

O.G. 46
29.4.2002

**BANKING LAW
OF THE TURKISH REPUBLIC OF NORTHERN CYPRUS**

Law No :39/2001

Notification under articles (5), (6), (8), (10), and (42)

The Central Bank of the Turkish Republic of Northern Cyprus, with the powers entrusted under articles (5), (6), (8), (10), and (42) of the Banking Law 39/2001, determines the following provisions with this notification.

Short Title	1- The notification may be cited as “ Establishment, opening of a branch and licensing of Banks”.
Interpretation	2- Unless required otherwise in the text of this Notification “Law” shall mean the Banking Law of 39/2001, “Central Bank” shall mean the Central Bank of the Turkish Republic of Northern Cyprus, “Board of Directors” shall mean the Board of Directors of the Central Bank of the Turkish Republic of Northern Cyprus,
Purpose	3- The purpose of this notification, is to determine the rules and procedures
And	relating to application for acquiring a permit to establish a bank, transfer of
Scope	shares, permission for establishment and opening of a branch, acquiring a banking license and to establish branches and representative offices in other countries according to articles (5), (6), (7), (8), (10) and (42) of the Banking Law 39/2001.

Provisions For Establishment

Establishment	4(1) a- Banks are established as Limited Company in the TRNC b- Foreign banks which will operate in TRNC, must be a Corporation, Limited or of an equivalent statute, depending on the legislation of their countries. c- The number of shareholders of the Banks established in TRNC shall not be less than 10. d- For the branches of foreign Banks, limitations of subsection(c) are not required.
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Applications for Establishment and Transfer of Shares

Documents
to be
Included in
the
Application
Form

5- For establishing a bank, the following documents shall be enclosed with applications to be submitted to the Central Bank;

a) A statement to be prepared and signed in presence of a notary public by founders according to the sample documents enclosed within the Regulation (Annex 1 and Annex 2),

b) Draft Articles of Association of the partnership signed by shareholders,

c) A detailed feasibility report analyzing the benefit expected from the establishment of the bank, and a report including an estimated balance sheet and profit-loss account indicating targets for 3 (three) years starting from establishment, the amount and source of money required for increasing the bank's capital,

d) A document to be issued by a Basic Commercial Court of TRNC or by an Enforcement Court of the countries that founders are citizens of, and real persons and legal entities holding indirectly 10% (ten percent) or more shares of the capital are not bankrupt and have not entered into composition with creditors,

e) A record of convictions to be received in the last six months from the Directorate General of Judicial Records and Statistics or Public Prosecutor's Office by real person founders and other real persons owning indirectly 10% (ten percent) or more shares of capital,

f) A copy of the document showing the decision rendered by an authorized board of legal entity founders on becoming a shareholder of the bank to be established,

g) A declaration to be made by founders, real persons and legal entities holding indirectly 10% (ten percent) or more shares in the capital, to the effect that they had not held directly or indirectly a share of ten percent or more in the banks until the date of liquidation or transfer to the Savings Deposit Insurance Fund, (Annex 3),

h) A declaration to be made by founders, real persons and legal entities holding indirectly 10% (ten percent) or more

shares of capital, to the effect that they do not own directly or indirectly a share of 10% (ten percent) or more in banks, insurance companies and institutions operating in money and capital markets which are subject to liquidation (Annex 3),

i) A copy of the Registrars Office report relating to the establishment of legal entity founders; lists indicating shareholders, rate and amount of shares and preference shares if any; detailed explanations about the line of business, fields of investment and operation; balance sheets and profit-loss accounts for the last 3 (three years) approved by a certified financial adviser and a report drawn up by an internationally recognized rating company for legal entity founders which are banks or other financial institutions including also the rating, if any,

j) Schedules showing legal person partners of legal entity founders and shareholders and number of shares held by legal persons having shares in the capital of these partners as an indication of indirect share ownership in the capital,

k) Documents to be obtained from relevant tax departments and Social Insurance Institutions to the effect that founders and real persons and legal entities indirectly holding a share of 10% (ten percent) or more in the capital, have no tax and premium debts that have become due,

l) Income and corporation tax returns and annexes thereof for the last five years filed by founders and approved by tax departments; real estate tax returns filed for real estate owned by founders and approved by relevant units of municipalities; real estate register entries relating to these real estates to be obtained from real estate registration offices and a document indicating the annotations and restrictions on such real estate,

