

Adopted unanimously at the Sixth Convention of the Turkish Republic of Northern Cyprus Assembly on August 4, 2020, “Law on Financial Leasing, Factoring and Financing Companies and the Prevention of Usury” shall be announced by the President of the Turkish Republic of Northern Cyprus in accordance with paragraph (I) of Article 94 of the Constitution after being published in the Official Gazette.

## LAW ON FINANCIAL LEASING, FACTORING AND FINANCING COMPANIES AND THE PREVENTION OF USURY

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# LAW ON FINANCIAL LEASING, FACTORING, AND FINANCING COMPANIES AND THE PREVENTION OF USURY

Issue: 43/2020

The Assembly of the Turkish Republic of Northern Cyprus enacts the following Law:

Short Title      1. This Law may be cited as the Law on Financial Leasing, Factoring and Financing Companies, and the Prevention of Usury.

## PART ONE General Provisions

Definitions      2. In this law, unless the text otherwise requires;  
“Factoring” means the financing process by appropriating the receivables depending on goods or service sales which can be authenticated within the scope of principles and procedures determined by the Central Bank and the receivables authenticated with the invoice emanated from goods or service sale.  
“Financial Leasing” means the process of transferring the possession of an asset that the lessor has purchased or otherwise obtained from a third party or the lessee himself/herself, or that he/she has previously owned, upon the request and choice of the lessee, to the lessee in exchange for a rental fee to provide all kinds of benefits.

62/2017      “Financial Institution” means the institutions operating in the financial sector  
22/2020      established to carry out at least one of the activities included in paragraph (2) of Article 23 of the Turkish Republic of Northern Cyprus Banking Law.  
“Person” means the real or legal persons.  
“Lessor” means the participation banks, development and investment banks as well as financial leasing companies.  
“Lessee” means the party accepting the financial leasing.  
“Control” means the authority to have significant influence over the legal entity management or to appoint or remove from office the decision making the majority of members of the board of directors through direct or indirect possession of the majority of a legal person’s capital irrespective of the requirement of owning 50% (fifty percent) of its capital; or by having control over the majority of the voting right as a consequence of holding privileged shares or of agreements with other shareholders although not owning the majority of capital.  
“Central Bank” means the Central Bank of the Turkish Republic of Northern Cyprus.  
“Qualified Shareholding” means the direct or indirect possession of more than ten percent of a legal person’s capital or the shares that grant privileges to the board of directors or the power to constitute the majority of its management, even if they are below this rate.  
“Equity” means the amount obtained by deducting the related period’s net loss, if any, previous year’s loss and other items to be determined by the

Central Bank from the paid-in capital, capital reserves, profit reserves, net profit for the period, previous years' profit and the sum of other items to be determined by the Central Bank.

“Company” means financial leasing, factoring, and financing companies established and operating with a license obtained in accordance with the Law.

“Branch” means any kind of business, which constitutes a dependent part of companies and carries out the whole or part of its activities autonomously.

“Usury” means the lending activities regulated in paragraph (3) of Article 22 of this Law.

“Senior Management” means the board members, general manager, and assistant general manager or those who work in equivalent positions in companies established by obtaining license under the Law.

Aim	3. The aim of this Law is to determine the procedures and principles regarding the establishment, activity, and working principles of financial leasing, factoring, and financing companies licensed to operate under this Law, and to regulate the prevention of usury.
Scope 62/2017 22/2020	4. Financial leasing, factoring and financing companies operating in the Turkish Republic of Northern Cyprus shall be subject to the provisions of this Law. The provisions of this Law shall also apply to the transactions related to the factoring transactions made by the banks, and financial leasing transactions made by participation banks, development and investment banks that have obtained the operating license under the Banking Law of the Turkish Republic of Northern Cyprus.

## PART TWO

### Establishment and Operation Licenses and Other License-Required Operations, Rules Regarding Merger and Transfer

Conditions for Being a Founder in Companies	5. In the companies to be established,  (1) For the real person shareholders, (A) Even if they have been pardoned and/or their criminal record have been cleared, it is obligated that; (a) They haven't been sentenced to more than one-year imprisonment for violating any law, except for negligent offenses, (b) They haven't been judged and sentenced for crimes committed against the sovereignty, security and dignity of the Government under the Criminal Procedure Law or other laws and against the constitutional order, murder with malice aforethought, attempted murder with malice aforethought, manslaughter, attempted manslaughter, sexual assault, sexual harassment, sexual rape and attempting to commit such crimes, embezzlement, fraudulent conversion, extortion, bribery, theft, falsum, counterfeiting, issuing, signing,
Chapter 154 3/1962 43/1963 15/1972 20/1974 31/1975 6/1983 22/1989 64/1989 11/1997	

20/2004  
41/2007  
20/2014  
45/2014

31/2009  
57/2011  
1/2012  
38/2015

approving or giving false, untrue or illegal documents for the purpose of obtaining benefits, misconduct, fraudulent bankruptcy, smuggling, using fraud in official tenders and trades, being convicted of tax evasion offenses and of participating in such offenses, undischarged bankrupt, being disallowed from the management of the company due to fraud, violation of Gambling Law, Dangerous Drugs Law, Law on the Prevention of Laundering Crime Revenues or the legislation issued under these Laws,

- (c) They haven't been sentenced to imprisonment for violating the rules of other laws relating to financial institutions, including laws that have been repealed by this Law or by the entry into force of this Law.
  - (B) They haven't had a qualified share or control when the bank is transferred the Savings Deposit Insurance and Financial Stability Fund in the banks, of which management and supervision are transferred to the Savings Deposit Insurance and Financial Stability Fund, or when the operating permit is removed in financial institutions that have been abolished.
  - (C) Have not declared pre-arranged bankruptcy or declared bankruptcy, have not been liquidated, except for the voluntary liquidation of the financial institutions in which they are shareholders, and
  - (Ç) Have the financial power, reputation, and competence required by the job.
- (2) For the legal person shareholders
- (A) They have a transparent and open shareholder structure as well as their risk groups, and
  - (B) The real person shareholders with qualified shares to carry the qualifications listed in paragraph (1) above.
- (3) For the assessment of the conditions specified in paragraphs (1) and (2) above for the persons who are citizens of the countries other than the Turkish Republic of Northern Cyprus and/or who are residing in countries other than the Turkish Republic of Northern Cyprus, in addition to the legislation applied in the Turkish Republic of Northern Cyprus, the legislation of the countries concerned is taken into consideration. Applications of those who are not qualified to be the founder of financial leasing, factoring, or financing company or a bank founder in their country, shall not be taken into account.
- (4) Persons who are nationals of countries outside the Turkish Republic of Northern Cyprus and/or residing in countries outside the Turkish Republic of Northern Cyprus cannot be on the lists of money laundering and terrorism financing issued by the financial information authority of the relevant country and any equivalent international authority.

Conditions for  
Establishing a  
Company

6. The companies to be established shall

Chapter 113  
28/1974  
7/1977  
30/1983  
28/1987  
65/1989  
56/1991  
42/1997  
29/2003  
35/2007

- (1) Be established as a public limited company under the Companies Law,
- (2) Have a statement in its company name indicating the activity subject,
- (3) Have a capital of at least 2,000,000 Euros (Two Million Euros) in cash and free of all kinds of collusion,  
However, the Central Bank is authorized to increase the foreseen minimum amount of capital up to 5 (five) times.
- (4) Have principal agreements and statutes, which comply with the provisions of this Law,
- (5) There are no obstacles to their supervision and audit, and
- (6) The planned financial structure and the organization are compatible with the activities foreseen.

