

## Establishing an Exchange Office in Turkey

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### Introduction

Pursuant to the Decree No. 32 Regarding the Protection of the Value of Turkish Currency (“Decree No.32”), exchange offices are among authorized entities established in the form of Joint Stock Company (“JSC”) and permitted to carry out transactions related to foreign currency, precious metals, stones and goods.

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In particular, the Communiqué on the Decree No. 32 (“Communiqué”) was published and entered into force January 30, 2018 (No. 30317) to regulate the procedures and principles regarding the establishment, activities, branches, obligations and audit of exchange offices.

In this article, establishment procedure of an exchange office and the conditions for permission of operation will be briefly explained.

### Field of Activity

According to the Communiqué, exchange offices are divided into two groups as Group A Type Exchange Offices (“Group A”) and Group B Type Exchange Offices (“Group B”). The types of activities that the Groups shall engage are determined comprehensively in the Communiqué. It is deduced that Group A can involve in a wider range of activities, in comparison with Group B.

Group B can carry out the following activities:

- To buy and sell foreign currencies,

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- To change foreign currency banknotes with smaller or larger banknotes of the same kind,
- To purchase the cheques paid by foreign currency in line with the procedures and principles established by the Central Bank of Republic of Turkey (“Central Bank”),
- To buy and sell standard and unprocessed golds specified in the Communiqué,
- To buy and sell foreign currencies and change them with other foreign currencies via the banks, exchange offices and institutions that can make transfers with their customers, provided that the transfer order is issued or the physical delivery of the amount is made within the same business day.

Group A, on the other hand, may perform the activities listed below in addition to those listed above:

- To import and export precious stones and metals and execute the related transactions within the framework of the relevant regulations and legislations,
- To operate as a representative for electronic money institutions and payment institutions,
- To buy and sell foreign currencies and make relevant transactions through money machines, if permitted by the Ministry of Treasury and Finance (“Ministry”),
- To buy and sell foreign currencies by bank cards without any limitation or by prepaid cards up to 10.000 US Dollars,
- To export foreign coins or Turkish Lira banknotes abroad, provided that the permission is given by the Ministry.

It is forbidden for exchange offices to be involved in activities other than those stated in the Communiqué. If this provision is violated by the officials of exchange offices, the permission of operation will be cancelled, and legal actions will be taken by the Ministry.

### **Conditions for Establishment**

Exchange offices should obtain a permission from the Ministry in order to establish and operate in Turkey.

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Certain conditions specified in the Communiqué must be fulfilled for the establishment procedure. Exchange offices must be established in the form of a JSC and the terms “Exchange Office” for Group A and “Limited Exchange Office” for Group B must be included in the trade name of the company.

Another prerequisite for the establishment of exchange offices is that they must exclusively perform the activities of exchange offices set forth in the Communiqué. Moreover, the paid-up capital of Group A must be minimum 5 million Turkish Liras, whereas this amount for Group B must be minimum 1 million Turkish Liras. Shares must be registered and issued against cash.

Each founding partner residing in Turkey and any person who has ten percent (10%) or more shares in the legal entity acting as a founding partner and also the general manager of the company, the Board members, the employees acting as authorized signatory and the internal supervisors of Group A must have the qualifications stated in the Article 6 of the Communiqué.

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In addition to all, Articles of Association of the company must comply with the provisions of legislation on the Protection of the Value of Turkish Currency.

Exchange offices that meet the above conditions are eligible to receive the permission for the establishment from the Ministry and those obtaining the permission must establish a JSC under the provisions of Turkish Commercial Code (“TCC”).

### **Operation License**

Exchange offices who have obtained a permission of establishment cannot operate until the operation license is granted. Permission of establishment is cancelled by the Ministry if exchange offices commence their operations before the operation license is granted.

The founders must complete the establishment procedure of an exchange office within 90 days from the date when the establishment permission is granted and must apply to the Ministry to obtain the operation license. The Ministry may extend the said period up to 90 days, provided that the unavoidable circumstances are certified.

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The Ministry issues a operation license if the relevant conditions are met. Furthermore, exchange offices are obliged to notify the Ministry of the commencement of their activities within 90 days from the date on which the operation license is granted.

### **Conclusion**

The establishment and operation of exchange offices in Turkey are subject to the strict conditions. The fulfillment of these conditions and compliance to the obligations imposed on exchange offices in the Communiqué are closely monitored by the Ministry. In this regard, the founders and officials of exchange offices should ensure that the company is always managed in line with the relevant legislations in order to continue to operate in Turkey.