

New Implementation for Contracts in Foreign Currency or Denominated in Foreign Currency

Summary

*Amendment to the Decree No.32 on the Protection of the Value of Turkish Currency (“**Amendment**”) is published in the Official Gazette dated 13.09.2018 and numbered 30534 and came into force on the publication date. With the amendment, certain restrictions has been regulated with regards to certain contracts between Turkish residents. According to the Amendment, contract prices and other payment obligations arising from those contracts cannot be agreed upon in foreign currency or indexed to foreign currency and 30 days of compliance period is granted for agreements that are entered into before the execution date of the Amendment.*

Along with the Amendment, a new paragraph is added to the Article 4 (regarding foreign exchange) of Decree No.32 on the Protection of the Value of Turkish Currency (“**Decree No. 32**”) and it is stated that for residents in Turkey, in terms of the agreements listed below, contract prices and other payment obligations arising from these contracts cannot be agreed upon in foreign currency or indexed to foreign currency.

- Sale and purchase agreements related to both movable properties and real estate,
- all kinds of rental agreements related to both movable properties and real estate; including vehicle rent and financial leasing,
- employment agreements,
- independent contractor agreements and
- service agreements.

The scope of the aforesaid restriction is only limited to the agreements executed between residents in Turkey¹; therefore agreements executed by residents in Turkey with non-resident persons will not be affected by the Amendment. In addition, restrictions will not be implemented in situations to be determined by the Ministry.

¹ “Turkish resident persons” are defined under article 2/b of the Decree No.32 on the Protection of the Value of Turkish Currency as; individuals or entities having the legal place of residency in Turkey, including the Turkish citizens working abroad as workers, independent professionals or having his/her own business

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Furthermore, Provisional Clause 8 is added to the Decree No.32 and it is stated that contract prices in foreign currency of the aforementioned agreements that are entered into before the execution date of the Amendment and still in force, shall be re-determined by the parties in 30 days as Turkish Lira. In this context, the agreements signed before this Amendment must be revised to be in line with the Amendment within 30 days from the date of enforcement (13.09.2018) of the Amendment, which is until 13.10.2018.

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