Establishment  
Permit of  
Companies and  
Revocation of  
License

7. (1) The establishment of the company is subject to the permission of the Central Bank. Affirmative votes of at least four members of the Executive Board of the Central Bank are required to issue the permit.
- (2) The establishment permit issued is valid for a period of three months. If establishment procedures are not completed within the period of three months, the permit shall be invalid.
- (3) The Central Bank shall revoke the establishment permit of the company in any of the following events; the establishment permit has been obtained with false statements, it is declared that the establishment permit has been waived, the conditions sought for granting the permit are lost until the start of the activity, and the operation license is not obtained.

Operating  
License of  
Companies

8. (1) Companies, which have obtained the establishment permit shall apply to the Central Bank to obtain an operating license within three months after completing the establishment process. Affirmative votes of at least four members of the Executive Board of the Central Bank are required to issue the license.
- (2) In order to obtain an operating license, companies are obliged to:
- (A) Have their capitals paid in cash,
  - (B) Have an established organizational structure, personnel, and information systems that have the qualifications to perform the envisaged activities, and

(C) Deposit 2% (two percent) of the minimum capital specified in paragraph (3) of Article 6 of this Law to the Treasury Account in the Central Bank,

(3) The system entry fee deposited pursuant to subparagraph (C) of paragraph (2) above will not be refunded under any circumstances.

Activities  
Abroad,  
Opening  
Branches,  
Acquisitions of  
Subsidiaries  
and Affiliates,  
and Prohibition  
of Real Estate  
Buying and  
Selling

9. (1) The opening of a branch in the TRNC or abroad by the companies shall be subject to the permission of the Central Bank. Companies shall not be organized under any names other than branches and shall not open a representative agency and appoint agencies.
- (2) Companies shall not acquire affiliates and/or subsidiaries. They shall not deal with real estate trading.

Provisions on  
Share  
Ownership

10. (1) (A) Qualified shareholders of companies shall meet the conditions required for the founders, which are regulated in Article 5 of this Law.
- (B) Shares of qualified shareholders who do not meet or no longer meet these conditions shall be disposed within six months. The rights of these shareholders to participate in the management shall be used as determined by the Central Bank.
- (C) Those who no longer meet the conditions for being qualified shareholders are obliged to inform the Central Bank in writing about this situation within one month at the latest.
- (2) (A) In a legal person partner of the company with qualified shareholders; transactions that cause a person to become a qualified shareholder or lose his qualified shareholder status, and transactions that result in a person's share of capital or voting rights through direct or indirect shareholding exceeding or falling below 20% (twenty percent), 30% (30%) and 50% (fifty percent), shall be subject to the approval of the Central Bank.
- (B) Although the share ratios are lower than the rates specified in subparagraph (A) above, any direct or indirect changes in the control of the company without the permission of the Central Bank shall be deemed invalid.
- (C) The share transfers made without permission are invalid. Share transfer permits are valid for a period of three months starting from the date of the share transfer decision made by the Central Bank.
- (Ç) Regarding the appointment of members of the Board of Directors, transfers, which cause certain qualified shares to be collected in certain persons by proxy and other means



and, establishment, transfer of qualified shares or issuance and removal of new privileged shares, shall be subject to the approval of the Central Bank, regardless of the rates specified in subparagraph (A) of this paragraph.

(D) In the implementation of this Law, the shares belonging to a person, his spouse, and children, regardless of they have attained majority, and the partnerships they participate with unlimited responsibility or the shares belonging to the partnerships which are controlled separately or jointly by these persons shall be taken into consideration together, while determining the indirect share ownership of the real persons.

(E) To determine indirect share ownership by legal persons, the shares belonging to these persons as well as the shares belonging to undertakings that are controlled by such shall be calculated together.

Amendments in the Principal Agreement, Statute, or Name	11. (1) Companies are required to obtain the approval of the Central Bank before making amendments to their principal agreements, statutes, or company names. Amendments made without the approval of the Central Bank shall be invalid. (2) Companies shall publish their principal agreement and statute on their web pages. Amendments to the principal agreements and statutes shall be published by the companies within ten business days from the date of the amendment.
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Merger, Transfer, Partial Transfer, or Voluntary Liquidation	12. A company's merging with another company, transferring all its debts, receivables, and other rights and liabilities to another company or financial institution partially or completely or voluntary termination of its activity shall be subject to the Central Bank's approval and control.
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Decisions Published in the Official Gazette	13. Decisions on the issuance of an establishment permit or an operating license by the Central Bank and the revocation of the operating license shall be published in the Official Gazette.
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Authority to Issue Notification on the Principles and Procedures of Licenses	14. Certifying documents to be requested regarding the implementation of the rules regarding being a founder and establishment conditions, establishment permit, operating license, international operations, opening branches, shareholding, articles of association, statute or name changes, merger, transfer, partial transfer, voluntary liquidation in this Part of this Law, all kinds of financial statements and assessments, undertakings, minutes, official documents and their forms and conditions, exceptions, if any, regarding periods, permits, restrictions, and all documents and information that may be requested for the scope, nature and control determination of the shareholding, the process of control and exchange of shares, the procedures and principles regarding all these are shall be regulated by a Notification to be issued by the Central Bank.
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### PART THREE Corporate Governance

Corporate Governance Structures and Internal Systems	<p>15. (1) Companies shall establish corporate governance structures that include the following principles in proportion to the nature, complexity, and size of their activities,</p> <ul style="list-style-type: none"> <li>(A) A clear organizational structure in which responsibilities are defined transparently and coherently,</li> <li>(B) Effective processes for identifying, managing, monitoring and reporting the risks encountered,</li> <li>(C) Adequate internal control mechanisms covering strong management and information systems, as well as accounting processes,</li> <li>(Ç) Systems that assure the compliance of the activities with this Law and other laws, regulations, and internal regulations,</li> <li>(D) Comprehensive internet sites that will provide quick access to accurate information.</li> </ul> <p>(2) In order to monitor and control the risks they are exposed to, the companies are responsible for establishing an adequate and effective internal audit, internal control, risk management systems and establishing and operating internal system units, which are compatible with their activities and structure and suitable for changing conditions, covering all branches and units, reporting to the board of directors within the framework of the principles outlined in this Law. Central Bank shall issue a notification to regulate the procedures and principles regarding these issues.</p> <p>(3) Central Bank is authorized to determine the appointment conditions for those who will work in the internal system units established in companies and/or subject the appointments to these positions to approval.</p>
Company's Board of Directors	<p>16. (1) The Board of Directors of the companies shall be responsible for the safe conduct of company activities within the framework of corporate governance principles and the compliance with applicable laws and other regulations.</p> <p>(2) Boards of directors of the companies shall consist of at least three people. The general manager is a member of the board of directors.</p>

The duties of the General Manager and Chairman of the Board of Directors shall not be carried out by the same person. No company personnel other than the general manager shall be a member of the Board of Directors.

