

FINANCIAL LEASING, FACTORING AND FINANCING COMPANIES LAW

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PART ONE

General Provisions

FIRST SECTION

Purpose, Scope and Definitions

Purpose

ARTICLE 1 - (1) The purpose of this Act is to regulate the principles of establishment and operation of the companies who operate as a financial institution and to regulate the principles and procedures in relation to financial leasing, factoring and financing agreements.

Scope

ARTICLE 2 - (1) Leasing, factoring and financing companies based in Turkey are subject to the provisions of this Law.

(2) Factoring transactions made by the banks and financial leasing transactions made by participation banks and development and investment banks are subject to the provisions of this Law.

(3) The provisions of this Law with regard to financial leasing transactions are not applicable to the operating lease transactions made by financial leasing companies.

(4) The provisions that are found in other laws, which are in relation to the leasing of the houses to consumers through financial leasing and in relation to the housing finance activities of the finance companies are reserved.

(5) With regard to the air transportation vehicles, their engines and their parts and accessories; the transactions in relation to the leasing of these materials to the companies which are involved in transportation of passengers and loads from abroad for a duration of a minimum of 2 years based on a financial lease agreement by the company, the corporation and the financial leasing companies which possess the right to lease these materials according to the regulations of the country in which they are based in, are considered as financial leasing transactions within the scope of this Law without being subject to the restrictions specified on the sub clause (d) of the first paragraph of Article 3.

(6) For the cases in which the provisions of this Law are not applicable, the general provisions are applied.

Definitions

ARTICLE 3 - (1) In the implementation of this Law; the words stated below shall have the following meanings;

a) The Union: The Union of Financial Leasing, Factoring and Financing Companies,

b) Operating lease: The leases other than the financial leases,

c) Invoice: Invoices and documents that substitute as an invoice, which are issued in accordance with the Tax Procedural Law No. 213 dated 04/01/1961

d) Financial Lease: The lease transaction which fulfills one of the following cases: With the condition of being based on a financial lease agreement, the transfer of the ownership of a property to a lessee by the lessor who is authorized pursuant to this Law or the relevant legislation, at the end of the term of the lease, for the purpose of providing finance; the granting

of the right to the lessee to purchase the property at the end of the lease term for a price lower than the fair value of the property; the term of the lease covering more than eighty percent of the economic life of the property or the total of the present values of the rental payments, to be made according to the lease agreement, constituting a value higher than ninety percent of the fair value of the property,

e) Lessor: Participation banks, development and investment banks and financial leasing companies,

f) Lessee: The entity who accepts the financial leasing,

g) Control: A legal entity's possession of the power to assign or dismiss the majority of the Board of Directors as required for the taking of a decision, through owning the majority of the capital directly, without the requirement of the condition of owning a minimum of fifty one percent, or by owning the preferred shares without owning the said majority, or by making a disposition over the majority of the voting rights based on the agreements made with the other shareholders, or by any means,

h) The Board: Banking Regulation and Supervision Board,

i) Agency: Banking Regulation and Supervision Agency,

j) Shareholders' Equity: The balance which is acquired by deducting the sum of the net loss-if any-for the period, accumulated losses and other items to be determined by the Board from the sum of the paid-in capital, capital reserves, profit reserves, the net profit for the period, the previous years' profit and other items to be determined by the Board, and the subordinated debts whose attributes are to be determined by the Board.

k) Company: Financial leasing companies, factoring companies and finance companies established in Turkey,

l) Division: All kinds of workplaces which constitute a dependent part of the company and who carry out a portion or all of its activities on its own.

PART TWO

Transactions Subject to Permission

FIRST SECTION

Establishment and Operating Permits

Permission for establishment

ARTICLE 4 - (1) The establishment of a company in Turkey is permitted through a decision to be taken by the affirmative votes of at least five members of the Board, provided that the conditions stipulated in this Law are fulfilled.

(2) The principles and procedures with regard to the applications to be made for the permission and the granting of the permission are determined by a regulation to be issued by the Board.

Conditions of Establishment

ARTICLE 5 - (1) A company to be established in Turkey should fulfill the following conditions;

a) It should be established in the form of a joint stock company and the number of founding partners should not be less than five,

b) The share certificates should be issued against cash and all shares should be registered,

c) One of the following expressions should be present in its commercial title: "Leasing Company", "Factoring Company" or "Finance Company",

d) The founders should meet the requirements specified in this Law,

e) The members of the Board of Directors should possess the qualifications set forth in the corporate governance provisions of this Act, and the professional experience necessary for carrying out the planned activities,

f) Its paid-in capital in cash and free from any collusion should be at least twenty million Turkish Liras,

g) Its Articles of Incorporation should be in compliance with the provisions of this Law,

h) It should have a transparent and open partnership structure, which would not interfere with the effective auditing of the company,

j) It should submit an activity program indicating the business plans in relation to the intended fields of activity, projections regarding the financial structure of the organization, its budget plan for the first three years and its structural organization.

(2) The Board is authorized to increase the minimum paid up capital amount each year by not exceeding the amount required by the annual rate of increase in the producer price index released by the Turkish Statistics Institute.

