

LAW ON FINANCIAL LEASING, FACTORING, AND FINANCING COMPANIES AND THE PREVENTION OF USURY (Law No. 43/2020)		
Notification under Articles 5, 6, 7, 8, 9, 10, 11, 14, 16, 17, 18, 19, 25, 30, 33, 37, 38 and 39		
Central Bank of the Turkish Republic of Northern Cyprus issues the following Notification based on the authority granted by Articles 5, 6, 7, 8, 9, 10, 11, 14, 16, 17, 18, 19, 25, 30, 33, 37, 38 and 39 of the Law on Financial Leasing, Factoring and Financing Companies and the Prevention of Usury No. 43/2020.		
Short Title	1.	This Notification may be cited as the “Notification on Financial Leasing, Factoring and Financing Companies and the Prevention of Usury”.
PART ONE		
General Provisions		
Definitions	2.	In this Notification, unless the text otherwise requires;
62/2017		“Bank” means the banks operating under the Banking Law of the Turkish Republic of Northern Cyprus.
		"Fund" means the Savings Deposit Insurance and Financial Stability Fund.
62/2017		“Financial Institution” means the institutions operating in the financial sector 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 natural or legal persons.
		“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 minimum 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 Shareholders” means the direct or indirect possession of more than 10% (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 in its management, even if they are below this rate.

		“Equity” means the amount obtained by deducting the period 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.	
		“Registrar of Companies” means the Turkish Republic of Northern Cyprus Official Collecting Office and Registry Department.	
		“Branch” means any kind of business, which constitutes a dependent part of companies and carries out the whole or part of its activities autonomously.	
		“Senior Managers” means the general manager and assistant general managers or the persons performing equivalent executive duties.	
		“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.	
43/2020		“Law” means the Law on Financial Leasing, Factoring and Financing Companies, and the Prevention of Usury.	
Aim	3.	The aim of this Notification is to regulate the principles and procedures regarding the operations of the companies subject to permission including the establishment permit and operating license of companies, their corporate management, accounting system, and financial reports, provisions, and customer rights.	
Scope	4.	Companies operating in the Turkish Republic of Northern Cyprus shall be within the scope of this Notification.	
PART TWO			
General Provisions			
Documents Submitted to the Central Bank	5.	(1)	The applications for license and/or permit made to the Central Bank must be fully completed to be taken into consideration.
		(2)	In the application process, the documents issued abroad must be equivalent to the documents stipulated in the legislation of our country.

		(3)	If any document to be obtained from abroad cannot be obtained due to the absence of a registration authority or system in the relevant country, it is obligatory to authenticate this situation with a document to be obtained from the competent authorities of the relevant country and to submit these documents to the Central Bank. In cases where this authentication cannot be completed, it is obligatory to make a written statement.
		(4)	The language of the application documents to be submitted to the Central Bank shall be Turkish. It is obligatory to attach the certified and/or certified translations of documents issued in a language other than Turkish. Documents issued abroad must be certified by the competent authorities in our country.
		(5)	The Central Bank may exempt some documents from the provisions of this article if it deems necessary.
Validity of Permits and Additional Information and Documents	6.	(1)	In cases where there is no contrary provision in the law or unless it is determined exclusively by the Central Bank, permit are valid for six months starting from the date of issue. Permits, which are not used within this period are automatically terminated without the need for an exclusive decision.
		(2)	The Central Bank is authorized to request any additional information and documents it deems necessary when applying for a permit.
		(3)	The original power of attorney must be submitted for operations made by proxy.
<b>PART THREE</b>			
Establishment of Company, Operating License, Acquisition, and Transfer of Shares			
Legal Structure	7.	(1)	The companies shall be established as a public limited company, and they can't carry out and/or give the impression of carrying out an activity other than the field of activity for which they are licensed.
		(2)	Company titles shall be determined in a way that does not evoke the name of a bank or financial institution established in the country or abroad.