m) Documents issued by the relevant banks and addressed to the Central Bank of TRNC, bearing the same date each, to substantiate the information provided about deposit and credit accounts in declarations made by founders subscribing 10% (ten percent) or more of the capital, including also the date on which these accounts were opened,

n) A report to be drawn up by certified financial advisers on the financial standing of founders subscribing 10% (ten percent) or more of the capital,

o) Detailed curriculum vitae of real person founders,

holders of preference shares, other real persons owning indirectly 10% (ten percent) or more of the capital, and members of the board of directors and the general director if appointed, including also information about whether or not they have been employed in a financial institution in the last 10 (ten) years,

p) Copies of powers of attorney issued to person(s) authorized to represent real persons or legal entity founders,

r) A letter of undertaking to be issued and signed according to the sample document in (Annex 4) by founders subscribing 10% (ten percent) or more shares of the capital, to the effect that they have provided the necessary capital from their commercial, industrial and other legal operations free of any simulation.

Documents
Regarding
Transfer
of Shares

6 - For the transfer of shares according to article 6(2) of the Banking Law, the real persons and corporate bodies who will acquire the capital shares of a bank should also include the following documents in addition to article 5 of this notification.

a) Information of the source of money in acquiring the shares.

b) A copy of the agreement between the buyers and sellers for the transfer of shares.

Establishment
of a bank
or Taking
Over the
Shares of an
Existing
Bank in

TRNC by
Banks or
Financial
Institutions
Established
Abroad

7 - The following documents should be enclosed with the application to be filed with the Central Bank of TRNC by banks and financial institutions incorporated abroad in order to establish a bank or to take over the shares of an existing bank in TRNC or to establish the first branch in TRNC of a bank established abroad;

a) Articles of Association of the Bank or financial institution,

b) A copy of the document showing the decision taken by their authorized board on the establishment of a bank or taking over the shares of an existing bank in TRNC or the establishment of a branch in TRNC,

c) A detailed feasibility report analyzing the benefit expected from the establishment of the bank or taking over the shares or opening of a branch and a report indicating

targets for 3 (three) years and including an estimated balance sheet and profit-loss accounts, and the amount and source of money required for increasing the bank's capital if necessary,

d) Balance sheet and profit-loss accounts of the bank or financial institution for the last five years and independent auditors reports issued by authorized agencies,

e) Detailed information and documents about the shareholders of the bank or financial institution, organization and organizational structure outside the country where it is established and operations in international financial markets and a report drawn up by an internationally recognized rating company about the bank or financial institution including also the rating envisaged,

f) A document obtained from the relevant official authorities to the effect that the bank or financial institution has not been prohibited from accepting deposits or conducting banking transactions and/or that no restrictions have been placed on its operations in the country where it is established or operates,

g) Minutes of the most recent general assembly meeting of the bank or financial institution and a list of shareholders holding an interest of more than 10% (ten percent) in the capital, approved by competent authorities of the country where the head office of the bank or financial institution is located,

h) A letter of undertaking shall be submitted to the Central Bank of TRNC which reports the examinations to be made annually by an authorized independent auditing company pursuant to the legislation of the country where the head office of the bank or financial institution is located.

Additional Documents

8 - The Central Bank of TRNC shall be authorized to demand additional information and documents it may deem necessary, according to articles 5, 6, and 7 of this notification.

The article 5 of this notification is comparatively applicable to the information and documents presented by foreign nationals.

Establishment, Opening of a Branch in TRNC, Banking License

Permission To Establish

9- Permission to establish a bank or open a branch in TRNC shall be given by a decision taken by an affirmative

a Bank or to
Open a
Branch in
TRNC

vote of at least 4 (four) members of the Board of the Central Bank. After obtaining all the necessary documents for application and the decision for establishment is taken by the Board of the Central Bank, with request of the Central Bank, the minimum capital must be blocked in an account within the Central Bank. With this procedure completed, the Central Bank seals its decision in a week and removes the blockage. A permission so granted will be notified to the persons concerned and published in the Official Gazette by the Central Bank. A banking license to operate should also be received following the consummation of establishment or branch opening transactions, in order to start receiving deposits and/or conducting banking transactions. A permission granted to establish a bank or to open a branch in the TRNC shall be invalid in the event of failure to operate within six months from the date on which permission is given.

