



COMMUNIQUE ON SUPPORTING THE CONVERSION OF FX DEPOSITS TO TURKISH LIRA DEPOSIT AND PARTICIPATION ACCOUNTS IS PUBLISHED BY THE CENTRAL BANK OF THE REPUBLIC OF TURKEY.

The Communiqué on Supporting the Conversion of FX Deposits to Turkish Lira Deposit and Participation Accounts (“**Communiqué**”) numbered 2021/14 introduced by The Central Bank of The Republic of Turkey (“**Central Bank**”) has been published in the Official Gazette dated 21 December 2021 and numbered 31696-1 Repetitive.

In this Newsletter, we summarised and evaluated the provisions on new financial tool introduced by the Communiqué which aims to provide support to Turkish Lira deposit and participation account holders in case the foreign current amounts in their foreign currency deposit accounts and participation accounts of domestic residents are converted into Turkish Lira.

EXECUTIVE SUMMARY

Principal amendments introduced under the Communiqué may be summarized as follows:

- (i) *In order to benefit from the support within the scope of the Communiqué, foreign currency in USD, Euro and GBP to be converted into Turkish Liras must be present in foreign currency deposit accounts or participation accounts in foreign currency as of 20.12.2021.*
- (ii) *Amounts converted into Turkish Lira can be transferred to deposit or participation accounts with a maturity of 3 months, 6 months or 1 year.*
- (iii) *In case the maturity rate is higher than the conversion rate and this exchange rate difference is more than the interest or yield given to the account holder, the difference amount will be paid to the deposit or participation account holder by the Central Bank through the relevant bank.*
- (iv) *Turkish Lira deposit or participation accounts can only benefit from this support once.*

I – NEW ISSUES INTRODUCED BY THE COMMUNIQUÉ

According to Communiqué, in case the foreign currency amounts existing in bank accounts as of 20.12.2021 are converted into Turkish Lira and deposited in deposit or participation accounts, an additional payment will be provided by the Central Bank to these account holders in addition to the interest or profit share income.

Details of the support are given below:

1. Only real persons residing in Turkey will be eligible to benefit from the support.
2. The support is applicable for foreign currency deposit accounts and participation accounts denominated in USD, Euro and British Pound. Other currencies are not included.
3. Foreign currency amounts must be present in these accounts on 20.12.2021.
4. Upon the request of the account holder to convert the foreign currency amounts into Turkish Lira within the scope of the support, the foreign currency amounts will be converted into Turkish Lira at the conversion rate. The conversion rate will be based on the foreign exchange buying rate announced by the Central Bank at 11:00 am on the day the foreign currency is converted into Turkish Lira.
5. Amounts converted into Turkish Lira will be deposited into a Turkish Lira deposit or participation account with a maturity of 3 months, 6 months or 1 year.
6. The interest or profit share rates that can be applied to the said deposit or participation account during the maturity period will be determined by the deposit and participation banks, provided that they are not below the minimum rates determined by the Central Bank.
7. In case the foreign current rate on maturity date is higher than that of the conversion rate and the amount calculated over the exchange rate difference is higher than the interest or profit share to be paid by the deposit or participation bank, an additional payment will be made by the Central Bank to the account holders through the bank where the account is held. This payment amount is equal to the amount obtained by deducting interest or profit share from the amount calculated over the exchange rate difference.
8. The Communiqué does not include different rules for different maturity terms for calculating and determining the amount of support to be provided by the Central Bank.
9. In case of any withdrawal from the foregoing bank accounts before the maturity date, no payment will be made by the Central Bank within the scope of the support.
10. There is no provision in the Communiqué indicating that banks may prefer not to participate in such application supported by the Central Bank. In this context, all deposit and participation banks will take the necessary actions if they receive a request from the account holders within the scope of the support.

II –MATTERS REQUIRED TO BE CLARIFIED FOR THE IMPLEMENTATION OF THE COMMUNIQUÉ

Our explanations and assessments regarding the issues that should be taken into account by banks and bank customers within the scope of the support-related transactions introduced with the Communiqué are given below.