- (3) The absolute majority of the board members in the companies shall have at least an undergraduate degree and at least five years of professional experience in the area of finance.
- (4) It is a condition to obtain the approval of the Central Bank before starting the duty as a member of the board of directors in companies.
- (5) The decisions of the board of directors of companies shall be recorded in the minute book by specifying the date and sequence number, without causing any doubt, and signed by the members of the board of directors attending the meeting. The decisions taken shall be in Turkish and the minute book of the board of directors shall be kept in the registered address of the company.

Organization of  
the General  
Management  
and Personnel

17. (1) Those who will serve as general managers in companies shall have at least an undergraduate degree and at least five years of professional experience in the area of finance.
- (2) Those who will serve as assistant general managers in companies shall have at least an undergraduate degree and at least three years of professional experience in the area of finance.
  - (3) For those who will work as general manager and assistant general manager in companies, it is a condition to obtain approval from the Central Bank before their appointment.
  - (4) General manager positions cannot be left vacant for more than thirty days in companies, and appointments to vacant general manager positions are made within these thirty days.
  - (5) Even if they were employed under different titles, other managers of which duties and authorities are equivalent to assistant general managers are also subject to the provisions concerning assistant general managers of this Law.
  - (6) Central Bank, depending on its asset size and transaction volume, is authorized to determine the rules regarding the minimum number and qualifications of personnel, whom the companies must employ on a full-time basis.

Obligations of  
Senior  
Management

18. (1) Persons to be employed in the senior management of companies shall have the qualifications mentioned in paragraph (1) of Article 5 of this Law. Persons who no longer have these qualifications shall voluntarily resign or be dismissed within the same business day.
- (2) If the persons serving in the senior management leave the office, the company and the employee leaving the office shall notify the reasons for leaving the office to the Central Bank within ten working days, from the date of leaving the office. Persons who have not provided notification within the specified period shall not be assigned to a position subject to the approval of the Central Bank during the three months following their resignation. Central Bank may extend this period for another three months.
  - (3) Persons in the senior management shall make a declaration of their

own assets before they are appointed to the position and during the time that they perform their duties. The form and frequency of the declarations shall be determined by a notification to be issued by the Central Bank.

- (4) The signing authority of senior management and other company employees who are determined to have violated this Law and other relevant legislation and the decisions taken by the Central Bank shall be revoked by the company upon the request of the Central Bank until the relevant investigation or legal process is concluded. In this period, persons whose signing authority has been abolished shall not be employed as an employee with signing authority in any financial institution.

Authority to Issue Notifications on Corporate Governance	19. The minimum issues regarding corporate governance structures and organizational structure in this Part of this Law, approvals to appointments, conditions of appointment, form, and conditions of all kinds of substantiating documents regarding compliance with the determined positions, company's board of directors, general management organization, website, personnel qualifications and number, processes, and form of declaration of assets, obligations including the approval process regarding senior management, all kinds of substantiating documents regarding the implementation of the rules regarding the board of directors decision book, the procedures, and principles regarding the liabilities related to all these shall be regulated by a Notification to be issued by the Central Bank.
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#### PART FOUR

##### Operating Principles and Obligations

Companies' Subject Activity	20. (1) Companies shall carry out their activities under this Law, other relevant legislation under this Law, and decisions taken by the Central Bank.
	(2) The company, which has obtained an operating license for financial leasing, cannot carry out operations other than financial leasing. The title of the company shall include one of the phrases "financial leasing" or "leasing", indicating that it is dealing with financial leasing.
	(3) The company, which has obtained an operating license for factoring, shall not engage in any other activity than factoring activities. The title of the company shall include the phrase "factoring" or "financing".
	(4) The company, which has obtained an operating license for the financing business, shall not operate other than providing financing for the supply of goods and services. The title of the company shall include the phrase "financing".
	(5) Central Bank is authorized to determine the fields of activity of companies within the scope of their main fields of activity, to subject these activities to a license, or to limit these activities.

Record Keeping	<p>21. (1) Companies shall store the original documents related to the matters contained in this Law or their unquestionable copies or duplicates, and records of transactions, physically and electronically, and ensure their safe and secure access for at least twelve years in their registered address.</p> <p>(2) The systems where these records are kept and the backup systems located in another centre shall be always ready for use to ensure uninterrupted service.</p>
Operating without an Operating License and Prohibition of Usury	<p>22. (1) Except for those authorized by this Law and other relevant legislation, persons cannot engage in financial leasing or factoring activities, provide financing for the supply of goods or services to make a profit, and/or within the scope of this Law, it cannot operate by opening any financial institution and/or branches, representative offices and/or similar organizational structures in the country.</p> <p>(2) Except for those explicitly authorized by this Law and other relevant legislation, the articles of association and statutes of any legal person cannot include any provisions on financial leasing, factoring, financing for the supply of goods or services, the company name cannot include phrases that give the impression that it operates in these areas, lends money and/or extend credits. They shall not make announcements, advertisements, use signboards and take action for this purpose.</p> <p>(3) According to this Law, the following activities shall be deemed usury, and usury is prohibited:</p> <p>(A) Except carried out by those who are explicitly authorized under this Law and other relevant laws, money lending operations carried out by any person in return for consideration or by taking a mortgage or other collateral, to earn money as interest or under any name,</p> <p>(B) A company that has obtained an operating license within the scope of this Law provides financing in violation of the rules of this Law.</p>
Sources of Funding	<p>23. Companies cannot collect funds under the name of deposit, participation fund, or any other name other than the funds provided by their shareholders and funds from financial institutions and/or financial markets and/or issuance of bonds, bills, and/or stocks and/or similar financial assets.</p>
Operating Fee	<p>24. (1) Companies shall deposit the annual operating fee of twenty-five times the effective monthly minimum wage as of the end of the previous year in the Treasury Account at the Central Bank until the end of January every year. The operating fee for the year in which the operating license was obtained shall be paid within one month from the date of the license.</p> <p>(2) The operating license of the companies that fail to fulfil this obligation by not paying the operating fee within the period without an excuse shall be revoked.</p>

Protection of  
Customer  
Rights

25. (1) The companies are obliged to
- (A) Inform their customers about the services they provide in a timely, accurate, complete, and understandable manner,
  - (B) Submit a copy of all kinds of documents related to all transactions with the customer upon request,
  - (C) Follow service rules to be determined by the Central Bank,
  - (Ç) Inform the customer clearly about the costs to be requested from the customer, including the customers who are personal guarantors, and not to ask for any explicitly undisclosed expenses during their activities, and
  - (D) Review the complaints to be made and respond in writing within thirty days from the receipt of the complaint application,
- (2) Central Bank may,
- (A) Introduce various criteria, standards, and limitations to companies on their qualifications, to ensure that the services are offered in a transparent, comparable, understandable, and accessible manner,
  - (B) Require companies to publish all kinds of pricing correctly and understandably.
- (3) The procedures and principles regarding the calculation and publication of the reference interest rate and annual percentage rate table shall be determined by the Central Bank. Reference interest, annual percentage rate table, and margin application method are also regulated in the contracts.
- (4) The purpose, shape, form, duration, scope, basis, element, nature, calculation, interest rate announcement, accounting, setting limitations, the method of declaration, criteria for actual applications regarding the consumer rights, the rules, and principles regarding the provision of services, including both physical and virtual environments, are regulated by a Notification to be issued by the Central Bank.