License

10- a) Following the consummation of transactions for establishment and opening of a branch in TRNC according to the provisions of pertinent legislation and completion of transactions relating to registration with the Registrars Office, an application shall be filed with the Central Bank submitting a statement to be issued according to the sample document in (Annex 5) to receive authorisation to accept deposits and/or to conduct banking transactions. An application to receive a Banking License should be filed , by taking into consideration of the six month period, starting from the date on which persons concerned are notified of the Board's Decision in the Official Gazette and by the end of 3. (third) month at the latest after granting the permission for establishment and opening of a branch in TRNC.

b) The Central Bank shall examine whether the capital of applying bank to receive a Banking License has been paid in cash, free of any simulation, whether it has technical equipment and adequate personnel to conduct the transactions relating to accepting of deposits or conducting banking activities, whether executive personnel meet the legal requirements and are adequate in number, whether necessary arrangements have been made relating to the management of the bank and internal audit, and following an evaluation, the Board shall grant a Banking License for accepting deposits and/or to conduct banking transactions. Permissions so granted shall be valid as of the date of publication in the Official Gazette.

c) A document must be included in the application form, indicating that the \$20.000.- (twenty thousand US Dollars)

equivalent of Turkish Lira as the License fee, has been deposited into a treasury account opened within the Central Bank.

d) For the renewal of Banking Licenses, Each Bank should deposit a \$10.000.- (Ten thousand US dollars) equivalent of Turkish Lira into a Treasury account opened within the Central Bank by the end of January of each year.

Opening of Branches or Representative Offices, Forming of or Participating in Partnerships Abroad by Banks established in TRNC

Permission
And
Requirements
Of Opening
Of Branches
Representative
Offices
and
Participating
In Partnerships
Abroad

11- Opening of branches or representative offices, forming of or participating in partnerships abroad by banks established in TRNC shall be subject to the permission of the Central Bank. Applications to receive permission shall be filed with the Central Bank accompanied by a report including a detailed statement of reasons for opening of a branch or representative office, forming or participating in a partnership abroad. Applications to be made by banks failing to meet the requirements of standard ratios currently in force, having inadequate capital and reserve, or those which have restrictions imposed on their organisational structures, shall be rejected.

Provisional
Article

1- As from the date this notification comes into force, those banks already operating in TRNC, unless they increase their Capital and Reserve according to article 12 of the Law, must get the permission of the Central Bank to open a new branch.

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12- As from the date this notification comes into force, the notification published under article 4. (2) (b) of the Law 11/76, shall be repealed.

Coming
Into
Force

13- This Notification shall be effective as from the date of its publication in the Official Gazette.

**DECLARATION FOR BANK FOUNDERS/SHARE ASSIGNEES
(CORPORATE BODIES)**

CORPORATE BODY'S:						
TRADENAME :						
HEAD OFFICE & DATE OF ESTABLISHMENT :						
CAPITAL (with explanation)						
ADDRESS :						
FIELD OF ACTIVITY :						
SOME BALANCE SHEET FIGURES FOR THE LAST FIVE YEARS (TL BILLION)						
YEARS	NET PROFIT (LOSS) (1)	OWN FUNDS	TOTAL ASSETS			
PARTICIPATIONS/SUBSIDIARIES (2)						
	TRADENAME OF COMPANY	FIELD OF ACTIVITY	CAPITAL	AMOUNT OF SHARE		
1						
2						
3						
4						
5						
6						
7						
8						
IMMOVABLES OWNED (3)						
	PLACE	TYPE	DRAWING NO	CITY BLOCK NO.	PARCEL NO.	ENCUMBRANCES
1						
2						
3						
4						
5						
6						
7						
8						
	MOVABLES (DETAILED) (4) (5)					

DETAILED BREAKDOWN OF RESOURCES ALLOWING TO MEET THE CAPITAL SUBSCRIBED

1	
2	
3	
4	
5	

BANKS WORKED WITH (6) (7)	1	2	3	4	5
NAME OF BANK					
NAME OF BANK BRANCH					
DEPOSITS (TL BILLION)					
TIME					
SIGHT					
CREDIT (TL BILLION)					
AMOUNT					
SECURITY					
TYPE					
TENOR					
	6	7	8	9	10

NAME OF BANK					
NAME OF BANK BRANCH					
DEPOSITS (TL BILLION)					
TIME					
SIGHT					
CREDIT (TL BILLION)					
AMOUNT					
SECURITY					
TYPE					
TENOR					

