

Client Alert

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Payment Obligations Under Movable Sales Agreements will be Performed in Turkish Lira Currency

Previously, Decree No. 32 on the Protection of the Value of Turkish Currency has introduced a ban on transactions in foreign currency or indexed to foreign currency between Turkish residents, subject to certain exemptions. According to Communiqué numbered 2008-32/34 on Decree No. 32 (the “**Communiqué**”), contract values and other payment obligations under movable sales agreements (other than vehicle sales agreements) between Turkish residents could be determined in or indexed to foreign currency.

According to Communiqué numbered 2022-32/66 on the Amendment of the Communiqué (the “**Amending Communiqué**”), which was published and entered into force on 19 April 2022, payment obligations under movable sales agreements (other than vehicle sales agreements), which are among the agreements under which contract values and other payment obligations can be determined in, or indexed to, foreign currency must be performed in Turkish Lira currency. Accordingly, although the payment obligations under these agreements (other than vehicle sales agreements) can be determined in, or indexed to, foreign currency, they must be performed by the relevant parties in Turkish Lira currency.

This ban on the performance of payment obligations in foreign currency applies to agreements between Turkish residents regardless of their citizenship status. As per paragraph 23 of Article 8 of the Communiqué, with respect to branches, agencies, offices, liaison offices and funds that are operated or managed abroad by Turkish residents and foreign entities, at least fifty percent of the shares of which are held by these Turkish residents are deemed to be “Turkish residents” within the scope of the ban on foreign currency transactions. However, this provision is not applicable to agreements that are performed abroad.

The Amending Communiqué does not contain any specific provision regarding agreements executed prior to the effective date of the Amending Communiqué or the exchange rate for conversion of foreign currency obligations to TRY. Thus, these recent amendments mostly likely also apply to movable sales agreements (other than vehicle sales agreements) executed

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prior to the Amending Communiqué's effective date and, therefore, this ban will apply to outstanding payment obligations under such agreements. Subject to the provisions of the Communiqué, the parties to the relevant transactions will be free to determine the exchange rate applicable to conversion of foreign currency payment obligations to Turkish Lira. In any event, it is expected that a clearer picture will come to light in terms of the implementation of this ban in the coming days.

Please contact us if you need further information regarding the exemptions.