

Client Alert

After Two-Year Transition Period: Foreign Currency Payments in Workplace Lease Contracts

In September 2018, a presidential decree amended Decree No. 32 on the Protection of the Value of Turkish Currency, introducing a ban on certain foreign currency transactions between Turkish residents. Subsequently, the Ministry of Treasury and Finance amended Communiqué No. 2008-32/34 on Decree No. 32 (the "**Communiqué**") and clarified the details of as well as exceptions to the implementation of the ban.

The Presidential Decree and Communiqué provide that, any contractual fees, prices and other payment obligations under residence and roofed workplace lease contracts cannot be agreed upon in foreign currency or as indexed on foreign currency. Additionally, the Presidential Decree and Communiqué required rental fees of residence and roofed workplace leases, that were executed before the ban, to be converted into Turkish Lira within 30 days following 13 September 2018, and continue to be applied as Turkish Lira for a period of two years (the "**Transition Period**"). The Communiqué also introduced a conversion method for re-determining the contractual fees, prices and other payment obligations if the parties cannot reach an agreement, as well as the rental fee increase rates to be applied to converted amounts during the Transition Period.

In its announcement dated 12 October 2020, the Ministry of Treasury and Finance clarified certain matters to be implemented regarding residence and roofed workplace lease contracts, following the Transition Period's expiry. Accordingly, if the parties still cannot agree on the rental fee increase rate after the end of the Transition Period, the rental fee increase rates set forth under article 344 of the Turkish Code of Obligations will apply. The Ministry also clarified that, after the Transition Period's expiry, monetary obligations under the residence and roofed workplace lease contracts, cannot be converted back to or re-agreed upon in foreign currency or indexed on foreign currency. Furthermore, any contrary practice will be subject to the relevant sanctions set forth under the foreign currency legislation.

Please contact us for any questions regarding this matter.