



**COUNTRY
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The Legal 500 Country Comparative Guides

Turkey

INVESTING IN

Contributor

Bener Law Office



Cem Davutoğlu

Senior Partner | cem.davutoglu@bener.com

Bahar Ülgen Haşserbetçi

Partner | bahar.ulgen@bener.com

Eren Üçok

Partner | eren.ucok@bener.com

Serkan Kolay

Partner | serkan.kolay@bener.com

This country-specific Q&A provides an overview of investing in laws and regulations applicable in Turkey.

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TURKEY INVESTING IN



1. Please briefly describe the current investment climate in the country and the average volume of foreign direct investments (by value in US dollars and by deal number) over the last three years.

The Republic of Türkiye ("Türkiye") is one of the largest economies in the world, with a population of approximately 85 million. Despite the challenges posed by inflation in the recent years, with its strategically favourable and logistically well-connected location as well as its dynamic and resilient economy, it remains to be one of the most attractive investment destinations. In recent years, Türkiye has particularly become attractive for FDIs from the Middle East and Far East. According to the data of the Investment Office of the Presidency of the Republic of Türkiye (the "Investment Office")¹, the number of FDI projects in Türkiye was 208 and 264 in 2020 and 2021, respectively. The total FDI inflows between 2003 and 2022 amount to USD 251 billion.

Footnotes:

¹https://www.invest.gov.tr/tr/library/publications/lists/inv_estpublications/invest-in-turkiye-tanitim-kitapcigi.pdf

2. What are the typical forms of Foreign Direct Investments (FDI) in the country: a) greenfield or brownfield projects to build new facilities by foreign companies, b) acquisition of businesses (in asset or stock transactions), c) acquisition of minority interests in existing companies, d) joint ventures, e) other?

Typical forms of FDI in Türkiye are acquisitions of companies (both asset and share transfer transactions). Privatization has also played a major role in attracting FDI to Türkiye. Currently, acquisitions of existing businesses in majority are more preferred, while joint ventures and acquisition of minority stakes are less popular. Greenfield projects to build new facilities by

foreign companies is still an area that needs to grow.

3. Are foreign investors allowed to own 100% of a domestic company or business? If not, what is the maximum percentage that a foreign investor can own?

Unless otherwise specified by special laws and regulations applicable to regulated sectors, the foreign investors are allowed to own 100% of a domestic company or business.

4. Are foreign investors allowed to invest and hold the same class of stock or other equity securities as domestic shareholders? Is it true for both public and private companies?

Unless otherwise specified by special laws and regulations, the foreign investors have the right to invest in Türkiye directly and they receive equal treatment as local investors. However, certain regulated sectors are subject to specific regulations and foreign ownership restrictions due to additional concerns regarding national interest.

5. Are domestic businesses organized and managed through domestic companies or primarily offshore companies?

Domestic businesses are organized and managed through domestic companies in Türkiye.

6. What are the forms of domestic companies? Briefly describe the differences. Which form is preferred by domestic shareholders? Which form is preferred by foreign

investors/shareholders? What are the reasons for foreign shareholders preferring one form over the other?

The most common forms of companies available to foreign investors are (i) joint stock companies and (ii) limited liability companies. The most significant differences between the two forms of companies are with respect to the (i) the minimum share capital requirement and (ii) the liabilities of the shareholders and directors.

Which form is preferred by domestic shareholders?

Joint stock companies are mainly preferred because of their favourable rules of governance regarding the liabilities of the shareholders, ease of transferring shares, public listing and corporate governance for setting up joint venture structures.

Which form is preferred by foreign investors/shareholders?

Joint stock companies are preferred by foreign investors for the same reasons as above. However, generally, US companies prefer to form limited liability companies to comply with their local legislations in the US.

What are the reasons for foreign shareholders preferring one form over the other?

Joint stock companies are more preferable as they are subject to statutory provisions that are favourable to the shareholders in respect of liability and ease of share transfer procedures. Having said that, foreign investors who intend to establish a Turkish entity with sole shareholder prefer limited companies as they are subject to less bureaucracy in terms of governance.

7. What are the requirements for forming a company? Which governmental entities have to give approvals? What is the process for forming/incorporating a domestic company? What is a required capitalization for forming/incorporating a company? How long does it take to form a domestic company? How many shareholders is the company required to have? Is the list of shareholders publicly available?