Required Qualifications of the Founders

ARTICLE 6 - (1) The founding partners of the company should meet the following conditions;

a) According to Execution and Bankruptcy Law No. 2004, dated 06/09/1932, or in accordance with other provisions of the legislation, he should not be bankrupt, should not have filed for financial protection, his application for restructuring through conciliation shouldn't happen to be approved or there should not be a decision taken for the postponement of bankruptcy in relation to him.

b) He should not directly or indirectly own shares of ten percent or more or happen to be in control of any of the banks being subjected to Article 71 of the Banking Law No. 5411 dated 10/19/2005, or at the banks which were transferred to the Savings Deposit Insurance Fund before this Law was put into force.

c) He should not directly or indirectly own shares of ten percent or more or happen to be in control of any of the bankers who were subjected to liquidation and factoring, leasing, financing and insurance companies whose operating permissions have been revoked other than for voluntary liquidation, and institutions operating in capital markets.

d) Even if he is pardoned, with the exception of negligent offenses, he shouldn't have been punished with penal servitude or imprisonment for more than five years pursuant to the abolished Turkish Penal Code No. 765 dated 03/01/1926, and he should not have been punished with imprisonment for more than three years pursuant to the Turkish Penal Code No. 5237 dated 09/26/2004 or other laws; or he should not have been convicted from acting against the provisions, which impose imprisonment, of the abolished Banking Law No. 3182 dated 04/25/1985, abolished Banking Law No. 4389 dated 06/18/1999, this Law, Law No. 5411, and Capital Markets Law No. 2499 dated 07/28/1981 and the legislation in relation to lending money, or pursuant to abolished Law No. 765, Law No. 5237 and other laws, from disgraceful crimes such as simple or qualified embezzlement, embezzlement, extortion, bribery, theft, fraud, forgery, breach of trust, fraudulent bankruptcy and smuggling crimes other than use and consumption smuggling crimes, conspiring to rig bids on official tenders and procurements and sales, from the crimes of laundering the proceeds of crime, or crimes against the State and crimes committed against the sovereignty of the State and the dignity of the organs of the State, crimes against government's security, crimes against the Constitutional order and the functioning of the Constitutional order and crimes against national defense, the crime of the disclosure of State secrets and crimes against the State secrets and espionage, crimes against relations with foreign countries, crimes against the Prevention of Terrorism Act No. 3713 dated 04/12/1991, tax evasion offenses or from participation in these crimes.

e) He should have the financial strength and status to meet the amount of capital that they have undertaken.

f) In case of a legal person, the partnership structure should be transparent and open,

g) He must have the integrity and competence required by the work. Sub-paragraphs (b) and (c) of this paragraph do not apply to the multilateral credit institutions and financial institutions that are established according to international agreements in which Turkey is party.

(2) The legal person founding partners of the company, partners who own more than ten percent of the share capital, or the natural and legal persons who are in control are required meet the conditions set forth in the first paragraph.

(3) With regard to the natural and legal persons who own more than ten percent of the shares in the company capital or who are in control, and, natural and legal persons who own more than ten percent of the shares in the capital of the persons who own more than ten percent of the shares in the company capital or who are in control; if these persons, except for sub-paragraph (e,) lose the qualifications stipulated in the first paragraph, then within 6 months they must transfer the shares that they own, to ensure that their situations comply with the provisions of this article. The Board will determine by whom and how the voting rights in relation to the shares to be transferred within the said period will be utilized.

Operating Permit

ARTICLE 7 - (1) The company, which has obtained its establishment license within the framework of Article 4, is required to obtain in addition an operating permit from the Board. Operating permits issued by the Board shall be published in the Official Gazette.

(2) The company's establishment licenses will be revoked by the Board in case of the occurrence of one of the following situations: the establishment license has been obtained through untrue statements; the company does not apply for an operating permit within six months of its establishment; it declared that the application for the establishment license has been withdrawn; the conditions that are required for the granting of the license are lost before the starting of the operation; the operating license has not been obtained.

(3) The company, which has obtained an establishment license must meet the following conditions in order to start its operations:

- a) Its capital should be paid in cash and it should be sufficient to carry out the planned activities,
- b) It should submit the receipt proving that the system admission fee in the amount of 5 percent of the minimum capital specified by the founders in Article 5 has been deposited at the relevant accounting divisions of the Ministry of Finance, in order to be registered as revenue in the general budget.
- c) The proper service units and the internal control, accounting, data processing and reporting systems are established; adequate staff for these units is created and the personnel's job descriptions, powers and responsibilities are determined accordingly.
- d) Managers should possess the qualifications specified in this Law.

(4) With the condition of being a financial leasing company whose partners are all established in Turkey, a financial leasing company intended for the leasing of only one ship can be established. The companies to be established according to this qualification are not subject to the articles of this Law, except for the provisions that are related to agreements.

(5) The procedures and principles in relation to the implementation of this Article are determined by the Board.

Branches

ARTICLE 8 - (1) The company's opening of branches in the country or abroad is subject to permission. The company cannot have any structure of organization under any name other than the one involving branches, and it cannot make agency agreements.

(2) The principles and procedures in relation to the qualifications of the branches and the permission are determined by the Board.

The prohibited activities and operations for the company

ARTICLE 9 - (1) the Company;

- a) Cannot operate outside its main areas of activity.
- b) Cannot grant cash loans, except for the cash loans which are to be granted within the framework of the agreements to be made with its customers and for the purpose of providing additional finance to its customers as a part of the transaction that it carries out, which will be granted in a way not to exceed one percent of its paid capital. The Board is authorized to reduce this rate to zero or to increase it up to a rate of five percent of the paid capital or to differentiate it on company basis.

c) It may not provide guarantees, sureties or guarantee letters; except for the guarantees and sureties to be provided in a way not to exceed twenty percent of its paid capital, and to be within the limits of the transactions in relation to its area of activity, and the guarantees and sureties to be provided to the persons who own more than ten percent of the shares in its capital or who is in control, and to the partnerships whom it owns more than ten percent of the shares in its capital or whom it is in control of. The Board is authorized to reduce this rate down to five percent or to increase it up to twenty five percent or to differentiate it on company basis.

d) It cannot collect any money as deposit or under any name in return for a consideration; except for the issuance of securities in accordance with Law No. 2499, borrowing money from international markets, fund-raising from partners and associations, banks, money markets and organized markets within the scope of general principles.

(2) The factoring company cannot take over the receivables or undertake their collection, which will arise in relation to the sale of products or services that could not be documented in the framework of the principles and procedures determined by the Board; and the receivables arising from the sale of a product or service which could not be documented by an invoice, even if they are based on bills of exchange within the framework of the principles and procedures determined by the Board. The total amount of the partial assignments made to more than one company based on the same invoice, cannot exceed the invoice total.