Application for Establishment Permit	8.	(1)	The following documents must be attached to the application form submitted to the Central Bank for obtaining the establishment permit of the company:	
			(A)	The declaration in ANNEX-1 to be filled out and signed by the founders, stating that they do not have any non-performing loans and/or they are not dishonoured cheque issuers,
			(B)	Criminal record, including the archive record, dated no later than three months, of legal person founders and real person shareholders holding qualified shares, obtained from the TRNC Police Headquarters and/or the relevant authorities of the other countries where they are citizens and/or resident and/or have worked in the last three months,
			(C)	Documents proving that the founders and the qualified shareholders of the legal person founders have not declared pre-arranged bankruptcy or declared bankruptcy, and documents to be obtained from the competent authorities, which prove that they have not been liquidated, except for the voluntary liquidation of the financial institutions in which they are shareholders,
			(Ç)	Documents proving that the founders and the qualified shareholders of the legal person founders don't directly or indirectly own 10% (ten percent) or more of a share or hold control in banks whose management and control has been transferred to the Fund, on the date of the transfer, or in financial institutions whose operating licenses have been revoked,

			(D)	Evaluation forms, which can be obtained from the website of the Central Bank, filled out, signed, and signature-certified by the qualified shareholders of the founders and legal person founders,
			(E)	Letter of undertaking in ANNEX-2 signed by the founders who will have qualified shares in the capital after filling out with information on how to obtain the necessary resource, and that they have provided this amount free of any collusion as a result of their commercial, industrial, and other legal activities.
			(F)	Lists to be obtained from the authorized registration authorities of the legal person founders, including the shareholders, share ratios and amounts and, privileged shares if any,
			(G)	Founders' income and/or corporate tax returns for the last three years approved by the tax offices, and their annexes,
			(H)	Real estate declarations approved by the relevant units of the municipalities or the relevant units of the tax office regarding the real estate owned by the founders who will have qualified shares in the capital and the land registration records of these real estates to be obtained from the land registry offices as well as the document showing the annotations and limitations,
			(I)	Documents regarding the deposit and loan accounts of the founders who will have qualified shares in the capital, each bearing the same date, including the opening dates of the accounts, to be issued by the relevant domestic and foreign banks addressed to the Central Bank,
			(i)	A report to be issued by any of the independent audit institutions authorized by the Central Bank on the financial status of the founders who will have qualified shares in the capital,

			(J)	If legal person founders are a financial institution established abroad and/or the natural person founders with qualified shares are shareholders in a financial institution established abroad, a report containing detailed information and documents about the activities specified in the principal agreement of the relevant financial institution, its organizational structure, the organizational structure in the country where it is established and in other countries, its activities in international financial markets, and the credit ratings given by rating companies, if any,
			(K)	The financial reports of the founding legal persons and, if any, the consolidated financial reports of the subsidiaries of the founding legal persons, which are approved by independent audit institutions, and contain the balance sheet and profit and loss statements for the last three years, as well as detailed explanations about their fields of activity, investment and operating areas,
			(L)	Up-to-date documents to be obtained from the competent authorities stating that the founders and the qualified shareholders of the legal person founders do not have unpaid tax, social insurance, or provident fund premium debts,
			(M)	Detailed resumes of natural person qualified shareholders of the legal person founders, including information on whether they have worked in a financial institution,

			(N)	If the founders are legal persons established in countries other than the Turkish Republic of Northern Cyprus and/or natural persons who are citizens of countries other than the Turkish Republic of Northern Cyprus, a document to be obtained from any of the independent audit institutions authorized to audit bank in that country, stating that they are eligible to be the founders of companies and banks under the legislation of the country of residence or citizenship,
			(O)	If the legal person founders are a financial institution subject to audit by another competent audit authority other than the Central Bank, a document obtained from the authorized audit authority containing a positive opinion that there are no restrictions on their activities and that they can become shareholders in the company to be established,
			(Ö)	Approved decisions taken by the authorized boards of the founding legal persons on becoming a shareholder in the company to be established
			(P)	The company's draft principal agreement and statute signed by the envisaged shareholders,
			(R)	The three-year activity program, which analyses the expected benefit from the establishment of the company, specifies the activities to be done, shows the structural and institutional organization of the company with the business plans including how internal audit, internal control, and risk management will be carried out, includes detailed information about the financial structure of the organization, and the legal responsibilities,
			(S)	If determined, detailed resumes of the managers to be appointed in the senior management of the company, including information on whether they have worked in a financial institution,