Prohibitions on  
Confidentiality,  
News and  
Broadcasting

26. (1) Regardless of their titles and duties and/or whether they work at the relevant company, those who come to know the secrets of companies or their customers cannot reveal these secrets to anyone other than those who are explicitly authorized. The obligations of these persons shall continue after their titles and duties have ended.
- (2) Any matter that could affect trust in the financing system and/or companies and/or any company or cause damage to their reputation or wealth shall not be intentionally created or no false news shall be disseminated in this way and/or published in any way. All kinds of print, voice broadcasting as well as radio, television, video, internet, cablecasting or electronic information communication tools, social media, and similar broadcast media shall be reviewed within the framework of this Article.
- (3) Giving information and documents, which belong to the companies or their customers, shall not be considered as a disclosure of secrets, in the following cases:
- (A) Where it is required by law.

- 4/2008
- (B) Where it has a public disclosure duty.
  - (C) If the information and documents are given upon the official, written request of the TRNC Police Headquarters, in the scope of judicial investigation.
  - (Ç) The information and documents are disclosed during judicial proceedings or by court order,
  - (D) The information and documents are given to the authorised bodies under the scope of the Law on the Prevention of Laundering Crime Revenues.
  - (E) In the exchange of information and documents made through the Central Bank Risk Centre, provided that it is limited to the purposes of credit evaluation.
  - (F) If the real person declares their bankruptcy or the legal person customer is liquidated.

Identification and Documentation, and Suspicious Transaction Reporting

27. (1) Companies shall identify and document the identities of those who make transactions on their own or others' behalf for any services they directly offer or mediate.

(2) Under the rules of the effective legislation on the prevention of money laundering, companies shall report cash transactions and suspicious transactions exceeding the limitations to the Department of Exchange and Growth Fund. Legal action shall be taken against companies that are determined to have failed to do such reporting, during the audits, within the framework of the relevant legislation.

Authority to Issue Notifications on Activities and Obligations

28. Subjects of activity of companies, scopes, Risk Centre, identification, documentation, record keeping, computer records, funding sources of funds, limits of funding sources, usury, unauthorized activities, operating principles of companies, which are included in this Part of this Law and the procedures and principles on the liabilities regarding the implementation of the relevant rules shall be regulated by a Notification to be issued by the Central Bank.

## PART FIVE

### Supervision and Audit

Authority of Supervision and Audit

29. The supervision and audit activities regarding the implementation of this Law, other relevant legislative rules, and the Central Bank decisions by banks, and the transactions carried out by companies and the factors affecting the financial structure of companies and the risks they are exposed shall be conducted by the Central Bank.

Accounting System

30. Companies shall not carry out unrecorded transactions and complete the recognition process in a manner not conforming to their nature. Companies shall comply with the accounting standards and the chart of accounts as determined by the Central Bank and to keep the accounting records of all transactions accurately, on time, completely, and correctly.

Financial Reporting	31. The companies shall prepare their financial reports in a form and content that can meet the need to obtain information, in a complete, truthful, timely, comprehensible, comparable, and verifiable manner that is appropriate for audit, analysis, and interpretation, and to submit to the Central Bank at any time and on request.
Audit Requests from Abroad	<p>32. (1) Sharing the information and documents of the companies subject to this Law with parent companies established in foreign countries and/or the authorities responsible for the supervision and audit in foreign countries, and/or the audit of companies under the rules of this Law by the parent companies established in foreign countries and/or the authorities responsible for the supervision and audit in foreign countries shall be subject to the permission of the Central Bank.</p> <p>(2) The Central Bank is authorized to involve in all kinds of cooperation and exchange all kinds of information within the framework of the contracts to be drawn with the competent authorities of foreign countries.</p>
Independent Audit Firms and Real Estate Valuation Firms 62/2017 22/2020	<p>33. (1) Independent audit and real estate valuation operations of the companies shall be carried out by institutions authorized by the Central Bank, by institutions authorized by the Central Bank under the Banking Law of the Turkish Republic of Northern Cyprus, within the framework of the principles and procedures determined by the Central Bank.</p> <p>(2) Independent auditors are obliged to take into account the information system and operating processes of the companies to reflect the real financial positions of these companies and to exercise due professional care.</p> <p>(3) Independent auditors shall be responsible for damages to third parties if their reports are false.</p> <p>(4) The companies shall submit to the Central Bank a copy of their financial reports to be disclosed to the public, including the balance sheet, profit, and loss tables and footnotes, which have been audited by their independent auditor institution and approved by their General Assemblies.</p> <p>(5) Independent auditors are obliged to inform the Central Bank immediately if they detect any matter during their inspections that violates this Law and/or other legislation. This notice shall not imply a violation of professional confidentiality principles and contracts.</p> <p>(6) Individuals and/or institutions that have obtained the authorization for real estate valuation shall be responsible for damages to companies and/or third parties if their reports are false.</p>
Obligation to Provide Information and Documents	<p>34. (1) The Central Bank is authorized to request and/or examine all kinds of information and documents it deems necessary, even if confidential, regarding the implementation of the rules of this Law from companies, shareholders with qualified shares, independent audit institutions, public institutions, and organizations and other persons.</p> <p>(2) In accordance with paragraph (1) above, those who are required to provide information and/or documents are obliged to provide these</p>



and/or keep them available for review.

Liabilities of Audited Companies	35.	Companies shall provide all kinds of information and documents requested in a timely, complete, and direct manner during the audits carried out by the Central Bank, and to provide any support requested for audit purposes.
Preventive Regulations on Rates and Limitations	36.	<p>(1) Central Bank is authorised to ensure the implementation of this Law, rules of other legislation related to this Law and the decisions taken by the Central Bank, determine limits or ratios to monitor the risks that companies are exposed to and to take the necessary measures, differentiate liabilities, limits or ratios on a company basis if deemed necessary during the audit process.</p> <p>(2) The Central Bank is authorized to establish a more prudent rate or limit than the minimum or maximum rates and limits outlined in this Law for each company or activity subject or to change the periods of calculation and notification if it determines that there is a need during the audits. In case of reaching the thresholds concerning the limitations and ratios foreseen within this scope, or in case of exceeding, the company shall notify the Central Bank on the next day following the situation.</p>
Equity	37.	<p>(1) Equity of companies shall not fall below the minimum capital amounts specified in paragraph (3) of Article 6 of this Law. The measures to be applied to companies whose equities fall below the minimum capital shall be determined by the Central Bank.</p> <p>(2) Companies shall comply with all measures to be taken by the Central Bank, including the approval of the distribution of the profit for the protection and strengthening of equity, and provision for possible losses from annual profit.</p> <p>(3) Central Bank is authorized to decide whether the risks found to be taken in violation of the rules of this Law should be taken into consideration as a discount item in the equity account of the relevant company or to require additional equity as the same amount of these risks.</p>
Reserves	38.	<p>(1) (A) Companies shall set aside provisions for any incurred or probable losses related to all kinds of receivables arising from their transactions.</p> <p>(B) Central Bank shall issue a notification determining the procedures and principles regarding the relevant issues including the matters to be considered in the classification of loans and other receivables, non-performing loans and other receivables, general provisions, special provisions and rates, collaterals, considering collaterals in the calculation of special provisions, restructuring of loans and other receivables, reporting, valuation, exceptions, accounting, monitoring, and other receivables, various sectors and risk types, and including obligations related to this issue.</p> <p>(2) In accordance with this Article, special provisions allocated for non-performing loans are considered as an expense in the determination of the corporate tax base in the year that they are reserved.</p>