1. In order to benefit from the support within the scope of the application, there must be a link between the relevant foreign currency deposit accounts/participation accounts and deposit/participation accounts in Turkish Lira. The customer may prevent future disputes between the customer and the bank by sending a written request to the bank for showing the connection between conversion transaction and deposit transaction.

We believe that if the Bank develops a product/module that can be accessed via internet/mobile banking specifically in order for customers to convert their foreign currency into Turkish Lira within the scope of the Communiqué, and if customers transfer their money to Turkish Lira deposit accounts using this product/module, customers will not need to submit their written request.

2. Although it is stated that the Communiqué will enter into force on the date of its publication and that the Central Bank will provide exchange rate-based support for the foreign currency amounts present on 20.12.2021 in the relevant accounts, a deadline for the account holders to convert their current foreign currency into Turkish Lira has not been specified.
3. It is stated that the foreign currency amounts in the accounts will be converted into Turkish Lira and transferred to saving accounts. However, in transactions made through internet banking and mobile banking, generally the equivalent of the foreign currency sold is transferred to the current Turkish Lira accounts, not to the saving accounts. In this context, it will be necessary to develop interfaces/modules that enable the transfer of these amounts from foreign currency accounts directly to Turkish Lira saving accounts.
4. The foreign currency amounts to be included in the scope of the application is required to be in the accounts on 20.12.2021. However, it is not certain exactly at what time of that date will be taken into account. In this regard, we are of the opinion that the current foreign currency amount at 23:59 on 20.12.2021 can be taken into account.
5. The foreign currency amount present in the relevant accounts at the date of the request for conversion of foreign currency into Turkish Lira by the account holders may be different from the amount on 20.12.2021. If the amount on the conversion date is more than the amount on 20.12.2021, only the amount on 20.12.2021 will be able to benefit from the application. On the other hand, if the amount in the account decreases after 20.12.2021, we are of the opinion that it will only be possible to benefit from the application for the remaining amount, and the amounts that are deposited back after the decrease in the foreign currency amount in the account will not be included in the scope of the support.

In this context, it would be appropriate to make an announcement by the Central Bank in order to eliminate the doubts on below-mentioned issues.

(i) which time period of the date 20.12.2021 will be taken into account for determining the amount present in the accounts on that day,

(ii) If the amount of foreign currency on the date of conversion request and the amount of foreign currency on 20.12.2021 are different, which amount can benefit from the application.

Example:

An account holder with 10,000 USD in a foreign currency deposit account as of 20.12.2021 converts 4.000 USD into Turkish Lira on 21.12.2021 and then increased his/her total balance to 8,000 USD by buying back 2.000 USD on 22.12.2021, We are of the opinion that such account holder cannot benefit from the support for the 2.000 USD which he buys on 22.12.2021 in case he/she converts his/her money to Turkish Lira on 23.12.2021. Hence, he/she can receive support from the Central Bank for only 6.000 USD within the scope of the Communiqué.

6. As stated in section 5 above, for the cases where the foreign currency amount present in the bank account on the date in which the request is submitted and the amount present on 20.12.2021 are different; it will be beneficial that
 - (i) providing system controls/software ensuring that that the account holder can transfer only the foreign currency amount which was present on 20.12.2021 in compliance with the Communiqué to the relevant Turkish Lira saving accounts for benefiting from the support, and/or,
 - (ii) determining the necessary internal control points to track the amounts that can be included in the application supported by the Central Bank.

III – ENFORCEMENT

Communiqué has entered into force as of the date of publication.

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This newsletter has been prepared as of December 23, 2021 for informative purposes regarding the Communiqué on Supporting The Conversion Of Turkish Lira Deposit And Participation Accounts numbered 2021/14 which has entered into force by being published in the Official Gazette dated December 21, 2021 and numbered 31696 1. Repetitive.

Our assessments in this newsletter do not constitute legal recommendation or legal opinion and Aksu Çalışkan Beygo Attorney Partnership may not be hold responsible depending on these assessments. It is recommended to obtain legal opinion for your inquiries within the scope of this memorandum

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