LIABILITIES TO NATURAL PERSON AND LEGAL ENTITYS OTHER THAN BANKS (8)

	NAME OF CREDITOR	CLAIM		
		TYPE	AMOUNT	MATURITY
1				
2				
3				
4				
5				

MAJOR WORKS REALIZED EARLIER IN ITS FIELD OF ACTIVITY

--

WHETHER LEGAL PROCEEDINGS HAVE BEEN INITIATED FOR THE CREDITS UTILIZED IN THE LAST FIVE YEARS FROM DOMESTIC OR OVERSEAS BANKS BY REAL AND LEGAL PERSONS OWNING OVER 10 % OF THE COMPANY OR CAPITAL OF THE COMPANY

DETAILED EXPLANATION ABOUT THE MAJOR LEGAL DISPUTES THE COMPANY IS PRESENTLY INVOLVED IN:

SIGNATURE :

DATE :/...../.....

EXPLANATIONS :

- (1) The amount left after tax provisions have been set aside shall be written.
- (2) This box shall be completed if **the** participation ratio is 5 % or more of the capital of the company participated in.
- (3) All immovables owned, along with their incumbrances, if any, shall be written in this box.
- (4) Bonds, bills, gold, precious stones and metals etc., along with their incumbrances, if any, shall be written in this box.
- (5) Share certificates belonging to participations shall be excluded.
- (6) If more than one type of credit is being utilized from the same bank, they shall be shown separately.
- (7) If several branches of the same bank are being worked with, they shall be shown separately.
- (8) Liabilities amounting to 5 % or more of the capital of the company shall be written.

Sums insured for the insured assets shall be indicated separately.

NOTE: If the spaces allocated in the form prove insufficient, additional form may be used.

**DECLARATION FOR BANK FOUNDERS/SHARE
ASSIGNEES (REAL PERSONS)**

NAME-SURNAME	:		Photograph	
PLACE & DATE OF BIRTH	:			
NATIONALITY	:			
NAME OF MOTHER	:			
NAME OF FATHER	:			
RESIDENCE ADDRESS	:			
EDUCATION (Detailed)	:			
TRADENAME & ADDRESS OF THE PLACE OF BUSINESS PRESENTLY WORKED AT	:			
PROFESSION AND TITLE	:			
TAX IDENTIFICATION NO	:			
PLACES OF BUSINESS WORKED AT EARLIER:				
	TRADENAME OF PLACE OF BUSINESS (1)	ENTRY-LEAVING DATE	TITLE	
1				
2				
3				
4				
ANNUAL NET INCOME AND INCOME TAX PAID IN THE LAST FIVE YEARS (TL BILLION)				
YEARS	NET INCOME	INCOME TAX PAID		
COMPANIES IN WHICH HE/SHE IS A SHAREHOLDER (2)				
	TRADENAME OF COMPANY	TYPE OF ACTIVITY	CAPITAL	AMOUNT OF SHARE
1				
2				
3				
4				

IMMOVABLES OWNED (3)						
	PLACE	TYPE	DRAWING NO	CITY BLOCK NO.	PARCEL NO.	INCUMBRANCES
1						
2						
3						
4						
5						
6						
7						
8						
MOVABLES (DETAILED) (4) (5)						
DETAILED BREAKDOWN OF RESOURCES ALLOWING TO MEET THE CAPITAL SUBSCRIBED						
1						
2						
3						
4						
5						
OTHER ASSETS OWNED						
BANKS WORKED WITH (6) (7)	1	2	3	4	5	
NAME OF BANK						
NAME OF BANK BRANCH						
DEPOSITS (TL BILLION)						
TIME						
SIGHT						
CREDIT (TL BILLION)						
AMOUNT						
SECURITY						
TYPE						
TENOR						
	6	7	8	9	10	
NAME OF BANK						
NAME OF BANK BRANCH						
DEPOSITS (TL BILLION)						
TIME						
SIGHT						
CREDIT (TL BILLION)						
AMOUNT						
SECURITY						
TYPE						
TENOR						

