

Financial Restructuring Framework Agreement has been Amended

Summary

The Regulation on Restructuring Debts Owed to Financial Sector (“Regulation”) had been amended on 21.11.2018. The amendments in the Regulation were expected to be reflected on the Financial Restructuring Framework Agreement (“Framework Agreement”) approved by a decision of Banking Regulatory and Supervision Agency dated 19.09.2018 for some time. A protocol which includes these amendments has been shared with the banks and financial institutions who have executed the Framework Agreement.

1. Conditions for Foreign Banks’ Involving in the Process Has Been Regulated

The amendment on the Regulation, stated that the conditions for foreign credit institutions and other international credit institutions to be involved in the restructuring process would be regulated in the Framework Agreement, and that these institutions would be able to get involved in the restructuring only by demanding (i.e. without requiring approval or quorum of creditor institutions executed the Framework Agreement).

In parallel with the amendment of the Regulation, it is stipulated in the Framework Agreement that foreign credit institutions and other international credit institutions have been involved in the scope of the Creditor Institutions Consortium (“CIC”) and in case these institutions prefer involving in restructuring process, they would be able to get involved in the restructuring only by signing the Framework Agreement regarding related debtor without considering approval or quorum of creditor institutions executed the Framework Agreement.

2. Definitions for “Foreign Credit Institutions and Other International Credit Institutions” and “Debtor” Have Been Included

In parallel with the amendment of the Regulation as to involvement of foreign institutions in the process, a definition of foreign credit institutions and other international credit institutions have been included in the Framework Agreement, as institutions authorized to extend loan pursuant to their local regulations.

Likewise, debtor definition has been included in the Framework Agreement as well.

3. Right to End the Negotiations of Restructuring Contract (“Contract”) in case of Legal Proceedings Against Debtor

According to new regulation in the Framework Agreement, during the negotiation process of the Contract, in case other creditors who are not a party to the Framework Agreement, have initiated

legal proceedings regarding in excess of 25% of total debt amount of the debtor and if these proceedings have not been ruled out in 30 days (in any case provided that such process does not exceed 150 days starting from application of the debtor), the Contract negotiation may be terminated with certain quorum (75% of debts and 30% of creditors) by creditors who executed the Framework Agreement. In case the Contract negotiation is not terminated by creditors, each creditor has the right to discontinue the negotiations.

4. Right to Terminate the Contract in case of Legal Proceedings Against Debtor

After the execution of the Agreement, in case other creditors who are not a party to the Framework Agreement, have initiated legal proceedings and if these proceedings have not been ruled out in 30 days, the creditors who executed Framework Agreement have the right to decide to terminate or revise the Contract with certain quorum (75% of debts and 30% of creditors). If not, each creditor has the right to depart the Contract.

5. Scope Protection of Securities Principle has been Extended

Receivables in factoring transactions and goods regarding financial leasing transactions have been included within the scope of the principle as to protection of securities taken before the beginning of the restructuring process.

6. Collections from New Securities for Additional Loans has been Regulated

With the amendment, in case the institutions included in CIC grant additional loans, collections from new securities for additional loans shall be used in payment of additional loans and that those who have signed the Contract and do not grant additional loans, shall not have the right to demand privileged collection on new securities and other collections within the scope of Agreement.

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