(3) In case of the transfer of a bill of exchange to the factoring company by endorsement, the person who has been applied to due to the bill of exchange, cannot claim the exceptions that are based on the direct relationships that existed between him and the writer or the previous bearer of the bill of exchange, against the factoring company; except for the cases where the factoring company deliberately acts to the detriment of the borrower during the acquisition of the bill of exchange.

(4) Without prejudice to the provisions of the legislation in relation to insurance, leasing companies cannot engage in insurance transactions other than mediating the making of the insurance agreements with regard to the products which are the subject of financial lease or operating lease transactions, the guarantees that are received in the scope of these transactions and the persons who leased the said products; on the other hand, the financing companies cannot engage in insurance transactions other than mediating the making of the insurance agreements with regard to the products and services where the credit has been granted for their purchase, the guarantees of the credits, and to the works that fall under the scope of its field of activity in a way to include all kinds of insurances that provide coverage for the repayment of the credit debts and similar credit elements.

SECTION TWO

Provisions Related to the Articles of Incorporation

Changes to the Articles of Incorporation

ARTICLE 10 - (1) The Board shall be informed in advance about the amendments to be made to the Articles of Incorporation. If the Board does not provide a negative opinion about the amendments within fifteen working days, then these changes are put on the agenda of the companies and the Board is informed about the result.

(2) The company's current Articles of Incorporation are published on the website of the company. The updating of the Articles of Incorporation must be carried out within ten working days from the date of the making of the amendments.

(3) The company is required to inform the Board about the address changes within fifteen working days from the date of change.

(4) The principles and procedures in relation the implementation of this Article are determined by the Board.

Acquisition and transfer of Shares

ARTICLE 11 - (1) A person's acquisition of ten percent or more of the shares representing the company capital or the transfer of shares which would result in a change in the control of the company are subject to the approval of the Board.

(2) The establishment and transfer of the shares, which grant the privilege to designate members for the Board of Directors, or the issuance of new preferential shares, are subject to the approval of the Board without taking into consideration the proportional limit set forth in the first paragraph.

(3) The share transfers which would result in a change in the legal persons who have ten percent or more shares in the company capital is subject to the approval of the Board.

(4) In the share transfers that are subject to approval, the persons to take over the shares should meet the qualifications required from the founders.

(5) The share transfers that are subject to approval but which are performed without the obtaining of the approval, and the share transfers, which results in the number of partners to fall below five, are not registered in the stock register. The registrations in the stock register, made contrary to this provision, are ineffective.

(6) The procedures and principles in relation to the implementation of this Article are determined by the Board.

SECTION THREE

Mergers, Acquisitions, Demergers and Liquidations

Mergers, acquisitions, demergers and liquidations

ARTICLE 12 - (1) The company's merger, acquisition and demerger is subject to the general provisions, provided that the permission of the Board is obtained. The procedures and principles in relation to the granting of the permission are determined by the Board.

(2) In the event the company ceases its activities and liquidates upon obtaining the approval of the Board, the general provisions are applied. The liquidation process can be supervised by the Board if it is considered necessary.

PART THREE

Corporate Governance

FIRST SECTION

The Directors

Members of the Board of Directors, General Manager and Deputy General Managers

ARTICLE 13 - (1) Structures, processes, and principles in relation to corporate governance are determined by the Board, by also taking into consideration the opinion of the Union.

(2) The company's Board of Directors, including the General Manager, cannot consist of less than three persons. In the absence of General Manager, his representative is a natural member of the Board of Directors. The members of the Board of Directors, General Manager and Deputy General Manager must meet the requirements specified in Article 6, first clause, sub-paragraph (a), (b), (c) and (d). The professional experience requirement for the General Manager sought under this Law, is also required for one more than half the members of the Board of Directors.

(3) The company's General Manager must have at least seven years of experience, Deputy General Manager must have at least five years of experience in the field of business or finance and they must have a Bachelor's Degree in addition.

(4) Even if they are employed in different position titles, the managers whose powers and duties are equivalent or senior to a Deputy General Manager are also subject to the provisions of this Law.

(5) The principles and procedures of appointment and election of members of the Board of Directors, General Manager and Deputy General Manager are determined by the Board.

SECTION TWO

Financial Reporting, Internal systems, accounting, reporting and independent auditing

ARTICLE 14 - (1) The company is obliged to establish and operate an adequate and effective system compatible with its structure of activities, in accordance with the changing

circumstances, to monitor and manage the risks the company is exposed.

(2) The Board is authorized to determine the procedures and principles regarding the functioning of the system and to take all necessary precautions about the companies whose system is identified as not adequate and effective.

(3) The company is obliged to arrange all of its transactions within the framework of principles and procedures set by Public Oversight, Accounting and Auditing Standards Board; all transactions shall be accounted for in accordance with their real nature; financial reports must be prepared in a form and content to fulfill the information requirements; and they must be clear, reliable, comparable and suitable for auditing, analysis and comment; and they must be prepared timely and accurately.

(4) The company must submit the financial statements and statistical information in the specified format and scope within the period required by the Agency.

(5) The independent audit of the company is to be carried out within the framework of the Decree on Organization and Duties of Public Oversight, Accounting and Auditing Standards Agency No. 660 dated 11/02/2011. The independent audit reports that are drawn are submitted to the Agency within the framework of the principles and procedures determined by the Board.

Protective regulations

ARTICLE 15 - (1) The Board is authorized to make the necessary arrangements and to take all the necessary precautions in order to determine risks of exposure, analysis, monitoring, measurement and evaluation of the companies, by determining the limitations and standard ratios between company activities and the shareholders' equity. The company is obliged to comply with the regulations, to calculate, to retain, to maintain the specified limitations and standard ratios and to take and implement the measures required by the Board within the specified period.

(2) In case of the limitations and thresholds related to standard ratios determined by this Law are reached or exceeded the related company must notify the Agency immediately.