DEBTS TO REAL PERSONS AND LEGAL ENTITIES OTHER THAN BANKS

LIABILITIES TO REAL PERSON AND LEGAL ENTITIES OTHER THAN BANKS

	NAME OF CREDITOR	CLAIM:		
		TYPE	AMOUNT	MATURITY
1				
2				
3				
4				
5				
<p>IN ORDER TO ENGAGE IN WHICH ACTIVITY IN THE FINANCIAL SECTOR IN TURKEY OR ABROAD WAS AN APPLICATION MADE EARLIER FOR PERMISSION; IF THE APPLICATION WAS REJECTED OR THE PERMISSION GRANTED WAS CANCELLED, THE REASONS FOR THE SAME (8)</p>				
<p>WHETHER HE/SHE HAS BEEN SUBJECTED TO LEGAL PROCEEDINGS DUE TO CREDITS OR OTHER FINANCIAL RESOURCES HE/SHE HAS UTILIZED FROM BANKS OR OTHER FINANCIAL ESTABLISHMENTS AT HOME OR ABROAD IN THE LAST FIVE YEARS:</p>				
<p>WHETHER THE COMPANIES IN WHICH HE/SHE IS A SHAREHOLDER HAS BEEN SUBJECTED TO LEGAL PROCEEDINGS DUE TO THE CREDITS THEY HAVE UTILIZED FROM BANKS OR OTHER FINANCIAL ESTABLISHMENTS AT HOME OR ABROAD IN THE LAST FIVE YEARS:</p>				
<p>WHETHER A PUBLIC PROSECUTION HAS BEEN INITIATED AGAINST HIM/HER; IF YES, THE SUBJECT-MATTER OF SUCH ACTION:</p>				
<p>WHETHER ANY LAWSUITS OTHER THAN PUBLIC PROSECUTION HAS BEEN FILED AGAINST HIM/HER; IF YES, THE SUBJECT-MATTER OF SUCH ACTION:</p>				
<p>NAMES-SURNAMES, ADDRESSES AND TELEPHONE NUMBERS OF HIS/HER TWO REFERENCES:</p>				
<p>DETAILED EXPLANATION ABOUT THE MAJOR DISPUTES HE/SHE IS PRESENTLY INVOLVED IN:</p>				

Signature :

Date :/...../.....

EXPLANATION

- (1) Name or trade name of the establishment, employer or company worked at shall be written.
- (2) This box shall be completed if participation ratio is 5 % or more of the capital of the company participated in.
- (3) All immovables owned, along with their incumbrances, if any, shall be written in their box.
- (4) Bonds, bills, gold precious stones and metals etc. along with their incumbrances, if any, shall be written in this box
- (5) Shares of the companies stated in the section: "Companies in which he/she is a shareholder" shall be excluded.
- (6) If more than one type of credit is being utilized from the same bank, they shall be shown separately.
- (7) If several branches of the same bank are being worked with, they shall be shown separately.
- (8) Banking, insurance, financial leasing, factoring companies, authorized establishments and establishments operating according to the Capital Market Act shall be written in this box.

Sums insured for the insured assets shall be indicated separately.

NOTE: If the spaces allocated in the form prove insufficient, additional form may be used.

ANNEX: 3

LETTER OF COMMITMENT

**TO: THE CENTRAL BANK OF THE TURKISH REPUBLIC OF NORTHERN
CYPRUS**

I hereby declare and undertake that I do not/did not own a share of 10 % or more, directly or indirectly, in the banks, bankers, insurance companies and establishments operating in money and capital markets and in the banks transferred to the Saving Deposits Insurance Fund before the transfer.

ANNEX: 4

LETTER OF COMMITMENT

**TO: THE CENTRAL BANK OF THE TURKISH REPUBLIC OF NORTHERN
CYPRUS**

We hereby declare that the founding capital/purchase price stated in our application for establishing the Bank/taking over its shares originates from our own activities in industry, trade and services sectors and undertake that the same shall be provided and delivered in cash, without any simulation.

ANNEX: 5

Declaration Concerning the Application for Permission for Allowing Bank to Accept Deposits and/or Engage in Banking Transactions, whose establishment was Permitted with the decision dated/...../..... numbered of the Board of the Central Bank of the TRNC

Trade name of Bank	
Address of Bank	
Amount of Paid-in Capital	
Date of Registration of Its Articles of Association	

Authorised Signatures

Annexes:

1. Formation Balance Sheet
2. Articles of Association
3. Certificate of Registration with Registrars Office
4. Names and CVs of Board members, General Manager and Deputy General Managers
5. Copy of Receipt Indicating that Fee Obligation has been Fulfilled for the Banking Licence