Authority to Issue Notifications on Supervision and Audit	39. Accounting system, chart of accounts and prospectus, accounting standards, information systems of companies covered in this Part of this Law, financial reports, accounts, tables, footnotes to be disclosed to the public, their form and time, periodic reports and the accounts they will contain, the qualifications of the accounts, their sub-arrangements, follow-up, format, notification time, the form of notification, preventive regulations, rules regarding equity, the procedures and principles regarding liabilities related to supervision and audit shall be regulated by a Notification to be issued by the Central Bank.
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## PART SIX

### Provisions on Contracts and Transactions

#### SECTION ONE

##### Provisions on Financial Leasing

Financial Leasing Contracts	<p>40. (1) Financial Leasing contract means the contract stipulating the process of transferring the possession of an asset that the lessor has purchased or otherwise obtained from a third party or the lessee himself/herself, or that he/she has previously owned, upon the request and choice of the lessee, to the lessee in exchange for a rental fee to provide all kinds of benefits.</p> <p>(2) All kinds of vehicles, construction machinery, and equipment, as well as other movable and immovable properties, may be subject to the contract. Intellectual property rights and industrial rights such as patents shall not be subject to this contract, except for duplicated copies of computer software.</p> <p>(3) All kinds of goods preserving their essential nature may be solely subject to a financial leasing contract, regardless of their integral parts or attachment qualifications.</p>
Purchase of the Asset Subject to the Financial Lease	41. The asset subject to financial leasing belongs to the lessor. However, the parties may decide in the contract that at the end of the contract period, the lessee will have the right to purchase the leased asset.
Rights and Obligations of Parties	<p>42. (1) The lessee is the possessor of the asset subject to financial leasing during the contract period and has the right to obtain all kinds of benefits in accordance with the purpose of the contract.</p> <p>(2) The lessee is obliged to use the asset subject to financial leasing carefully, in accordance with the conditions and provisions stipulated in the contract.</p> <p>(3) In case there are no provisions to the contrary in the contract, the lessee is responsible for the maintenance and protection of the good, and the maintenance and repair costs belong to the lessee.</p> <p>(4) It is obligatory to insure the leased asset. By whom the leased asset will be insured shall be shown in the contract.</p> <p>(5) The responsibility of damages and losses of the leased asset within the term of the contract shall belong to the lessee. This liability is limited to the unpaid part of the insurance amount paid and the excess shall be borne by the lessee.</p>

- (6) The lessor shall not be held responsible for the defective leased asset provided upon the choice and request of the lessee.

Failure to  
Deliver  
Possession of  
the Leased  
Asset to Lessee

43. If the lessor does not make a contract with the manufacturer or seller of the leased assets on time, or fails to make the necessary payment on time, or if the assets subject to financial leasing is not delivered to the lessee due to other reasons, the lessee may terminate the contract and demand compensation, as well as demand compensation for the loss arising from the failure to fulfil the contract on time and the specific performance of the contract.

However, situations within the scope of force majeure that may be beyond the control of the lessor shall be an exception. This article describes an unpredictable and unavoidable event such as force majeure, natural disaster, dangerous epidemic disease, state of war, and also covers other situations that the parties will agree on in contracts to be made in accordance with this Law.

Transfer of  
Possession and  
The Title of  
Lessee

44. (1) The lessee may transfer his/her lessee title or his/her rights and responsibilities arising from the contract on condition to obtain the written permission of the lessor. The change of lessee made on the financial leasing contract due to this transfer shall be registered or annotated within the framework of Article 60 of this Law

(2) In financial leasing transactions, the lessee may transfer the possession of the asset subject to the financial leasing to another person, provided that there is a relevant provision in the contract.

Transfer of  
Ownership

45. Unless otherwise agreed in the contract, the lessor shall not transfer the ownership of the leased asset to a third party. If this authority is recognized in the contract, the rules regarding the transfer shall be determined by the Central Bank.

Bankruptcy or  
Enforcement  
Proceedings of  
the Lessee or  
Lessor

46. (1) In the event of the lessee's bankruptcy or liquidation, the assets leased through financial leasing cannot be restrained, seized against debts, confiscated or no executive proceedings are conducted against the lessee.

(2) In case of the liquidation of the lessor, the contract shall remain to be valid until the end of the determined term.

(3) In case executive proceedings are conducted against the lessor through compulsory execution, the assets subject to financial leasing shall not be confiscated during the term of the contract.

Termination of  
the Contract

47. (1) Unless otherwise specified in the contract, the contract shall be terminated automatically in case of the expiration of the contract period, bankruptcy, liquidation, death, or loss of capacity of the lessee.

(2) If the lessee declares bankruptcy or goes into liquidation or liquidates the business to which the financial leasing subject is allocated without going into liquidation, the contract may be terminated before its expiration date, upon the request of the lessee, if there is no contrary rule in the contract.

(3) Each party of the contract may request the extension of the contract with existing or new conditions, on condition to declare at least three

months before the termination of the contract. The extension of the contract shall depend on the mutual agreement of the parties.

- (4) The lessee, who does not use the contractual right to purchase or does not have this right, shall return the asset subject to the financial lease on the expiration date of the contract.

Violation of the Contract

48. (1) The lessor shall give a thirty-day period to the lessee who has failed to make the financial lease payment in due time. The lessor may terminate the contract if this payment is not made within the thirty-day period given.  
However, in case it was decided in the contract that at the end of the term the possession will pass to the lessee, this term cannot be less than sixty days.
- (2) In case one of the parties violates the contract, and where it is not expected that the other party to continue the contract because of this violation, the contract may be terminated.
- (3) In disputes between the lessee and the lessor regarding the financial leasing contract, in case the asset subject to the financial leasing is handed over to the lessor or a third party by taking a precautionary injunction by the court, the lessor can hold on to the asset by depositing a collateral equal to the fair value of the asset.  
However, if the court decides that the termination of the contract is unfair, the lessor is obliged to compensate the damage of the lessee.

Consequences of the Termination of the Contract

49. If the contract is terminated by the lessee or the lessor, the lessee shall return the leased asset, and the injured party, if any, may demand compensation for the damage from the other party.

Authority to Issue Notifications on Financial Leasing Transactions

50. The minimum factors that should be included in the financial leasing contract, including the supporting documents, statements, and commitments regarding the assets within the scope of the financial leasing contract, the rules to be followed in the process of the credit to be extended by the company, all elements, including credit types, terms, collaterals, and procedures and principles regarding financial leasing shall be regulated by a Notification to be issued by the Central Bank in accordance with the principles of contract law and legal legislation.

Incentive

47/2000  
46/2002  
44/2003  
3/2004  
13/2014  
26/2014

51. (1) If all or a part of the investments linked to the incentive certificate are concluded through financial leasing, the lessor benefits from the incentives specified in the incentive certificate of the lessee and which are entitled to be used by the lessee in case of purchase, within the framework of the principles to be determined in accordance with the Incentive Law.
- (2) The rights acquired under the Incentive Law during the contract period shall be reserved.
- (3) In case the contract is terminated or expired and the lessee does not have the right to own the leased asset at the end of the contract period, the incentives specified in the incentive certificate expire and

the financial liabilities that will arise shall be borne by the lessor.