(3) In case of the occurrence of exceeding the limitations and rates associated with a certain ratio of the equity due to a decreases in equity, and if required by conditions, these excesses must be eliminated within the period specified by the Agency. Within the period specified for the elimination of the excesses, the provisions of this Law related to administrative fines are not applied.

Provisions

ARTICLE 16 - (1) The company is obliged to reserve provisions within the principles and procedures determined by the Board in order to cover unspecified losses borne or expected to arise from transactions receivables.

Control, supervision and information disclosure

ARTICLE 17 - (1) The supervision and control of the company is carried out by the Agency under this Law.

(2) The Agency is authorized to request from the company, its shareholders, subsidiaries controlled by the company and its branches, and other related natural and legal persons, all information even if it is confidential, that is considered to be in relation with the provisions of this Law, and to inspect all books including their tax-related records, records and documents; and the persons requested to provide information are to provide the requested information, books, records and documents available for review, to open all the data processing system in accordance with the audit purposes to the professional on-site audit staff of the Agency, to maintain data security, and all their books, documents and report cards that they have to maintain and relating to the information on microfiche, microfilm, magnetic tape, floppy disks and other media records that they have to give and access to those records and to submit and operate whole system and passwords to make those records readable for inspection.

(3) Public institutions and organizations must provide, without prejudice to the provisions on circumstances which will cause severe consequences against State security and basic

international benefits, and professional secrets, privacy of the family life and right to defend, without regard to prohibitive and restrictive provisions of special laws even if confidential limited with the tasks given by the Agency within the scope of this Law, all kinds of information and documents required, for appropriate durations and means, continuously or severally.

(4) The company's on-site audit activities are to be carried out by the authorized professional on-site audit staff of the Agency. The company, its shareholders, subsidiaries and other related companies controlled by the company, natural or legal persons must provide all kinds of information and documents requested by the on-site audit authorized professional staff of the Agency and to submit books and documents and to keep them ready for the inspection.

PART FOUR

Provisions Related to Agreements

FIRST SECTION

Financial Leasing

Financial Leasing Agreement

ARTICLE 18 - (1) The financial leasing agreement is the agreement which prescribes that the lessor shall leave the possession of a property which he purchased from the lessee or from a third person or which he has acquired by other means or which he has acquired its ownership previously, to the lessee to benefit from it by any means, in return for the rental value, upon the demand and selection of the lessee.

Subject of the agreement

ARTICLE 19 - (1) Movable and immovable property may be the subject of the agreement. With the exception of the replicated copies of the computer software, intellectual and industrial rights, such as patents cannot be subject to this agreement.

(2) Regardless of their integral part or accessory qualifications, any product, which preserves its essential qualities, can be subject to a lease agreement on its own.

Finance lease price

ARTICLE 20 - (1) Financial leasing prices and the terms of payment are determined by the parties. Provided that it is expressly stated in the agreement, even if the subject properties have not yet been produced or delivered to the lessee, the rentals can be collected. Unless otherwise specified in the agreement, the properties must be delivered to the lessee within two years from the date of the agreement.

Financial leases from abroad

ARTICLE 21 - (1) Financial lease agreements to be made from abroad shall be registered by the Union.

(2) The procedures and principles related to finance leases made from abroad shall be determined by the Union upon the approval of the Board.

The form and the registration of the agreement

ARTICLE 22 - (1) The agreement shall be made in writing. The agreements in relation to the immovable properties are registered and annotated at the annotations section of the register of title deeds where the immovable property is found; the agreements in relation to movable properties which have special and unique registrations shall be registered and annotated at the registry where these properties are registered and in addition they shall be reported to the Union by the lessor.

(2) The Agreements in relation to the movable properties that are not registered in a special register shall be registered in a special registry to be maintained by the Union.

(3) The special register to be maintained by the Union is open to everyone. No one can claim to be uninformed about a record in the registry.

(4) The procedures and principles in relation to the registration of the agreements to the special registry to be maintained by the Union are determined by the Union upon the approval of the Board.

(5) Upon the registration and the adding of the annotation, real right acquisitions of the third persons over the property, which is the subject of the financial leasing, cannot be claimed against the lessor.

(6) In the implementation of Article 940 of the Turkish Trade Law No. 6102 dated 01/13/2011, the lessee is considered as the owner of the vessel.

(7) In the implementation of Article 49 of the Civil Aviation Law No. 2920 dated 10/14/1983, the lessee is considered as the owner of the aircraft.

Purchasing of the property which is the subject of the financial lease

ARTICLE 23 - (1) The ownership of the leased property belongs to the lessor. However, in the agreement, the parties may decide that the lessee shall be entitled the right to purchase the ownership of the property upon the expiration of the term of the agreement.

(2) In case the right of purchase, in relation to the movable property which is the subject of the financial lease agreement and which is subject to registration, granted to the lessee is not utilized by the lessee and if the property is not returned to the lessor pursuant to Article 32 of this law, provided that the parties have taken a decision in relation to his matter in the signed agreement and provided that a notification has been served to the lessee in relation to this matter or provided that the notification has not been served due to the fact that the lessee has not been found at his address, the lessor can unilaterally perform all kinds of procedures in relation to the transfer of the leased property to the lessee. Unilateral requests made by the lessor in relation to the transfer of the property in this framework are fulfilled by the relevant registry.

The rights and obligations of the Parties

ARTICLE 24 - (1) The lessee has the possession of the properties subject to the lease for the duration of the agreement and he is entitled to the right to obtain any benefit in accordance with the purpose if the agreement.

(2) The lessee must use the leased property with care, in accordance with the terms and conditions stipulated in the agreement.

(3) Unless otherwise provided in the agreement, the lessee is responsible for all kinds of maintenance and protection of the property and servicing and repair costs shall be borne by the lessee.

(4) Taking out an insurance coverage for the leased property is obligatory. It shall be indicated in the agreement by whom the insurance will be taken out. The insurance premiums are paid by the lessee.