		(2)	In the event of an amendment in the information and/or documents submitted to the Central Bank following the application, this amendment shall be notified in writing to the Central Bank within one week.
		(3)	In case it is detected that misstatements and/or false and/or misleading and/or incomplete information are included in the information and/or documents given to the Central Bank, without prejudice to the right of criminal investigation, the applicant's application shall be rejected as it is deemed that they do not have the "reputation and competence required by the job" within the scope of subparagraph (Ç) of paragraph (1) of Article 5 of the Law. If this determination is made after the license is granted, the license shall become invalid.
62/2017		(4)	If the application for the establishment permit is approved by the Central Bank, the Central Bank shall request from the applying company to submit the documents showing that the envisaged capital amount has been blocked in a bank and a bank letter addressed to the Central Bank. The Central Bank shall finalize the licensing process within seven business days following the submission of the letter indicating the blocked funds, and notify the relevant company that the blocked funds can be released.
Operating License	9.	(1)	In order to obtain an operating license, an application must be made to the Central Bank along with the signed declaration in Annex-3, within three months following the publication of the Central Bank's Executive Board decision on granting the establishment permit in the Official Gazette.
		(2)	The Central Bank shall review whether the capital of the applying company is paid in cash, free from any collusion, whether the company's technical equipment and personnel adequacy, senior management and senior managers comply with the requirements of the Law, and whether regulations have been made to ensure that their activities comply with the corporate governance principles. Following the review, those who are deemed appropriate are granted an operating license by the Central Bank's Executive Board, and the decision to grant an operating license is published in the Official Gazette.

			The establishment licenses of companies that are not deemed appropriate to be granted operating licenses by the Central Bank Executive Board are revoked and this decision is published in the Official Gazette.
Acquisition and Transfer of Shares	10.	(1)	An application must be submitted to the Central Bank, along with a copy of the contract signed for the acquisition and transfer of qualified shares of companies, as well as the documents specified in paragraph (1) of Article 8 of this Notification, excluding subparagraphs (P), (R) and (S).
		(2)	For license requests by a person who is already a qualified shareholder within the scope of subparagraph (A) of paragraph (2) of Article 10 of the Law, the documents specified in subparagraphs (A), (B), (C), (Ç), (D), (E), (F) and (G) of paragraph (1) of Article 8 of the Notification must be attached to their application to be made to the Central Bank.
		(3)	The natural persons appointed to control or protect or represent or ratify the shares held by qualified shareholders must have the qualifications sought for founding shareholders as long as they serve as trustees or testamentary executors or representatives.
		(4)	The company's board of directors is obliged to take measures to determine whether the participants in the company's general assembly meetings have obtained permission from the Central Bank for shareholding and voting rights within the framework of the obligations stipulated in Article 10 of the Law.
<b>PART FOUR</b>			
Opening Branches in the TRNC or Abroad			
Application for Opening a Branch	11.	(1)	The opening of branches by companies is subject to the permission of the Central Bank. Permit applications shall be made to the Central Bank, along with a report including the detailed reasons.
		(2)	If the companies applying for the permit have carried out transactions contrary to the Law and/or the effective relevant legislation and/or the decisions taken by the Central Bank, their applications shall not be processed.

