

A New Legal Entity in Turkish Law: Sports Joint Stock Companies

Introduction

The Sports Clubs and Sports Federations Law (Law No. 7405, " Law") that regulates the various aspects of sports clubs, sports joint stock companies ("Sports JSC"), and sports federations is published in the Official Gazette on April 26, 2022 and entered into force on the same day of its publication.

The law regulates the procedures and principles regarding the establishment of sports clubs, Sports JSC, and sports federations, their organs, income and expenses, budget and expenditure principles, duties, powers and responsibilities, audits as well as other related matters.

In this article, novelties brought by the Law will be explained briefly.

Purpose of the New Law

Sports clubs in Turkey struggle with many issues related with their legal, financial, and management affairs. The most important problem among these is the financial issues arising due to management and organizational inadequacies of the clubs, lack of transparency, and lack of financial discipline. The new Law aims to provide solutions for these issues by creating the legal framework for the incorporation of sports organizations.

Legal Status of Sports Organizations

The Law makes significant amendments regarding the legal status of sports organizations. Before the Law came into force, sports organizations could be established as an association or as a company. Sports organizations established in association status were subject to the provisions of the Turkish Civil Code. On the other hand, the ones established as companies were regulated under the Turkish Commercial Code (Law No. 6102, "TCC"). Associations cannot be established for profit sharing, on the other hand, the main purpose of a company is to make profit by transforming sports success into a commercial brand.

With the enactment of the Law, two new legal entities namely sports clubs and sports JSC were brought into Turkish law. Accordingly, sports organizations shall be established either as a sports club or as a sports JSC.

Establishment & Registration

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A sports JSC is a legal entity that is established for the purpose of carrying out sports activities. The Law lays out an essential requirement for the acquisition as a status of a sports JSC. Within the scope of Law, a JSC which acquired legal personality upon registration with Trade Registry Directorate is also obliged to register with the Ministry of Youth and Sports ("Ministry") in order to become a sports JSC. The application for registration shall be evaluated by the Ministry within 30 days.

Even though sports JSC may operate in any sports branch of their choice, they are also obliged to register the sports branch in which they will operate with the relevant sports federation. Pursuant to the Law, sports federations may even impose an obligation to have the status of a sports JSC in order to take part in certain leagues.

A sports JSC can be either established as a subsidiary of a sports club in affiliation with this club, or it can be established and registered without being affiliated to any sports club.

Management

Sports JSC manager refers to a real or legal person authorized by the company's Board of Directors ("BoD") as a managing director for the management and representation. The BoD consists of one or more persons appointed by the articles of association ("AoA") or elected by the general assembly.

Founders, members of the BoD, and other persons are not allowed to receive any benefits from the profits in sports JSC which are affiliated with a sports club. Furthermore, those who take part in the management of a sports club and a sports JSC cannot take part in the management of another sports club or sports JSC operating in the same sports branch and the same league at the same time.

Capital

The minimum capital of sports JSC cannot be less than one million Turkish Liras. In addition to that, sports federations may impose a minimum capital requirement for sports JSC in order to take part in certain leagues.

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Liability

The managing director and the members of the BoD of a sports club and a sports JSC are jointly and severally liable for the damages caused to the company, the shareholders, and the creditors if they intentionally or negligently violate their obligations arising from the law, and the AoA.

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