(5) The lessee is responsible for the damage and loss to the property during the term of the agreement. This responsibility is limited to the portion, which exceeds the insurance coverage and the excess amount must be paid by the lessee.

(6) The lessor shall not be held responsible for the defective property obtained from the third person upon the selection and request of the lessee. The same provision is applied in case the property is obtained from the lessee himself.

Handing over of the property to the lessee

ARTICLE 25 - (1)

Provisions of Articles 123, 125 and 126 of the Turkish Code of Obligations No. 6098 dated 01/11/2011 apply in the event the financial lease property is not handed over to the lessee due to the failure of the lessor in making an agreement with the manufacturer or the seller of the property in due time or failure in making the required payment in due time or because of other reasons stemming from the fault and negligence of the lessor.

Transfer of the possession and the title of lessee

ARTICLE 26 - (1) The lessee may transfer the "lessee title" or rights or obligations arising from the agreement with the condition of obtaining the written permission of the lessor. The change of

the lessee made in the financial lease agreement due to this transfer is registered or annotated within the framework of Article 21 or 22, according to its relevance.

(2) The lessee may transfer the possession of the financial lease property to another person, provided that he informs the lessor, if it is a financial lease agreement that was made in the scope of housing finance; and provided that there is a provision in the agreement if it is another type of financial lease transaction.

Transfer of ownership

ARTICLE 27 - (1) Unless otherwise stated in the agreement, the lessee may not transfer the ownership of the property to a third person. If this authority is granted in the agreement, the transfer may be made only to another lessor. The transferee is obliged to comply with the provisions of the agreement. The effectiveness of the transfer for the lessee depends on whether he is informed or not.

The bankruptcy of the lessee or the initiation of execution proceedings against the lessee

ARTICLE 28 - (1) In case of the bankruptcy of the lessee, the "trustee in bankruptcy" decides on the differentiation of the properties subject to financial lease, before the formation of the office according to the first paragraph of Article 221 of Law No. 2004. Trustee in bankruptcy's decision may be appealed within seven days.

(2) In case of the initiation of execution proceedings against the lessee, the trustee in bankruptcy takes the decision that the properties subject to financial lease shall be excluded from the scope of the proceedings. Trustee in bankruptcy's decision may be appealed within seven days.

(3) These appeals shall be resolved at the court of execution within one month at the latest.

The bankruptcy of the lessor or the initiation of execution proceedings against the lessor

ARTICLE 29 - (1) In case of the bankruptcy of the lessor, the agreement continues to be effective against the bankrupt's estate until the end of the determined period.

(2) In case of the initiation of execution proceedings against the lessor, the properties subject to financial lease will not be seized within the term of the agreement.

Termination of the agreement

ARTICLE 30 - (1) Unless otherwise agreed in the agreement, the agreement is automatically terminated upon the end of its term, or upon the bankruptcy, death or loss of capacity of the lessee.

(2) In case of the lessee entering into a process of liquidation or if he liquidates the business to which the property subject to financial lease is allocated, the agreement may be terminated before the expiration of its term upon the request of the lessee unless it is provided otherwise in the agreement.

(3) Each of the parties to the agreement may request the extension of the agreement with the current or new conditions with the condition of giving a three months prior notice. The extension of the agreement depends on the agreement of the parties.

Breach of the agreement

ARTICLE 31 - (1) In case the lessee who is in default for not paying the financial leasing payment does not pay the mentioned payment within the thirty-day period given by the lessor, the lessor may terminate the agreement. However, if it is agreed in the agreement that at the end of the period the property will pass to the lessee, this period may not be less than sixty days. If the lessee was subjected to a warning due to the payments mentioned in the agreement not being paid three times in one year or twice consecutively in one year, then the agreements made with the lessee in question may be terminated by the lessor.

(2) The agreement may be terminated in cases where either one of the parties act against the agreement or where it is not expected from the other party to continue to the agreement due to this breach.

(3) In disputes relating to financial lease agreement between the lessee and the lessor, if the court rules a temporary injunction on the property subject to financial leasing, the lessor may make a disposition over the property by depositing with the court the fair value of the property as

collateral. In so far that if the court decides the termination of the agreement was unfair, the lessor is obliged to compensate the lessee for the damages.

The results of the ending of the agreement

ARTICLE 32 - (1) When the agreement expires, the lessee who does not use his rights of purchasing arising from the agreement or who does not have that right, is liable for immediately returning the property subject to financial lease.

The results of the termination of the agreement

ARTICLE 33 - (1) Upon termination of the agreement by the lessor, and in case of termination by the lessee pursuant to the second paragraph of Article 30, the lessee is obliged to return the property. In case the returned property is sold to third parties, unless a value is otherwise agreed in the agreement, the undue financial leasing prices in relation to the total sale price, and if the lessor's loss, if any, exceeding this total is lower, the difference shall be paid by the lessee to the lessor. Unless otherwise agreed in the agreement, if the returned property's sales price's undue financial leasing values and the lessors loss, if any, exceeding this total is higher, the difference is paid by the lessor to the lessee. The same principles apply in the case the returned property is leased to the third parties by way of financial leasing.

(2) If the agreement is terminated by the lessee, the lessee may demand compensation from the lessor for the damage that he suffered due to returning of the property.

(3) The provisions of Article 150/i of the Law No. 2004 apply in the conversion of the mortgages received as collateral for the debts arising from the agreement, into cash.

(4) With regard to the termination notices sent by the lessor to the lessee via notary public due to the failure of the lessee in making payments in time, the provisions of Article 68/b of the Law No. 2004 apply.

Non-Applicable provisions

ARTICLE 34 - (1)

Articles 764, 765, 766 of the Turkish Civil Code No. 4721 dated 11/22/2001, and provisions related to the "Partial Payment Sales" found in part two, section one, division four of the Turkish Code of Obligations No. 6098 and the provisions related to "The Residential and Roofed Commercial Leases" found in the part two, section four, division two of the same Law do not apply.