Which governmental entities have to give approvals?

Some sectors are regulated in Türkiye (e.g. banks, energy, insurance, other financial institutions, capital markets companies etc.) and prior consent from the relevant authority must be obtained before establishment of a company in such sectors. If the scope of activities of the company to be established does not fall under the regulations of the regulated markets, then the only approval required is from the trade registry office.

What is the process for forming/incorporating a domestic company?

Process for forming/incorporating a domestic company consist of three phases.

In the first phase, the shareholders and directors should prepare and collect the necessary documents. In the second phase, (i) documents received from abroad should be translated into Turkish and notarized by a Turkish notary public, (ii) necessary registration formalities for the foreign shareholders and directors should be completed and (iii) the articles of association of the company to be established should be signed and registered at the relevant trade registry office. For joint stock companies, in this second phase, the shareholder(s) must transfer $\frac{1}{4}$ of the minimum share capital to the bank account to be opened in Türkiye under the name of the new company.

What is a required capitalization for forming/incorporating a company?

As from **01.01.2024**:

- the minimum share capital of a **joint stock company** is TRY 250,000, one fourth of which must be paid in advance before the company is registered with the trade registry office. The remaining amount shall be paid in within 24 months. If the joint stock company adopts the registered share capital system, then the initial minimum share capital must be TRY 500,000.
- the minimum share capital of a **limited liability company** is TRY 50,000 which can be paid within 24 months following the registration of the company with the trade registry office.

How long does it take to form a domestic company?

The documents provided by the foreign shareholders and directors need to be notarized and either (i) apostilled according to the Hague Convention Abolishing the Requirement of Legalisation for Foreign Public

Documents or (ii) legalized by the relevant Turkish consulate. Once all the necessary documents are provided, the process for the registration of the company with the trade registry office may take approximately 5-7 business days. The exact duration for the registration may vary depending on the workload of the trade registry office and the time required for the transfer of the minimum share capital for joint stock company to be formed, as per the relevant provisions of the Turkish Commercial Code.

How many shareholders is the company required to have?

Minimum one shareholder is sufficient to establish a joint stock company and limited liability company. This shareholder can be either a legal entity or an individual. There is no nationality requirement regarding shareholders.

Is the list of shareholders publicly available?

Regardless of whether it is a joint stock company or a limited company, the name or title of the shareholder in sole shareholder companies is required to be registered with the trade registry office. In case of any change, then the trade registry records should also be updated.

The name of shareholders can be publicly seen in limited liability companies since the transfer of shares in limited companies have certain recording formalities.

Unless otherwise specified by special laws and regulations, shareholding changes in joint stock companies are not subject to registration; hence the up-to-date shareholding structure of joint stock companies may not always be publicly available.

8. What are the requirements and necessary governmental approvals for a foreign investor acquiring shares in a private company? What about for an acquisition of assets?

Generally, there are no restrictions imposed on non-Turkish investors acquiring shares in Turkish companies. However, certain sectors may be deemed of national interest and subject to foreign ownership restrictions or require prior consent from the relevant regulatory authority (e.g. banks, energy, insurance, other financial institutions, capital markets companies, etc.).

Similar principles apply for acquisition of assets by non-Turkish investors; with specific conditions applicable for acquisition of real estate or limited rights in rem by non-Turkish investors depending on the identity of such

investors.

Accordingly:

- *Non-Turkish real persons* from countries determined by the President of Türkiye in accordance with international bilateral relationships and interests of the country may acquire real estate or limited rights in rem subject to further conditions on the total area of real estate and limited rights in rem to be acquired;
- *Non-Turkish legal entities* can only acquire real estate and limited rights in rem provided that the acquisition relates to Petroleum Law No. 6491, Law on Incentive of Tourism No. 2634 or Law on Industrial Zones No. 4737;
- *Turkish companies which are controlled by non-Turkish shareholders* are allowed to acquire real estate in Türkiye in order to carry out the activities mentioned in their articles of association; provided that the necessary consent is obtained from the relevant governorship office before applying to the land registry directorate for the acquisition.