Exemption  
from Stamp  
Tax

19/1963  
29/1970  
12/1972  
2/1973  
17/1973  
37/1977  
27/1980  
12/1987  
42/1987  
25/1991  
39/1995  
11/2006

52. The issuance and registration of a financial leasing contract for commercial and investment movable properties is exempt from the stamp tax to be charged pursuant to the Stamp Law.

SECTION TWO  
Provisions on Factoring

Factoring  
Contract

53. (1) Factoring contract is a contract made between the factoring company and the seller for the purpose of appropriating and undertaking the collection of the receivables arising from the sale of goods or services that can be certificated, within the framework of the procedures and principles determined by the Central Bank and to provide financing by making payments in return for these receivables.
- (2) Receivables arising from movable and immovable properties may be the subject of the contract.

Transfer of  
Receivables

54. The factoring company may transfer the receivables that it has appropriated from the seller to another factoring company, in a durable environment or by making a written notification to the seller, if stipulated in the contract.

Obligations  
Regarding  
Invoices and  
Additional  
Collaterals

55. (1) The factoring company cannot take over or undertake the collection of receivables arising from the sale of a good or service that cannot be authenticated with an invoice, even if it is based on a policy, and receivables arising from the sale of goods or services that cannot be authenticated within the framework of the procedures and principles determined by the Central Bank.
- (2) Total amount of partial assignments made to more than one factoring companies based on the same invoice cannot exceed the amount of the invoice.
- (3) Before financing is provided through the factoring transaction, the company is obliged to provide intelligence about the invoices and/or other information and documents submitted by the seller, and to check that these invoices are not duplicates.
- (4) Factoring companies shall take a guarantee from the seller that they will be notified of the cancellation if the invoices they have received are cancelled, and that if new invoices are issued instead of the cancelled invoices, new invoices will be presented to them and that

- they will not assign them in a way that exceeds the invoice amount.
- (5) If it is determined that the invoice subject to the appropriated receivable has been cancelled or this situation notified by the seller, factoring companies shall initiate legal proceedings within one month from the date of notification for the collection of the receivable.
  - (6) Persons who sell their receivables cannot assign the rights and receivables that they have assigned to the factoring company to anyone else and cannot collect them on their own behalf.
  - (7) In order to request the payment of the policies that are not related to the invoice and received as additional collateral from the seller;
    - (A) The appropriated receivable is not paid on time and considered non-performing,
    - (B) In the transaction and accounting records of the factoring company, it should be recorded that the policy was taken against the collateral of the related debt.

Authority to Issue Notifications on Factoring Transactions	56. Minimum elements that should be included in the factoring contract, including the procedures and principles regarding the certification of the receivables that may be the subject of factoring transactions, cancellation of the invoice, declarations and commitments, the rules to be followed in the process of the credit to be extended by the company, all elements, including credit types, terms, collaterals, and procedures and principles regarding factoring operations shall be regulated by a Notification to be issued by the Central Bank in accordance with the principles of contract law and legal legislation.
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### SECTION THREE

#### Provisions on Financing

Financing Contract	57. (1) A financing contract is a contract that provides for the purchase of goods or services to be credited by the financing company by making a payment directly to the seller, together with the delivery or supply of the goods or services, on behalf of the person purchasing the goods or services. Loan repayments are made by the borrower to the financing company in exchange for the relevant goods or services.  (2) Movable and immovable assets may be the subject to the contract.
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Authority to Issue Notifications on Financing Transactions	58. The minimum elements of the financing transactions contract regarding the supply of assets and services, the rules to be followed in the process of the credit to be extended by the company, all elements including credit types, maturity dates, collaterals, and procedures and principles regarding financing transactions shall be regulated by a Notification to be issued by the Central Bank in accordance with the principles of contracts law and legal legislation.
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### SECTION FOUR

## Other Provisions

Limits and  
Conditions for  
Transactions  
Subject to  
Activity Under  
the Law

62/2017  
22/2020

59. (1) Total amount of the companies' transactions subject to its operations, shall not exceed thirty times the company's equity. However, the circumstances under which this amount may be exceeded shall be determined by a notification to be issued by the Central Bank.
- (2) The amount of transactions that companies will carry out with their own risk group cannot exceed 20% (twenty percent) of the company's equity.
- (A) A real person and his/her spouse and children regardless of they have attained majority, the undertakings where they are the board members or general manager or the undertakings which they or a legal person control or participate jointly or separately, directly or indirectly, shall constitute a risk group.
- (B) A company and this company's qualified shareholders, board members and general manager, and the partnerships or corporations controlled by them directly or indirectly, jointly or separately, or participated by them or served by them as a board member or as general manager constitute the risk group of that company.
- (C) For the implementation of the subparagraphs (A) and (B) above, persons, who have guarantee, surety or similar relationships, which may cause one's difficulty of payment as a result of other's difficulty of payment, shall be included in the relevant risk groups.
- (3) All capital increases are subject to the approval of the Central Bank. Capital increases shall be paid in cash, free from any collusion. Unapproved increases are not taken into consideration in the equity account.
- (4) Companies may transfer their receivables to asset management companies established in accordance with the provisions of the Banking Law of the Turkish Republic of Northern Cyprus, provided that it is stipulated in the contract.
- (5) The definitions, limits, conditions and obligations regarding the implementation of the rules to be applied in the transactions that are the subject of activity of the companies within the scope of this Law, the exceptions, if any, and the procedures and principles regarding the liabilities regarding the companies are regulated by a Notification to be issued by the Central Bank.

Form and  
Registration of  
the Contracts  
Chapter 149  
6/1959  
21/1989

60. (1) Contracts shall be drawn up in accordance with the provisions of this Law and the Contracts Law. Contracts shall be made in writing and in the presence of two witnesses who have legal capacity to enter a contract.
- (2) In financial leasing contracts, contracts regarding immovable properties shall be registered to the section of annotations in the book of land registers in which the immovable is located and the contracts concerning movable assets having their own unique special register shall be registered and annotated to the register in

which these assets are registered.

Implementation of Other Laws Chapter 149 6/1959 21/1989	61. Regarding contracts, in cases where there is no rule in the notifications issued in accordance with this Law and other legal legislations, the rules in the Contracts Law are applied to the extent that they comply with the structure of the contract.
Interest Rates in the Contracts	62. Companies shall notify the Central Bank of the interest rates they apply within the framework of the principles and procedures to be determined by the Central Bank. The Central Bank may announce the interest rates used in the market.

## PART SEVEN

### Revocation of Operating License and Provisions on Liquidation

Revocation of Operating License	<p>63. Operating license of a company shall be revoked by a vote of at least four members of the executive board of the Central Bank in the following cases:</p> <ol style="list-style-type: none"><li>(1) It is determined that the persons who directly or indirectly own 50% or more of the company's shares who do not meet the conditions set out in paragraph (1) of Article 5 of this Law or, or these conditions are no longer met, the partnership structure has not been changed within six months to become in compliance with this Law.</li><li>(2) The operations are not commenced within three months from the date of obtaining the operating license.</li><li>(3) Their activities have been discontinued continuously for one year.</li><li>(4) Merging with another company and/or being transferred to another company and/or terminating its activities voluntarily.</li><li>(5) Failure to pay the operating fee on time in accordance with the rules of this Law.</li><li>(6) As a result of supervision and audit activities,<ol style="list-style-type: none"><li>(A) (a) Equity falling below the minimum capital stipulated in Article 6 of this Law, or</li><li>(b) Exceeding the rates specified in Article 59 of this Law or violating other obligations, limits, and rates,</li></ol></li><li>(B) Failing to make the reporting requested by the Central Bank, making incomplete, delayed, or faulty reporting, or the existence of any matter, attempt or attitude that prevents supervision and audit, believing that incomplete and/or erroneous information or documents have been submitted to falsify or mislead the Central Bank regarding the activities or financial structure of the company, providing false, incomplete or misleading information to the Central Bank or causing any issue that prevents supervision and audit.</li><li>(C) The transfer of shares subject to permission in accordance with the provisions of this Law has been carried out without the permission of the Central Bank,</li><li>(Ç) Transactions contrary to this Law and other relevant legislation, and/or the decisions taken by the Central Bank,</li></ol>
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- (D) Continuation of the violation and/or failure to eliminate the violation despite three administrative penalties on the same issue due to violation of this Law,
- (E) Performing any of the activities prohibited by this Law and/or performing unauthorized activities other than the field of activity,

Detecting the issues specified above and determining that the required measures are not taken within the given period, or the problems cannot be resolved despite the measures taken, or if similar problems recur, or even if measures are taken, no results can be obtained, despite the Central Bank's request from the company's board of directors to take and implement the measures it deems necessary and to eliminate the contradictions within the period determined by the Central Bank, not exceeding six months.

Termination of Activities	64. Companies whose operating licenses have been revoked shall immediately cease their operations and convene their general assemblies within three months from the date their operating licenses are revoked, and make a decision to change the company's subject and title or to initiate liquidation procedures.
Authority to Issue Notification on Restriction, Revocation of the Operation License, and Termination of the Operations	65. The procedures and principles regarding the restriction of the activities of the companies, the revocation of their operating licenses, and the termination of their activities set out in this Part of this Law, shall be regulated by a Notification to be issued by the Central Bank.

## PART EIGHT

### Administrative Fines, and Offences and Penalties

Authority and Method of Setting Administrative Fines	66. (1) The administrative fines in this Law shall be imposed by the Central Bank and notified to the parties in writing. (2) Central Bank shall request a written defence from the concerned party in case of a violation of this Law. This defence shall be given in writing to the Central Bank within one month from the date of the notification. (3) If the defence is not submitted within the period specified in paragraph (2) above, the relevant party shall be deemed to waive its right of defence. (4) (A) If the submitted written defence was not deemed sufficient or the written defence is not submitted within the specified period, the company, relevant real or legal persons shall be imposed an administrative fine in accordance with the rules of this Law. (B) The administrative fines imposed by the Central Bank shall be notified to the related party by giving justification.
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Administrative  
Fines

67. (1) Companies, real and legal persons violating the rules of the following Articles, shall be fined fifty times the monthly minimum wage:

- (A) Article 9,
- (B) Article 10,
- (C) Article 11,
- (Ç) Article 12,
- (D) Article 15,
- (E) Article 16,
- (F) Article 17,
- (G) Article 18,
- (H) Article 20,
- (I) Article 21,
- (İ) Article 25,
- (J) Article 27,
- (K) Article 30,
- (L) Article 31,
- (M) Article 32,
- (N) Article 33
- (O) Article 36,
- (Ö) Article 37,
- (P) Article 38,
- (R) Article 54,
- (S) Article 55,
- (Ş) Article 59,
- (T) Article 60,
- (U) Article 62,

(2) In case of failure to comply with the notifications, decisions and other regulations issued by the Central Bank under this Law, an administrative fine of fifty times the minimum monthly wage shall be imposed on the related companies, real or legal persons.

(3) Administrative fines imposed in accordance with the procedure specified in this Law shall be paid within 1 (one) month following the notification date. The administrative fines not paid within the period shall be considered as public receivables and collected in accordance with the Law on Procedures of Collection of Public Receivables.

48/1977  
28/1985  
31/1988  
31/1991  
23/1997  
54/1999  
35/2005  
59/2010  
13/2017

(4) The right of companies and other relevant persons to resort to the jurisdiction is reserved for the administrative fines imposed in accordance with the rules of this Article.

(5) An administrative fine, which is foreseen to be imposed and/or an imposed administrative fine in accordance with the rules laid down in this Article shall not remove the criminal liability arising from a violation defined as a crime under this Law or any other Law.

- (6) The Central Bank is authorized to apply all kinds of administrative sanctions that it deems appropriate, separately or jointly, including the revocation of the operating licenses of the companies, provided that the administrative fines and/or penalty rules stipulated in this Law shall be reserved.

Offences  
Penalties

- and 68. (1) (A) A person who violates the rules of this Law by engaging in financial leasing or factoring activities or providing financing for the supply of goods and services, and/or creating the impression that these activities are carried out and/or operating by opening branches, representative offices and/or similar organizational structures without a license, or engaging in usury or collecting funds, and the company's manager who instructed the unlawful act shall be considered to have committed a crime and, and in case of conviction, may be sentenced with a fine up to five hundred times the monthly minimum wage or up to ten years of imprisonment or both. In addition, the court may decide that all kinds of documents, announcements, and advertisements used for the execution of these activities to be seized and suspended, and if these activities are carried out within a workplace the court may decide the temporary or permanent closure of this workplace, as well as the opening of a criminal proceeding. The profits obtained in this way shall be confiscated and recorded as income in the Treasury.
- However, before the official authorities learn about the status of persons engaged in the above-mentioned activities, usury or collection of funds, and before any investigation is initiated in this regard, no penal action will be taken in accordance with this Law or any legislation, against the person who reports this situation to the police or the Attorney General's office or informs them of the situation, regardless of whether he/she is a party to the issue.
- (B) In case a person violates this Law by disclosing secrets belonging to companies or their customers, and the company's manager who instructed the unlawful act shall be considered to have committed a crime and, and in case of conviction, may be sentenced with a fine up to fifty times the monthly minimum wage or up to five years of imprisonment or both.
- (C) A person who violates this law by deliberately causing an issue that may damage the financial system and/or companies and/or any company or harming their reputation or wealth, or spreading false news in this way, and the company's manager who instructed the unlawful act shall be considered to have committed a crime and, and in case of conviction, may be sentenced with a fine up to fifty times the monthly minimum wage or up to five years of imprisonment or both.
- (Ç) In case a person violates this Law by leaving company

transactions unrecorded, accounting these transactions in a way that does not correspond to their real qualifications, and the company's manager who instructed the unlawful act shall be considered to have committed a crime and, and in case of conviction, may be sentenced with a fine up to fifty times the monthly minimum wage or up to three years of imprisonment or both.

- (D) In violation of this Law, a person who does not provide the information and documents requested for audit purposes or prevents the fulfilment of the audit task, and the company's manager who instructed the unlawful act shall be considered to have committed a crime and in case of conviction, may be sentenced with a fine of up to fifty times the monthly minimum wage or up to three years of imprisonment or both.
- (E) In case that the companies make false statements in the documents they issue or publish to the Central Bank, other relevant authorities, or the auditors, the person and the company's manager who instructed the unlawful act shall be considered to have committed a crime and in case of conviction, shall be sentenced with a fine of up to sixty times the monthly minimum wage or up to three years of imprisonment or both.
- (F) Persons who provide benefits through decisions and transactions contrary to the provisions of this Law or other relevant legislation and decisions of the Central Bank, and the company's manager who instructed the unlawful act shall be considered to have committed a crime and may be sentenced with a fine up to one hundred times the monthly minimum wage or up to five years of imprisonment or both.
- (G) A person who violates Article 64 of this Law, and the company's manager who instructed the unlawful act shall be considered to have committed a crime and, and in case of conviction, may be sentenced with a fine up to sixty times the monthly minimum wage or up to three years of imprisonment or both.
- (Ğ) A person who embezzle money or documents or notes or other goods that substitute money, which he/she is liable to protect and watch as a matter of his duty, to himself/herself or other persons, and the company's manager who instructed the unlawful act shall be considered to have committed a crime and in case of conviction, may be sentenced with a fine of up to two hundred times the monthly minimum wage or up to ten years of imprisonment or both.
- (H) Persons who do not fulfil and/or continue not to fulfil their obligations on purpose, despite the administrative fines imposed in accordance with this Law, shall be considered to have committed a crime and in case of conviction, may be sentenced with a fine of up to eighty times the monthly minimum wage or up to seven years of imprisonment or both.

Chapter 154

3/1962  
43/1963  
15/1972  
20/1974  
31/1975  
6/1983  
22/1989  
64/1989  
11/1997  
20/2004  
41/2007  
20/2014  
45/2014

- (I) A person who assigns a receivable above the total invoice amount and persons who assign these rights and receivables to another person or collect them on their own behalf, despite the fact that they have assigned their rights and receivables to the factoring company, shall be considered to have committed a crime and in case of conviction, may be sentenced with a fine of up to fifty times the monthly minimum wage or up to five years of imprisonment or both.
- (2) (A) If the act or acts that constitute a criminal offense under this Law require a penalty under other laws, it shall not prevent the proceedings under the relevant laws.
- (B) The articles which require the liability of the Criminal Procedure Law shall be reserved.

PART NINE

Transitional Provisions

Transitional  
Article  
Status of  
Existing  
Financial  
Leasing and  
Factoring  
Companies

45/2007  
6/2011

52/2007

- 1. (1) Financial leasing and factoring companies operating under the Financial Leasing Law and the Factoring Law before the effective date of this Law shall bring their situation in compliance with this Law, excluding capital, within six months from the effective date of this Law. The operating licenses of companies that do not fulfil this obligation shall be revoked by the Central Bank.
- (2) Among the companies mentioned in paragraph (1) above, those whose equity is below the capital amount stipulated in paragraph (3) of Article 6 of this Law shall complete the missing amount within two years, with a minimum of ½ in the first year from the effective date of this Law. The operating licenses of companies that do not fulfil this obligation shall be revoked by the Central Bank.
- (3) Among the persons working as general manager or assistant general manager in the companies mentioned in paragraph (1) above, those who have at least five years of experience in the field of finance but do not have the education stipulated in this Law, and those who have the necessary education but have at least two years of

experience in the field of finance, shall continue their duties.

- (4) On the effective date of this Law, to ensure that those who work as a member of the board of directors in companies mentioned in paragraph (1) above become in compliance with the rules of paragraph (3) of Article 16 of this Law, companies are given five years from the effective date of this Law.

Transitional  
Article  
Provisions on  
Transactions  
Deemed  
Usury

2. Before the effective date of this Law, persons who made transactions deemed usury under Article 22 of this Law cannot engage in any lending activity, except for the collection of their receivables arising from their existing contracts. However, the restructuring of existing contracts within one year from the effective date of this Law, for once and without additional financing, is not within the scope of this prohibition. The restructuring period may never exceed two years. It is obligatory to collect the receivables arising from existing contracts at the end of the contract period in fixed-term contracts, within two years at the most for indefinite-term contracts, and/or it is obligatory to carry out legal debt collection procedures for uncollectible receivables.

Transitional  
Article  
  
Status of  
Persons  
Carrying out  
Activities  
Prohibited by  
This Law  
Before the  
Effective Date  
of This Law

3. (1) Persons who carried out transactions deemed usury under this Law before the effective date of this Law, shall apply to the Central Bank to continue their activities as a financing company, provided that they meet the conditions in Article 5 and Article 6 of this Law, within three months from the effective date of this Law. Among the companies mentioned in this paragraph, those whose equity is below the capital amount stipulated in paragraph (3) of Article 6 of this Law shall complete the missing amount within two years, with a minimum of  $\frac{1}{2}$  in the first year from the effective date of this Law. The operating licenses of companies that do not fulfil this obligation shall be revoked by the Central Bank.
- (2) Those who do not apply to the Central Bank to continue their activities as financing companies and those who do not obtain permission from the Central Bank despite applying shall correct the matters in their articles of association, statutes, and titles that are contrary to this Law or to decide for voluntary liquidation within six months following the effective date of this Law. These shall inform the Central Bank regarding their current transactions in accordance with the procedures and principles to be determined by the Central Bank.
- (3) Among the persons working as general manager or assistant general manager in the companies of which applications are approved by the Central Bank, those who have at least five years of experience in the field of finance but do not have the education stipulated in this Law, and those who have the necessary education but have at least two years of experience in the field of finance, shall continue their duties.
- (4) In order to ensure that those who work as a member of the board of directors in companies whose applications are approved by the Central Bank become in compliance with the rules of paragraph (3) of Article 16 of this Law, companies are given five years from the effective date of this Law.

Transitional Article Liability for Past Transactions	4. Within one month from the effective date of this Law, information and documents about financial leasing and factoring companies that are still active shall be transferred to the Central Bank, as an annex of a report to be prepared by the Ministry to which the Official Collection Office and Registry Department is affiliated, and the Ministry authorized to audit financial leasing and factoring companies.
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Transitional Article Penalty Related to Transitional Article 2	5. Persons and managers of companies who violate the provisions of Transitional Article 2 of this Law shall be considered to have committed a crime and in case of conviction, may be sentenced with a fine of up to five hundred times the monthly minimum wage or up to ten years of imprisonment or both.
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PART TEN  
Final Provisions

Repeal and Enforcement 72/1962  45/2007 6/2011  52/2007	<p>69. (1) Upon the effective date of this law, “Law Establishing Provisions on Persons Doing Business as Money Lenders”, “Financial Leasing Law” and “Factoring Law” shall be repealed without prejudice to the transactions which have been carried out under this Law or the transactions which have been started but have not been completed as of the effective date of this Law.</p> <p>(2) The rules of the legislation that are not contrary to this Law and enacted under the “Law Establishing Provisions on Persons Doing Business as Money Lenders”, “Financial Leasing Law” and “Factoring Law”, which are repealed by this Law shall remain effective until new legislations are made under this Law.</p>
Executive Power	70. This Law shall be executed by the Ministry, to which the Department of Exchange and Growth Fund is affiliated.
Effective Date	71. Paragraph (3) of Article 22, Transitional Article 2, and Transitional Article 5 of this Law shall become effective upon the date of publication of this Law in the Official Gazette, and the other articles shall become upon January 1, 2021.