General Rules Regarding Branches	12.	(1)	The laws and practices of the country in which the companies plan to open branches abroad shall not have any obstacles regarding the Central Bank's obtaining the required information and documents within the scope of its audit and supervision activities and conducting audits at the relevant branch.
		(2)	Except for the name, title, logo of the company and an expression stating that it is a branch, no other name, title or logo can be used in the names, titles, signboards, advertisements, and billboards to be used in the branches of the companies to be opened in the TRNC or abroad.
		(3)	It is not necessary to apply in advance for branch transfers, renaming, merging, or closing branches within the same district. However, it is obligatory to inform the Central Bank within fifteen business days following the completion of the operations regarding branch transfer, name change, branch merger, or closure.
		(4)	The relocation of the companies' branches from one district to another, is subject to the principles of opening new branches.
		(5)	Companies that downsize their organizations by closing or merging branches must wait at least one year as of their last branch closure before they can expand their organization by opening new branches.
<b>PART FIVE</b>			
Corporate Governance			
Conditions for Written Application	13.		Applications and letters sent to the Central Bank must contain the full name, surname, and wet-ink signature of at least two authorized persons, at least one of whom is a senior manager, as well as the title of the company. Letters and applications that do not meet the specified conditions shall not be processed by the Central Bank

Appointment to the Senior Management	14.	It is obligatory to obtain approval from the Central Bank before starting the duty in the senior management of the company. In addition to the filled-out and signed evaluation form for the persons to be appointed to the senior management, which will be obtained from the website of the Central Bank, the documents specified in subparagraphs (A), (B), (C), and (Ç) of paragraph (1) of Article 8 of the Notification shall be completely and duly attached to the application letters to be submitted to the Central Bank for the appointment of the senior management of the companies.	
Declaration of Property	15.	(1)	Those appointed to the senior management are obliged to submit a declaration of property per Annex-4, in a sealed envelope with a confidentiality annotation on it, within seven business days upon the approval of the Central Bank for the appointment.
		(2)	The company shall notify the Central Bank in writing that the declaration of property has been received within seven working days from the receipt of the declaration. The declarations shall be kept in the same way as they are received by the relevant personnel affairs unit of the relevant company.
		(3)	The approval given by the Central Bank to those who do not submit their declarations of property within the above-mentioned period shall become null and void.
		(4)	In case of any amendment in the declaration of property, the amendment shall be notified to the company where the declarant is employed, within fifteen days at the latest from the date of the amendment. The company shall notify the Central Bank in writing that the amendment notification has been made, within seven business days following the receipt of the amendment notification.
		(5)	Company officials who are responsible for keeping the declaration of property are obliged to comply with the rules of Article 26 of the Law, regarding confidentiality.
General Assembly and Board of Directors Meetings	16.	(1)	General assemblies of companies shall be held in the Turkish Republic of Northern Cyprus.
		(2)	The board of directors meetings shall be held at least once a month at the registered address of the company.

Obligation to Create a Web Page	17.	Companies must create a website containing the information required by various legislations, as well as minimum general information such as the company's senior management, branches (with address and telephone numbers), organizational structure, approved and publicly disclosed annual financial reports, principal agreement, and statute. Websites of companies must be convenient for visitors to convey their questions and complaints.	
Safety Measures	18.	Companies are obliged to take the necessary security measures by evaluating the transaction volume and physical conditions and the region where they are located. Decisions on the measures shall be kept in writing at the registered addresses of the companies, along with the justifications.	
Company Decision Book	19.	(1)	The board decisions of the company shall be kept in separate hardbound books. Decisions are recorded daily to the consecutively numbered sheets that were previously certified by the notary, without leaving any space between them, without any indents between the lines, and in the Turkish language, and in a way that leaves no doubt about their accuracy.
		(2)	The books to be kept in the form of a cashbook shall consist of consecutively numbered sheets, and these pages must be bound at the end of each year and approved by the notary. In the decision books to be formed by combining/sticking the consecutively numbered sheets together, both the book and the pages must be approved by the notary and include consecutive serial numbers.
		(3)	The records in the decision book shall include the date of the decision, the number of decisions, meeting participants, the content of the decision, and the signatures of the members.
		(4)	Members of the board of directors attending the meeting shall sign below the decision within one month at the latest upon the date of the decision. The members present at the meeting shall annotate and sign the decision that they do not agree or abstain, by stating their justification. The decision book shall be kept at the registered addresses of the companies.
PART SIX			
Principal Agreement and Statute, and Capital Increases			

Obligations Regarding the Principal Agreement and Statute	20.	(1)	Principal agreements and statutes of the companies shall not contain provisions contrary to the Law. The amendments requested by the Central Bank shall be made in due time.	
		(2)	In applications to the Central Bank for amendments to the principal agreement and statute,	
			(A)	The principal agreement and the statute to be sent shall be printed as one-sided and company sealed and each page shall be signed according to the rules of this Notification,
			(B)	The principal agreement and statute shall be separated into sequentially numbered paragraphs,
			(C)	The subject headings and the content in the principal agreement and the statute shall be interrelated,
			(Ç)	The request for an amendment to the principal agreement and the statute shall be submitted in a format that enables the comparison of the current version and the proposed amendment request, along with the justification.
		(3)	The principal agreement and statutes of the companies, all pages of the principal agreement and statute must be published on the website, stamped and signed, as of the date of approval from the Registrar of Companies, and shall be notified to the Central Bank on the same day.	
		(4)	The Central Bank shall be notified of the company address change at least fifteen days in advance.	
Capital Increases	21.	Companies shall obtain permission from the Central Bank for capital increases, excluding the period profit, reserve funds, and amounts transferred from previous years' profits to the paid-in capital, after their financial statements are independently audited and approved by the general assembly. Companies' capital increases, which are not approved by the Central Bank shall not be registered by the Registrar of Companies and shall not be taken into consideration in the capital account.		
PART SEVEN				
Provisions on Accounting System, Financial Reports, Reserves and Consumer Rights				

Reserves for Expected Losses	22.	Companies shall set aside 10% (ten percent) reserves over their annual net profits for expected losses. These reserves shall only be used to offset losses. This obligation shall continue until the total provision equals the paid-in capital.	
Accounting System, Reserves, and Customer Rights 62/2017	23.	The companies are obliged to	
		(1)	Comply with the “Notification on Accounting Systems and Document Storage” issued under Articles 26, 31, 50, 53, and 60 of Banking Law of the Turkish Republic of Northern Cyprus and the accounting standards and uniform chart of accounts issued under this Notification,
		(2)	Classify their loans and set aside reserves within the scope of the “Notification on the Qualifications and Provisions of Banks' Loans and Other Receivables” issued under the Banking Law of the Turkish Republic of Northern Cyprus,
		(3)	Comply with the rules of the Notification on Customer Rights issued under Article 28 of the Banking Law of the Turkish Republic of Northern Cyprus,
		(4)	The financial reports to be announced to the public at the end of the year, which were audited by independent institutions and approved at the General Assembly shall be
		(A)	submitted to the Central Bank by the end of April at the latest,
		(B)	The independent audit report, which includes the balance sheet, profit, and loss statement, and the auditor's opinion, without footnotes, shall be announced in at least two local daily newspapers within one month from the date it is submitted to the Central Bank,
		(C)	The announced independent audit report shall be published on the website within seven days after the newspaper advertisement and to provide access to users for at least five years,
Administrative Fines, and Offences and Penalties	24.	The rules of this Notification shall be applied together with the rules of the Law authorizing the issuance of the Notification, and the relevant penalty rules of the Law shall be applied to those who violate the rules of this Notification.	

PART EIGHT			
Transitional Provisions			
Transitional Article  Adaptation Process of Financial Leasing and Factoring Companies Operating Under the Financial Leasing Law and Factoring Law Before the Effective Date of this Notification  45/2007 6/2011 52/2007	1.	Financial leasing and factoring companies operating under the Financial Leasing Law and Factoring Law, which were repealed by the Law before the effective date of this Notification, shall submit the following documents to the Central Bank until June 30, 2021.	
		(1)	Documents specified in other sub-paragraphs except for sub-paragraphs (H), (I), (i), (K), (N), (Ö), (P), (R), and (S) of paragraph (1) of Article 8 of this Notification,
		(2)	List of shareholders, list of directors, proof of address document and establishment approval document, certified by the Registrar of Companies, as well as financial reports, including the balance sheet and profit and loss statements for the last three years, approved by one of the independent audit institutions,
		(3)	Draft versions of their principal agreements and statutes brought in compliance with the Law,
		(4)	Those serving in the Senior Management shall submit the documents specified in subparagraphs (A), (B), (C), and (Ç) of paragraph (1) of Article 8 of the Notification, the evaluation form to be obtained from the Central Bank's website, along with the application letter,
		(5)	Up-to-date documents to be obtained from the competent authorities proving the absence of any unpaid tax, social security, or provident fund premium debts,
		(6)	Report including the detailed list of real estates that companies have mortgaged and/or registered as their fixed assets, and the movables they have acquired and/or pledged in return for loans they have given,
		to the Central Bank and bring their situation in line with the provisions of the Law and this Notification, excluding their capital, within the specified period.	

Transitional Article  Application Process of Persons Carrying out Activities Prohibited by Law before the Effective Date of This Notification	2.	(1)	Application letters to be submitted to the Central Bank until March 31, 2021, by legal persons who have carried out transactions deemed usury under the Law before the effective date of this Notification, to pursue their activities as a financing company within the scope of Transitional Article 3 of the Law shall submit,	
			(A)	The documents specified in other sub-paragraphs except for sub-paragraphs (Ö), (P), (R), and (S) of paragraph (1) of Article 8 of this Notification,
			(B)	Certified copy of the general assembly decision regarding that they want to pursue their activities as a financing company,
			(C)	Draft versions of their principal agreements and statutes brought in compliance with the Law,
			(Ç)	Those serving in the Senior Management shall submit the documents specified in subparagraphs (A), (B), (C), and (Ç) of paragraph (1) of Article 8 of the Notification, the evaluation form to be obtained from the Central Bank's website, along with the application letter,
			(D)	List of shareholders, list of directors, proof of address document and establishment license document, certified by the Registrar of Companies,
			(E)	Financial reports, including the balance sheet and profit and loss statements for the last three years, approved by one of the independent audit institutions,
			(F)	Up-to-date documents to be obtained from the competent authorities proving the absence of unpaid tax, social security, or provident fund premium debt,
			(G)	Income or corporate tax returns for the last three years approved by the tax offices, and their annexes,
			(H)	List of real estates that companies have mortgaged and/or registered as their fixed assets, and movables they have acquired and/or pledged in return for loans they have given,

		to the Central Bank and bring their situation in line with the provisions of the Law and this Notification, excluding their capital, within the specified period.
	(2)	As a result of the evaluations made within the scope of paragraph (1) of this article, companies, which have brought their situation in line with the Law and the Notification, shall apply to the Central Bank with the filled out Annex-3 form, the company's balance sheet, principal agreement and statute, registration certificate obtained from the Registrar of Companies,
Transitional Article Websites of Companies	3.	Companies shall prepare their web pages in accordance with Article 17 of the Notification, until June 30, 2021.
Transitional Article  The Obligation of Persons Carrying out Activities Prohibited by Law to Notify the Central Bank before the Effective Date of This Notification	4.	Among the persons carrying out activities prohibited by the Law before the effective date of this Notification, those who did not apply to the Central Bank to continue operating as a financing company, and those who could not obtain a license from the Central Bank as a result of their application, are obliged to notify the Central Bank as of June 30, 2021, until their receivables are fully collected, about the information on their receivables arising from existing contracts within the scope of paragraph (2) of Transitional Article 2 and Transitional Article 3 of the Law, as of June and December of each year, until the 15th day of the following month.
<b>PART NINE</b>		
Final Provisions		
Effective Date	25.	This Notification shall become effective on January 1, 2021.