9. Does a foreign investor need approval to acquire shares in a public company on a domestic stock market? What about acquiring shares of a public company in a direct (private) transaction from another shareholder?

Foreign individuals and legal entities, including foreign investment firms, trusts and funds, have the freedom to acquire shares in a public company, and trade various securities and capital market instruments in Turkish capital markets; regardless of whether the shares are acquired on the stock market or through direct transaction (in which case, some qualifications may be sought for the purchaser of such shares in terms of being classified as a qualified investor, etc.).

A foreign individual or institutional investor is required to engage with a Turkish intermediary institution for various securities-related activities or they may invest through their local investment banks or intermediary institutions that have access to Turkish capital markets by establishing beneficial owner accounts.

However, foreign ownership in public companies which operate in certain sectors that may be of national interest may still be subject to foreign ownership restrictions.

Notwithstanding the above, certain public disclosure requirements may be applicable in case of acquisition of shares of a public company; which do not necessarily differ for Turkish and foreign investors.

10. Is there a requirement for a mandatory tender offer if an investor acquired a certain percentage of shares of a public company?

When an investor acquires — either individually or in collaboration with others — management control (which is defined as either (i) holding more than 50% of the voting rights, either individually or in collaboration with others, directly or indirectly, in a public company; or (ii) possessing preferred shares that grant the authority to appoint or nominate the majority of the Board in a public company, irrespective of the percentage of shares held) of a public company through voluntary tender offers, block acquisitions, or individual purchases, such acquirer is obliged to extend a tender offer to other shareholders. This obligation arises at the moment of acquiring these shares, ensuring equitable treatment of all shareholders.

The applicable legislation lists certain circumstances where a mandatory tender offer requirement is not triggered; such as (i) acquisition of management control as a result of making a voluntary tender offer to all of the other shareholders, (ii) change in the management control triggering squeeze-out and sell-out rights, (iii) the shareholding percentage of the shareholder holding the management control falls below 50% and then exceeds 50% again before the management control is acquired by a third party, (iv) acquisition of management control through an agreement without acquiring any shares, which is approved at a general assembly meeting and the shareholders voting against are granted with a right to sell their shares to the company.

A shareholder may also apply to the Capital Markets Board of Türkiye and request an exemption to launch a mandatory tender offer within six business days following the triggering of a mandatory tender offer in certain cases, such as: (i) acquisition of the shares in order to strengthen the financial structure of the public company under financial distress, (ii) change of control of the management in the parent company of the public company, but not for the purpose of gaining control of the public company's management, (iii) share transfers effected to comply with regulatory requirements that determine the qualification to become a shareholder, (iv) transfer of shares of the governmental entities and bodies held in public companies under a privatization transaction.

11. What is the approval process for building a new facility in the country (in a greenfield or brownfield project)?

The approval process for building a new facility varies depending on the nature of the facility and the sector in which it shall operate. In a typical scenario, the environmental assessments need to be conducted and environmental permits have to be obtained, as well as construction permits. If the facility is intended to operate in a regulated sector (such as energy, pharmaceutical, etc.), further approvals and/or licenses are required to be obtained from the relevant regulatory authority.

12. Can an investor do a transaction in the country in any currency or only in domestic currency? a) Is there an approval requirement (e.g. through Central Bank or another governmental agency) to use foreign currency in the country to pay: i. in an acquisition, or, ii. to pay to contractors, or, iii. to pay salaries of employees? b) Is there a limit on the amount of foreign currency in any transaction or series of related transactions? i. Is there an approval requirement and a limit on how much foreign currency a foreign investor can transfer into the country? ii. Is there an approval requirement and a limit on how much domestic currency a foreign investor can buy in the country? iii. Can an investor buy domestic currency outside of the country and transfer it into the country to pay for an acquisition or to third parties for goods or services or to pay salaries of employees?

The primary rule is transacting in domestic currency however there are exceptions that separately apply to government agencies, residents, and non-residents. Also, legal entities resident in Türkiye, which are owned and/or controlled by foreign shareholders are granted additional exceptions.

As a rule of thumb, except for the cases determined by the Ministry of Treasury, payment obligations arising from all kinds of purchase and sale of movables and real estate, movable and real estate rentals, including leasing, vehicle and financial leasing and employment, service and work contracts and other payments arising from these contracts entered into among persons

residing in Türkiye, cannot be made in foreign currency or indexed to foreign currency.

Also in connection with the projects to be carried out for performance of tenders, in contracts and international agreements in foreign currency or indexed to foreign currency to which public institutions and organizations are parties; contractors or commissioned companies and their contracted parties may determine the contract price and other payment obligations arising from these contracts in foreign currency or indexed to foreign currency, save for real estate sales contracts and employment contracts. In addition, public financing may be made in foreign currency or indexed to foreign currency.

Furthermore borrowing in foreign currency or indexed to foreign currency by legal entity persons resident in Türkiye either from domestic or foreign financial institutions is separately regulated and there are different conditions that apply. Persons residing in Türkiye is defined as real and legal persons with a legal residence in Türkiye, including Turkish citizens earning income abroad. Persons residing abroad is defined as those real and legal persons falling outside the definition of persons residing in Türkiye.

Is there an approval requirement (e.g. through Central Bank or another governmental agency) to use foreign currency in the country to pay:

in an acquisition, or

There is no approval requirement to use foreign currency for payment in an acquisition in Türkiye. However, the Turkish foreign exchange regulations only allow for the following acquisition payments to be made in foreign currency (or indexed to foreign currency) domestically:

- a) Real estate acquisitions made between a person residing in Türkiye and a person residing abroad or two persons residing abroad.
- b) Persons residing in Türkiye can agree on the purchase price and other payment obligations for sales of movables other than vehicle sales, in foreign currency or indexed to foreign currency. However, the payment must be made in Turkish currency. Shares of a company is deemed a movable asset; therefore, sales of the shares should be treated as sales of movables. Therefore, although the payment obligations can be determined in foreign currency, the payment should be made in Turkish currency.

In respect of sales of vehicles, the payment obligations must be determined and paid in Turkish currency.

to pay to contractors, or

With respect to services including consultancy, brokerage and transportation, persons residing in Türkiye are allowed to agree among themselves on the contract price and payment obligations arising from the following contracts in foreign currency or indexed to foreign currency:

- a) service contracts to which persons who do not have citizenship ties with Türkiye are parties,
- b) service contracts made within the scope of export, transit trade, sales and deliveries considered as exports, and foreign exchange earning services and activities,
- c) service contracts made within the scope of the activities to be carried out abroad by persons residing in Türkiye,
- d) service contracts which will be concluded between the persons residing in Türkiye that start abroad and end abroad; start in Türkiye and end abroad, start abroad and end in Türkiye.

- To the extent there are costs in foreign currency in work contracts, persons residing in Türkiye are allowed to decide on the contract price and other payment obligations arising from such contracts entered into between themselves in foreign currency or indexed to foreign currency.
- Persons residing in Türkiye may, in respect of sales of software produced abroad within the scope of information technologies contracts, license and service contracts for hardware and software produced abroad, decide on the contract price and other payment obligations arising from these contracts in foreign currency or indexed to foreign currency.
- Branch, representative office, office, liaison office of persons residing outside of Türkiye, their (at least) majority owned or controlled companies or companies they are in common control with which are resident in Türkiye and companies in free zones within the scope of their activities in the free zones, in employment and service contracts to which such companies are a party as an employer or service recipient, may agree to have the contract price and other payment obligations in foreign currency or indexed to foreign currency.
- Commercial airline operators engaged in passenger, freight or mail transportation activities located in Türkiye; companies that provide technical maintenance services for air

transport vehicles, engines and their components and parts; organizations with the status of public or private law legal entities that have received or are authorized to operate to provide ground handling services at airports within the scope of civil aviation legislation and the businesses established by these organizations and companies in which they have at least fifty percent of the share capital, directly or indirectly, may enter into contracts with persons resident in Türkiye in foreign currency or indexed to foreign currency save for contracts for real estate sales, real estate leasing and employment contracts.

to pay salaries of employees?

The payment obligations arising from employment contracts (such as salaries) cannot be in foreign currency or indexed to foreign currency. However, there are exceptions to this rule which are as follows:

In the following employment contracts, such payment obligations can be in foreign currency or indexed to foreign currency:

- a. Employment contracts to be performed abroad,
- b. Employment contracts of employees who are subject to Maritime Labour Law,
- c. Employment contracts executed by:
 - (i) branches, (ii) representative offices, (iii) offices, (iv) liaison offices, which are located in Türkiye, of the companies located abroad,
 - companies whose 50% or more share capital is owned by or who is under common control of and/or is controlled by a foreign shareholder, either directly or indirectly,
 - companies located in free zones within the scope of their activities in the free zones.
- d. Employment contracts to which foreign persons residing in Türkiye are parties.

Is there a limit on the amount of foreign currency in any transaction or series of related transactions?

There are no such limit; however, in line with the Financial Action Task Force advisory, banks report international transfers exceeding USD 50,000 or its equivalent to Financial Crimes Investigation Board of Türkiye.

Is there an approval requirement and a limit on how much foreign currency a foreign investor can transfer into the country?

Turkish law does not impose any approval requirement or limit.

Is there an approval requirement and a limit on how much domestic currency a foreign investor can buy in the country?

Turkish law does not impose any approval requirement or limit.

Can an investor buy domestic currency outside of the country and transfer it into the country to pay for an acquisition or to third parties for goods or services or to pay salaries of employees?

Turkish foreign exchange legislation allows for purchases of Turkish currency abroad and transfer into Türkiye without the need for any approvals or licenses, provided that such transfers must be made through banks.

13. Are there approval requirements for a foreign investor for transferring domestic currency or foreign currency out of the country? Whose approval is required? How long does it take to get the approval? Are there limitations on the amount of foreign or domestic currency that can be transferred out of the country? Is the approval required for each transfer or can it be granted for all future transfers?

There are no approval requirements for transferring domestic or foreign currency abroad.

Whose approval is required?

There are no approval requirements for transferring domestic or foreign currency abroad.

How long does it take to get the approval?

There are no approval requirements for transferring domestic or foreign currency abroad.

Are there limitations on the amount of foreign or domestic currency that can be transferred out of the country?

Turkish foreign exchange regulations impose no such limitations.

Is the approval required for each transfer or can it

be granted for all future transfers?

There are no approval requirements for transferring domestic or foreign currency abroad.

14. Is there a tax or duty on foreign currency conversion?

Banking and Insurance Transaction Tax at the rate of 0.2% is applied over the sales amount of the foreign currency.

15. Is there a tax or duty on bringing foreign or domestic currency into the country?

Yes, it depends on the source of the currency.

If the foreign currency is:

- equity, Competition Board Fund Levy at the rate of 0.04% is applied.
- a loan, a Loan Resource Utilization Support Fund is applied at the rates between 0% and 3% depending on the average maturity of the loan and Stamp Tax at the rate of 0.948% is applied if the lender is neither a bank nor a credit institution.

16. Is there a difference in tax treatment between acquisition of assets or shares (e.g. a stamp duty)?

Yes. Joint stock companies benefit from unconditional VAT exemption whereas limited company shares benefit from conditional VAT exemption. All share transfers are exempt from stamp duty.

Asset transfers are subject to VAT and stamp duty. Real estate transfers may benefit from conditional VAT and stamp duty exemptions.

17. When is a stamp duty required to be paid?

If one of the signatories is a Turkish resident, it is deemed as an agreement signed in Türkiye and hence the transaction becomes taxable upon signing. Payment date is usually a month after the taxable event, i.e. signing.

If both parties are non-residents and the agreement is signed in Türkiye, then the tax liability arises when the

terms of the agreement is facilitated in Türkiye or it is submitted to Turkish official authorities.

18. Are shares in private domestic companies easily transferable? Can the shares be held outside of the home jurisdiction? What approval does a foreign investor need to transfer shares to another foreign or domestic shareholder? Are changes in shareholding publicly reported or publicly available?

The shares of **joint stock companies** can be transferred freely through the endorsement of share certificates or execution of a share transfer deed or a share purchase agreement. In principle, it is not required to register the share transfer transaction of a joint stock companies with the relevant trade registry; however, certain changes are subject to registration. Share transfer can be restricted within the limits stipulated under the Turkish Commercial Code. There are additional requirements and procedure for joint stock companies which are publicly held.

Share transfers in **limited liability companies** have certain recording formalities. Unlike joint stock companies, shares of **limited liability companies** can be transferred through a share purchase agreement/deed which must be executed before the notary public and the new shareholding structure will need to be registered with the relevant trade registry office.

Having said that, if there are share transfer restrictions regulated in the articles of association of a joint stock/limited company, then these restrictions should be observed by the investor.

Can the shares be held outside of the home jurisdiction?

Shares of joint stock companies can be represented by share certificates, and these share certificates can be held outside of Türkiye.

What approval does a foreign investor need to transfer shares to another foreign or domestic shareholder?

Regardless of whether it is a joint stock company or a limited company, the transfer of shares of a company under the supervision of a Turkish regulatory body (e.g. banks, energy, insurance, other financial institutions, capital markets companies etc.) may require prior approval from the relevant regulatory authority in

Türkiye.

If the joint stock company or the limited company is not under the supervision of Turkish regulatory body, the share transfer procedure shall be carried out according to the general provisions of the Turkish Commercial Code. Additionally, a prior clearance from the Competition Authority is required before completing the transaction that leads to a change in control if certain thresholds regarding the turnover of the parties involved and/or the target company are exceeded.

Are changes in shareholding publicly reported or publicly available?

Since the share transfer is subject to the registration, the changes in **limited liability companies** are publicly available.

Only certain changes are subject to registration in **joint stock companies**. As a result, changes in shareholding structure may not always be publicly available.

19. Is there a mandatory FDI filing? With which agency is it required to be made? How long does it take to obtain an FDI approval? Under what circumstances is the mandatory FDI filing required to be made? If a mandatory filing is not required, can a transaction be reviewed by a governmental authority and be blocked? If a transaction is outside of the home jurisdiction (e.g. a global transaction where shares of a foreign incorporated parent company are being bought by another foreign company, but the parent company that's been acquired has a subsidiary in your jurisdiction), could such a transaction trigger a mandatory FDI filing in your jurisdiction? Can a governmental authority in such a transaction prohibit the indirect transfer of control of the subsidiary?

With which agency is it required to be made?

Ministry of Industry and Technology's General Directorate of Incentive Practices and Foreign Capital.

How long does it take to obtain an FDI approval?

There is no approval process for the joint stock companies, limited liability companies and branches of foreign entities.

The FDI approval is only required for the formation of a liaison office of a foreign company and the approval can be obtained within 15 business days, provided that all required documents and information are submitted in full.

Under what circumstances is the mandatory FDI filing required to be made?

Joint stock companies, limited liability companies, branches of foreign entities, and liaison offices are required to submit annual filings for the previous year's activities by the end of May of each year. Furthermore, any changes in the share capital and shareholding structure should also be notified.

If a mandatory filing is not required, can a transaction be reviewed by a governmental authority and be blocked?

Unless otherwise specified by special laws and regulations (especially those applicable in regulatory matters), a transaction is not subject to any further reviews by governmental authorities.

If a transaction is outside of the home jurisdiction (e.g. a global transaction where shares of a foreign incorporated parent company are being bought by another foreign company, but the parent company that's been acquired has a subsidiary in your jurisdiction, could such a transaction trigger a mandatory FDI filing in your jurisdiction?

No.

Can a governmental authority in such a transaction prohibit the indirect transfer of control of the subsidiary?

Indirect acquisitions of shares of a domestic company may be subject to the Turkish Competition Board's approval if certain thresholds regarding the turnover of the parties involved and/or the target company are exceeded. Moreover, if the concerned domestic company operates in a sector which may be of national interest and subject to foreign ownership restrictions, such as education, or a sector which may require prior consent from the relevant regulatory authority (e.g. insurance companies, banks, etc.), then such indirect transfer of control may still be subject to the prior approval of the relevant governmental authority.

20. What are typical exit transactions for foreign companies?

The most common form of exit transactions for non-Turkish investors is share sale and business sale. Although there have been several IPOs and secondary buyouts in the past, these transactions are not the preferred forms as IPOs are more complicated to launch and secondary buyouts are likely to yield lower profits.

21. Do private companies prefer to pursue an IPO? i. on a domestic stock market, or ii. on a foreign stock market? iii. If foreign, which one?

on a domestic stock market, or

Yes, private companies generally prefer to pursue an IPO on the domestic stock market. