1% for facilities with an average term of between 1 and 2 years;
- 0.5% for facilities with an average term of between 2 and 3 years;
- 0 % for facilities with an average term exceeding 3 years.

[4](Published in the Official Gazette dated July 11, 1964 and numbered 11751 (Damga Vergisi Kanunu).)

10. Can a company guarantee or secure the obligations of another group company; are there limitations in this regard, including for example corporate benefit concerns?

As a general rule, Turkish companies may guarantee or provide security for the obligations of another group company, provided that they have the requisite corporate capacity and no restrictions apply under their constitutional documents. Turkish law does not recognize a standalone concept of "corporate benefit" and there is no general prohibition on third-party guarantees or security. The principle of capital preservation and the directors' fiduciary duties nevertheless apply; accordingly, transactions that unduly jeopardize the company's assets or financial position can be challenged.

Under the "group of companies" regime of the Turkish Commercial Code[5] ("TCC"), a controlling entity or person is required not to exercise its control in a manner that causes the controlled company to incur a loss, unless the controlling company (i) offsets such loss; or (ii) grants an equivalent right (such as collateral) and notifies the controlled company accordingly within the same financial year. The provision of guarantees or security in favour of another group company is expressly identified as a transaction that may cause the controlled company to incur a loss. Any resulting loss must therefore be compensated within the same financial year, or an equivalent right or benefit must be granted by the controlling entity. Failure to comply with these requirements may give rise to liability claims by the shareholders or creditors of the controlled company against the controlling entity and, in certain circumstances, its directors.

[5](Published in the Official Gazette dated February 14, 2011 and numbered 27846 (Türk Ticaret Kanunu).)

11. Are there any restrictions against providing guarantees and/or security to support borrowings incurred for the purposes of acquiring directly or indirectly: (i) shares of the company; (ii) shares of any company which directly or indirectly owns shares in the company; or (iii) shares in a related company?

Article 380 of the TCC prohibits joint-stock companies from providing financial assistance for the acquisition of

their own shares. Accordingly, any advance payment, loan, guarantee or security granted by a company to any person for the purpose of acquiring shares in that company (or in its parent or subsidiary) is deemed invalid. The prohibition is rooted in the principle of capital preservation and aims to protect creditors and minority shareholders by preventing the company's assets from being used to finance its own acquisition.

The scope of the prohibition is interpreted broadly in line with its legislative rationale. Any direct or indirect transaction that facilitates a third party's share acquisition may fall within its ambit, irrespective of whether any actual loss to the company's assets materialises. The requirement that the transaction be entered into with "another person" is also construed broadly and extends to shareholders, directors, employees, board members and other third parties.

The TCC regime applies only to joint stock companies and there is no prohibition on financial assistance for limited liability companies. The TCC recognises limited exceptions for (i) transactions carried out by credit and financial institutions within their ordinary course of business; and (ii) employee share acquisitions in the company or one of its affiliates, subject to certain conditions relating to statutory reserves for capital preservation purposes.

12. Can lenders in a syndicate (or, with respect to private credit deals, lenders in a club) appoint a trustee or agent to (i) hold security on the lenders's behalf, (ii) enforce the lenders' rights under the loan documentation and (iii) apply any enforcement proceeds to the claims of all lenders in the syndicate?

As Turkish law does not recognise the concept of a trust, collective security arrangements are more complicated and brings in mainly two legal risks:

(i) enforceability risk: under Turkish law, the beneficiary of a security is assumed to be the creditor of the underlying debt, and the security may not be validly enforced absent such unity between the debt and the security; and **(ii)** bankruptcy risk: securities cannot be segregated from the assets of the security agent, and therefore bankruptcy remoteness cannot be ensured in the event of the security agent's insolvency.

This has led the use of alternative structures, such as the use of pro rata security arrangements or abstract acknowledgement of debt or a parallel debt structure, compulsory in order to replicate, to the extent possible, the protection provided by the trust concept (see also response to question 13 below).

13. If your jurisdiction does not recognise the role of an agent or trustee, are there any other ways to achieve the same effect and avoid individual lenders having to enforce their security separately?

Depending on whether the debt will be kept on the books of the existing lenders or will be transferred by novation or assignment to any third parties, the proposed structure may differ. If the debt will not be transferred, the lenders might be named expressly, and pro rata security arrangements may be used. Otherwise, the formation of a parallel debt structure or abstract acknowledgement of debt by the borrower in favour of the security agent, are possible alternatives that may be implemented for syndicated loan structures as an alternative to the trust relationship. It should, however, be noted that neither a parallel debt structure, nor an abstract acknowledgement of debt has been tested before Turkish courts so far, therefore these conclusions are the result of legal reasoning rather than relying on precedents and could be subject to qualifications. Careful structuring of security is therefore required in the case of a syndicate or club of lenders, on a case-by-case basis.

14. Do the courts in your jurisdiction generally give effect to the choice of other laws (in particular, English law) to govern the terms of any agreement entered into by a company incorporated in your jurisdiction?

Under Turkish law, parties are in principle free to designate a foreign law to govern their agreement, provided that the transaction contains a foreign element. If so, there is no legal restriction preventing the parties from selecting English law as the governing law of the agreement.

Notwithstanding the parties' choice, the designated foreign law will not be applied where its application would contravene Turkish public policy or where Turkish mandatory rules of direct application prevail.

Public policy encompasses fundamental rules derived from both public and private law which the parties are required to observe and from which they may not derogate by agreement. Mandatory rules of direct application, by contrast, consist of legal norms enacted to

protect overriding public interests, particularly in pursuit of social and economic objectives. In both cases, Turkish law will apply irrespective of the parties' choice of foreign law.

By way of example, mandatory rules of direct application include provisions relating to consumer protection, tenancy law, competition law, and rules governing ownership and other in rem rights over movable and immovable property.

15. Do the courts in your jurisdiction generally enforce the judgments of courts in other jurisdictions (in particular, English and US courts) and is your country a member of The Convention on the Recognition and Enforcement of Foreign Arbitral Awards (i.e. the New York Arbitration Convention)?

For a foreign court judgment to be enforced in Türkiye, reciprocity must exist between Türkiye and the relevant foreign jurisdiction with respect to the enforcement of court judgments.

Turkish courts acknowledge the existence of de facto reciprocity between Türkiye and the United Kingdom. In this regard, the 11th Civil Chamber of the Turkish Court of Cassation held in its decision dated 2 March 2007 (E. 2007/1335, K. 2007/3808) that such reciprocity exists in civil law matters. Accordingly, there is no legal impediment to the enforcement of English court judgments in Türkiye.

Similarly, although no multilateral or bilateral treaty exists between Türkiye and the United States of America governing the enforcement of court judgments, legal literature generally recognizes the existence of de facto reciprocity between the two jurisdictions, depending on the state in question. Therefore, while a case-by-case assessment is required, in practice reciprocity may be deemed satisfied.

Türkiye is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Arbitration Convention). Accordingly, an arbitral award issued in accordance with the UNCITRAL Arbitration Rules outside Türkiye and within the territory of a state that is a party to the New York Convention, will be recognised and enforced by the Turkish courts without re-examination of the merits, subject to the criteria and the procedures set forth in the New York Arbitration Convention.

16. What (briefly) is the insolvency process in your jurisdiction?

The principal legislation governing insolvency and bankruptcy matters in Türkiye is the Turkish Execution and Bankruptcy Code No. 2004[(6)] (hereinafter referred to as "TEBC", as amended from time to time). The most common types of insolvency proceedings are composition with creditors (concordat) and bankruptcy.

(i) A composition with creditors (concordat) enables a company, that is unable to pay its debts, whose receivables are insufficient to cover its debts, or which is at risk of such circumstances, to restructure its debts with its creditors and implement a restructuring plan subject to court approval. The concept of "restructuring creditors", refers to those creditors whose claims are subject to the concordat and does not necessarily include all creditors of the company. During the provisional moratorium period (three months), the court may decide to (a) halt all execution proceedings against the company, including those initiated for public debts; (b) halt implementation of preliminary injunction decisions against the company; or (c) appoint interim auditors to supervise implementation of the restructuring project. Within the definitive moratorium period, which can extend up to one year, the debtor is expected to reach a composition agreement with the restructuring creditors. If approved by the required majority of creditors, the agreement is also required to be approved and sealed by the commercial court, before becoming binding for the company and all of its creditors. **(ii)** Bankruptcy proceedings may be initiated by a creditor or the company itself in accordance with the procedures set out under the TEBC. Bankruptcy proceedings may generally be conducted through (a) general bankruptcy proceedings, (b) direct bankruptcy proceedings.

- In general bankruptcy proceedings, the creditor initiates collection proceedings with the execution office located at the debtor's principal place of business. The execution office will serve a payment order on the debtor. If the debtor fails to pay the debt within applicable periods or objects to the payment order, the creditor may initiate bankruptcy proceedings before the competent commercial court. If the statutory conditions are met, the court will declare the debtor bankrupt.
- In direct bankruptcy proceedings,

the creditor or debtor may apply directly to the competent commercial court without first initiating execution proceedings. This applies particularly in cases where specific bankruptcy grounds exist under the TEBC, such as suspension of payments, over-indebtedness, unknown place of residence, fraudulent conduct prejudicing creditors' rights or inability to pay debts as they fall due.

[6](Published in the Official Gazette dated June 19, 1932 and numbered 2128 (İcra ve İflas Kanunu).)

17. What impact does the insolvency process have on the ability of a lender to enforce its rights as a secured party over the security?

In the event an entity is declared bankrupt, it has to cease its business activities (save for certain exceptional situations), as the ultimate objective of bankruptcy proceedings is to finalize winding up and distribution to creditors as quickly as possible. All assets and rights capable of attachment will be included in the bankruptcy estate, which will then be liquidated by the bankruptcy administration, with a view to satisfy the creditors' claims from the liquidation proceeds in accordance with the ranking and priority rules set out in the TEBC.

Foreclosure proceedings are governed by the TEBC and generally involve a public auction, unless an alternative method of sale is approved in accordance with the applicable provisions of the TEBC and under the supervision of the bankruptcy administration.

Secured creditors retain priority over the proceeds from the sale of the collateral, in accordance with their ranking or the date of creation of security. Certain statutory claims (such as enforcement costs, employment and family law claims, and public receivables), rank ahead of unsecured claims in the waterfall.

18. Please comment on transactions voidable upon insolvency.

Under the TEBC, certain transactions entered into by a debtor prior to insolvency may be challenged and set aside where they are considered prejudicial to creditors.

The relevant regime is set out in Articles 277 to 284 of the TEBC and applies with varying look-back periods depending on the nature of the transaction.

Pursuant to Article 278 of the TEBC, transactions carried out without consideration or for consideration that is clearly inadequate may be declared voidable if they are entered into within one year preceding the debtor's insolvency or the declaration of its bankruptcy.

Article 279 of the TEBC provides that certain transactions may be subject to clawback, if they are realised within one year preceding the date of attachment, insolvency or bankruptcy judgment of the debtor and the debtor is unable to pay his/her debts at the time of the relevant disposition. These include certain dispositions and payments such as payment of undue debt or establishment of a security for an existing unsecured debt.

In addition, Article 280 of the TEBC addresses transactions carried out with the intent to prejudice creditors. Such transactions may be set aside if they are realised within five years preceding the date of initiation of enforcement or bankruptcy proceedings, provided that the counterparty knew or ought to have known of the debtor's financial condition and the intent to prejudice creditors.

The statutory categories of transactions subject to challenge are not exhaustive, and Turkish courts retain broad discretion when assessing whether a transaction should be invalidated, taking into account its timing, substance and overall impact on creditors.

19. Is set off recognised on insolvency?

Under the Turkish Code of Obligations[7] ("TCO"), set-off requires obligations that are (i) mutual, (ii) of the same kind, (iii) due and (iv) enforceable, provided the right has not been waived or excluded. In bankruptcy, creditors may set off their claims against debts owed to the bankrupt even if their claims are not yet due, reflecting the specific nature of insolvency proceedings.

The TEBC, however, restricts set-off to protect the bankruptcy estate. It is prohibited where: (i) a party becomes a creditor of the bankrupt, or indebted to the bankrupt or the estate, only after the declaration of bankruptcy; (ii) the claim is based on a bearer instrument; or (iii) shareholders seek to discharge capital contribution obligations by set-off.

Pursuant to Article 201 of the TEBC, if a debtor, prior to

bankruptcy, knowingly creates a claim to obtain an undue advantage through set-off to the detriment of the estate, such set-off may be challenged before the court.

[7](Published in the Official Gazette dated February 4, 2011 and numbered 27836 (Türk Borçlar Kanunu).)

20. Are there any statutory or third party interests (such as retention of title) that may take priority over a secured lender's security in the event of an insolvency?

Under Turkish law, certain statutory security rights may, in specific circumstances take priority over a secured lender's security. For instance, a construction contractor has a statutory mortgage right, and a creditor may exercise its retention right over a debtor's movable property or securities in its possession, provided that the relevant debt is due and directly related to such property.

21. Are there any impending reforms in your jurisdiction which will make lending into your jurisdiction easier or harder for foreign lenders?

As far as we are aware, there are currently no reform plans in this regard.

22. What proportion of the lending provided to companies consists of traditional bank debt versus alternative credit providers (including credit funds) and/or capital markets, and do you see any trends emerging in your jurisdiction?

In Türkiye, the majority of lending is still provided through traditional bank debt. The banking sector remains the primary source of financing, across both corporate lending and project finance.

Nevertheless, in recent years, there has been an increasing appetite for debt capital markets instruments (such as bond issuances), particularly among corporates, despite macroeconomic considerations.

Private credit remains at an early stage, as tax-related concerns continue to constrain its growth.

23. Please comment on external factors causing changes to the drafting of secured lending documentation and the structuring of such deals such as new law, regulation or other political factors

In recent years in Türkiye, external legal and economic factors have increasingly influenced the structure and drafting of secured lending documentation. In practice, local law credit documentation based on Loan

Market Association (LMA) standards is now more widely used to reflect international market practices.

Security structuring is of critical importance in such transactions. In particular, security types that are relatively easier and more predictable to enforce (such as personal and corporate guarantees and the assignment of offshore receivables) tend to be preferred in practice.

Economic conditions are also directly reflected in lending documentation. While high inflation and tight monetary policies have resulted in higher interest rates, recent improvements in Türkiye's sovereign risk profile, as reflected in declining CDS spreads, have led to the inclusion of ratchet mechanisms allowing for potential downward adjustments in interest rates over time.

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