Incentive

ARTICLE 35 - (1) In case investments are totally or partially realized by financial leasing, the lessor will have the right to the incentives given in case of the purchase of the products subject to financial leasing. The responsibility of the financial lease company, with regard to the incentive certificate is limited with the part that is transferred to it.

Provisions on customs

ARTICLE 36 - (1) For matters in relation to customs duties and additional financial obligations with respect to the properties brought according to the agreement concluded between the foreign company and the lessee, the following provisions shall apply

a) With regard to the products which were brought into Turkey on the basis of an agreement which does not provide the right for purchase, or the products which are not prescribed to benefit from customs duty exemption although possessing the said right: In the entrance of these products to Turkey, the time restrictions of the customs legislation being excluded, the provisions in relation to temporary import regime of the Customs Law No. 4458 dated 10/27/1999 are applied, depending on the duration of the agreement. In case the permanent import is not realized at the end of the term of the agreement and products subject to lease agreement are requested to be taken out of the country in order to be returned to the lessor, the guarantee that was taken beforehand is released according to the provisions of the Law No. 4458.

b) In case the permanent import of the properties subject to financial lease agreement is realized at the end of the lease term of the agreement, the customs duties and additional financial

liabilities will be accrued and charged over the value to be determined according to the provisions of the Law No. 4458 in relation to the customs value of the product and the exchange rate at the date of the starting of the customs liability.

Exceptions and determination of the tax ratio

ARTICLE 37 - (1) Financial leasing agreements and documents in relation to transfer and amendment of these agreements, and documents prepared for their warranties are exempt from stamp duty; and the transactions related to these documents are exempt from fees.

(2) At the office of title deeds, the registration to be made at the end of the lease agreement, in the name of the lessee, for the immovable properties that are leased in the scope of the lease agreements carried out by the method of selling and re-leasing, is exempt from the title fee.

SECTION TWO

Factoring and Financing

Factoring agreement

ARTICLE 38 - (1) A factoring agreement is the agreement which includes any or all of the following functions: The collection, the keeping of the borrower and customer records by the factoring company for the customer by means of taking over the receivables arising from the sale of products or services which could be documented within the framework of the procedures and principles to be determined by the Board, and the receivables which could be documented by the invoice arising from the sale of products or services; or the factoring guarantee function.

(2) The factoring agreement must be prepared in writing.

Financing Agreement

ARTICLE 39 - (1) A financing agreement is the agreement which prescribes the provision of a loan for any kind of procurement of product or service, by the making of a payment directly to the seller upon the supply or delivery of the product or the service to the name and account of the real or legal person who has purchased the product or the service. The loan repayments are made to the finance companies by the persons to whom the loan is provided.

(2) Finance companies are obliged to make a written general agreement with the sellers who supply the product or service for which the loan will be provided.

(3) The financing agreement must be prepared in writing.

PART FIVE

Unity

FIRST SECTION

Unity

Financial Leasing, Factoring and Financing

Union of Companies

ARTICLE 40 - (1) Within six months of the date in which this Law enters into force, a Financial Leasing, Factoring and Financing Companies Union is established as a public occupational organization with the qualification of a public institute.

(2) The companies are obliged to become a member of the Union within one month of the date of the obtaining of the operating permit.

The duties and powers of the Union

ARTICLE 41 - (1) The Union has the following duties and powers;

- a) To ensure the development of the profession, enhance the unity and solidarity of members, to carry out education, promotion and research activities,
- b) By defining the ethical rules of the profession, ensuring the functioning of the members in accordance with the discipline required by the profession and in accordance with the requirements of the economy,
- c) Identifying the occupational principles and standards to be followed by its members.
- d) Announcing to its members the measures required by the Board to be taken, through the decisions taken pursuant to the related legislation,

- e) Taking and enforcing all necessary measures in order to prevent unfair competition among its members,
- f) Identifying the principles and conditions to be abided by the members in their announcements and advertisements, in terms of their form, quality and quantity,
- g) Filing lawsuits in matters affecting the interests of the members, based on the decision to be taken by the Board of Directors,
- h) Ensuring cooperation among its members in relation to joint projects,
- i) Fulfilling other duties mentioned in this Act.

Organs and the statute

ARTICLE 42 - (1) The elections for the organs of the Union are carried by secret ballot under supervision of the judiciary within the framework of principles prescribed in this Law.

The list which specifies the members who will participate in the elections and the document which specifies the meeting's agenda, place, date, time and the matters in relation to the second meeting to be held in case the quorum could not be established, are handed over to the Judge Chairman of the Election Board, designated by the Supreme Election Board, at least fifteen days prior to the General Assembly Meeting in which the election shall take place.

The Judge makes the necessary review and he approves the list and the other subjects; he assigns a Chairman for the Ballot Box Board and two Ballot Box Board members and a reserve member for each of these persons. The voting process is carried out according to the secret ballot and open counting principles. At the end of the election time the election results are recorded through a minute and it is signed by the Chairman and members of the Ballot Box Board. All kinds of appeals to be made against the elections within two days following the taking of the minute shall be reviewed by the Judge on the same day and a final ruling is given.

(2) The changes to be made in the structure of the Union are put into force by the decision of the Council of Ministers upon the recommendation to be made by the Board following the taking of the opinion of the Union. The members are obliged to comply with the statute of the Union and with the decisions and measures to be taken by the Union. The expenses of the Union are distributed among the members according to the number of votes to be determined pursuant to the statute. The members must deposit their shares of the expense within the period specified in the statute. The expense participation shares are collected by the Union through execution if not paid in due time. The resolutions in relation to the payment of expense participation shares qualify as official documents written in Article 68 of the Law No. 2004.

(3) The members of the Union who do not fully and timely comply with the general or special resolutions taken by the Union are imposed an administrative fine starting from one thousand Turkish Liras up to ten thousand Turkish Liras.

Central invoice registry

ARTICLE 43 - (1) The information in relation to the receivables that the factoring companies and banks have taken over, including the invoice information; are collected before the Risk Center or in a formation to be deemed appropriate by the Union. The principles and procedures in relation to the sharing of the information are determined by the Union.

PART SIX

Penal Provisions

FIRST SECTION

Administrative Fines

Administrative fines

ARTICLE 44 - (1) In relation to the breach this law, upon the stating of the reason the following administrative fines are imposed on the companies:

- a) In case of the breach of Article 8, from three thousand Turkish Liras to ten thousand Turkish Liras.
- b) In case of the breach of the first paragraph of Article 9 subparagraph (b) or (c), not to be less than ten thousand Turkish Liras, up to ten times the amount which constitutes the breach,

- c) In case of the performance of an operation in breach of the second paragraph of Article 9, not to be less than ten thousand Turkish Liras, up to five times the amount of the operation which constitutes the breach,
- d) In case of the breach of Article 11 of the second or fifth paragraph, from one thousand Turkish Liras to three thousand Turkish Liras,
- e) In case of the making of an assignment in breach of Article 13, from two thousand Turkish Lira up to eight thousand Turkish Liras and in case the breach is not eliminated within ten business days of the serving of the notification of the penalty, for each day after end of this duration 10 percent of the imposed fine,
- f) In case of breach of the first paragraph of Article 14, from two thousand Turkish Liras up to five thousand Turkish Liras,
- g) In case of the implementation of applications which would have a material effect in the financial size of the company or which have become continuous although not having a material effect, in a way breaching the third paragraph of Article 14, from two thousand Turkish Liras up to five thousand Turkish Liras,
- h) In case of breach of Article 14 of the fourth or fifth paragraph, from two thousand Turkish Liras up to five thousand Turkish Liras,
- i) In case of the breach of the limitations found in the regulations that were based on Article 15, not to be less than ten thousand Turkish Liras, up to one percent of the amount which constitutes the breach,
- j) in case of the failure in serving the notification prescribed in the second paragraph of Article 15, from one thousand Turkish Liras, up to three thousand Turkish Liras,
- k) In case of the failure in establishing the provisions required by Article 16, not to be less than one thousand Turkish Liras, up to two per thousand of the required provisions; in case of failure of the elimination of the breach within the period-not be less than 3 months-given by the Board, at the rate of three percent of the provision amount that was not established.
- l) In case of the breach of the second or fourth paragraph of Article 17, from two thousand Turkish Liras, up to five thousand Turkish Liras.
- m) In case of the breach of the first paragraph of Article 19, the breach of the first or second paragraph of Article 22, the breach of the second paragraph of Article 38, the breach of the second and third paragraphs of Article 39, from two thousand Turkish Liras, up to five thousand Turkish Liras

(2) In relation to the breach of this law, upon the stating of the reason, the following administrative fines are imposed to the relevant real and legal persons:

- a) In case of the breach of the third paragraph of Article 6, from five thousand Turkish Liras, up to fifteen thousand Turkish Liras,
- b) In case of the breach of the first, second or third paragraph of Article 11, from one thousand Turkish Liras, up to three thousand Turkish Liras,
- c) In case of the breach of the second or fourth paragraph of Article 11, from two thousand Turkish Liras, up to five thousand Turkish Liras,

(3) In relation to the breach of the decisions, regulations and communiqués taken or issued by the Board or the Agency based on this law, and the other regulations and the instructions given by the Agency, upon the stating of the reason, an administrative fine of from five thousand Turkish Liras up to ten thousand Turkish Liras is imposed to the relevant real and legal persons.

The right of defense and the decision to close

ARTICLE 45 - (1) The decision on whether the Administrative penalties shall be imposed or not is decided after the hearing of the defense of the person concerned. The right to a defense will be deemed to be waived if no defense is submitted within one month of the serving of the notification in relation to the request of the defense.

(2) With respect to the branches established in the country contrary to the provisions of Article 8 of this Law, the provisions of the sub-paragraph (a) of the first paragraph of Article 44 is applied,

however, these will be temporarily or permanently shut down by the district governorships upon the request of the Agency.

SECTION TWO

Crimes

Operating without a Permit

ARTICLE 46 - (1) The persons who carry out leasing, factoring and financing without obtaining the permission required by this Law, shall be penalized with imprisonment from two to five years and an administrative fine of up to five thousand days. The security measures specific for legal persons are ruled for the legal person whom this crime is committed in favor of. Furthermore, in case of the committing of this crime within a business, these businesses may be ruled to be closed from one month up to a year, and permanently in case of recurrence.

(2) The persons who, without taking the permission required by this, use words and phrases which imply that they operate as a company, in any kinds of documents, notices and advertisements or in their public declarations, shall be penalized with imprisonment from three months to 1 year and an administrative fine of up to one thousand days. Furthermore, these businesses may be ruled to be closed from one month up to a year, and permanently in case of recurrence.

(3) In case of the breach of the first and second paragraphs, if a lawsuit is opened by the judge of the criminal court of peace upon the request of the Chief Prosecutor, the activities and advertisements of the businesses are temporarily halted, and their notices are seized. These precautions continue until they are lifted by the order of a judge. These rulings may be appealed.

Failure at complying with the authorities and auditors in relation to the requested information and documents, and preventing them from performing their duties.

ARTICLE 47 - (1) The persons who do not provide the requested information and documents to the authorities and auditors authorized by this Law are penalized with imprisonment from one to three years and an administrative fine of five hundred days to five thousand days.

(2) The persons who prevent the authorities and auditors authorized by this Law from performing their duties are penalized with imprisonment of two to five years and an administrative fine of five hundred days up to five thousand days.

The making of a misrepresentation

ARTICLE 48 - (1) The persons who are involved with company's making or issuing of misrepresented documents to courts and the authorities and auditors authorized by this law, and the persons who sign any kind of documents for the preparation of these misrepresented documents are penalized with imprisonment of one to three years and with an administrative fine not to be less than one thousand five hundred days.

The Agency's obligation to notify

ARTICLE 49 - (1) A notification is made to the Public Prosecutor if any kind of offense in relation to the offenses mentioned in this Act is determined by the Agency.

PART THREE

The Revocation of the Operating Permit

The Revocation of the Operating Permit

ARTICLE 50 - (1) A company's operating permit is revoked upon the confirmatory votes of at least five members of the members of the Board in case of the realization of one of the following situations;

- a) Failure at starting the operation within one year of receipt of a permit,
- b) Failure at becoming a member of the Union within one month of the date of the receipt of the operating permit and failure at the fulfillment of this obligation within one week despite being warned by the Agency.
- c) Failure at notifying the Agency about the address change within the required period and not being found at the address despite the serving of a legal notification.
- d) Constant suspension of the operations for a period of one year.

e) Involvement in the activities stated in subparagraphs (a) and (d) of the first paragraph of Article 9.

f) Ceasing of the activities.

(2) The company is informed about the decision in relation to the revocation of the operating permit and it is published in the Official Gazette. The publishing of the Revocation decision in the Official Gazette has the power of a notification served to the related parties.

(3) The company whose operating permit is revoked must cease its activities immediately and it must hold a meeting of the General Assembly within three months of the revocation and take decision for the changing the company's title and field of activity or to start the procedures of liquidation.

PART SEVEN

Final Provisions

Amended provisions

ARTICLE 51 - (1) The following sub paragraph has been amended to the twentieth clause of the section named "I-Title transactions" of the tariff No. (4) named Fees to be charged in the land registry and cadastre transactions of the Fees Act No. 492 dated 07/02/1964.

"g) 3.96 per thousand from the transferor, during the selling to the lessee of the real estates which were leased with the condition of being taken back at the end of the term of the agreement by the lessee in the scope of the lease agreements which were realized by the selling and re-leasing method." (In case it is determined that the real estate has not been taken back by the lessee by any means, the fee which corresponds to the difference between the rate specified in sub-paragraph (a) and this sub-paragraph plus the default interest is collected from the related persons in accordance with the provisions of the Law no. 213)

(2) The Council of Ministers is authorized to determine the maximum interest rates to be applied in the money lending transactions of the financial leasing, factoring and financing companies established in Turkey and the qualifications and maximum amount or rates of other benefits, and to set them free partially or wholly. The Council of Ministers may transfer these powers to the Central Bank of Turkey.

Repealed Provisions

ARTICLE 52 - (1) Financial Leasing Law No. 3226, dated 06/10/1985 and Decree on Money Lending Transactions dated No. 90 dated 09/30/1983 and its supplements and amendments have been repealed.

(2) References made to Law No. 3226 and Decree No. 90 shall be construed as made to the relevant provisions of this Law.

Implementation of existing regulations

PROVISIONAL ARTICLE 1 - (1) Until the regulations based on this Law are put into effect, the provisions of the regulations, which are based on the repealed provisions, and which are not contrary to this Law, continue to be in effect.

(2) The regulations provided for in this Law are put into effect within one year.

Adaptation time

PROVISIONAL ARTICLE 2 - (1) The companies must adapt their situations to comply within 3 years with the sub clause (f) of the first paragraph of Article 5, within 6 months to the second paragraph of Article 13 and first paragraph of Article 8. In case of the presence of force majeure conditions and if it is deemed appropriate by the Board, these durations may be extended for a period not to exceed one year.

(2) The provisions of the first paragraph are applied for the persons who have applied to the Agency for operating and establishment permits before 04/30/2012.

Obligations with respect to the Union

PROVISIONAL ARTICLE 3 - (1) The statute which contains the Union organs', the representations of the companies in the Union organs', and the Unions' operating principles and scope of activities, and which shall be prepared by the taking of the opinions of the Financial Leasing Association, the Factoring Association, and the Association of Consumer Finance Companies, shall be put into effect by the decision of the Council of Ministers upon the recommendation to be made by the Agency.

(2) The companies who were in operation before the establishment of this Union must become members of the Union within one month from the date when the Union becomes operational.

(3) In the registration of the agreements to be registered to the special registry maintained by the Union pursuant to the provisions of this law, the registration related provisions of the Law No. 3226 which has been repealed by the enactment of this law, continue to be in effect until the procedures and principles in relation to the registration are determined pursuant to Article 22

(4) Until the establishment of the Union, the relevant provision the Law No. 3226 which has been repealed by this Law continue to be in effect for the registration of leasing agreements to be made in accordance with Article 21.

(5) The transactions prescribed in the first paragraph of Article 43 of this Law, shall be carried out within one year following the date of the establishment of the Union.

The financial lease agreements already drawn

PROVISIONAL ARTICLE 4 - (1) For the financial lease agreements drawn before the enactment of this Law, the duration related provisions of the Law No. 3226, which has been repealed by this Law, continue to be in effect.

Provisions related to loan lenders

PROVISIONAL ARTICLE 5 - (1) The persons who carry out loan lending activities based on the power granted by the Decree No. 90 may apply to the Agency for the purpose of executing one of the activities stipulated in this Law within six months of the enactment of this Law. Within this period, they cannot carry on any loan lending activities other than the transactions intended at the collection of their receivables arising from their current agreements. The loan lenders who apply to the Agency may continue their activities as factoring, financial lease or finance companies upon obtaining the required permits from the Board. The companies to be established are obliged to fulfill the capital requirements found in the sub paragraph (f) of the first paragraph of Article 5 of this Law within three years. The loan lending permits of the persons who do not make an application to the Agency or who could not obtain the necessary permits from the Board despite the making of the application, automatically ceases without the need for the carrying out of an additional procedures.

Effect

ARTICLE 53 - (1) This Law enters into force on the date of its publication.

Execution

ARTICLE 54 - (1) This Law shall be enforced by the Council of Ministers.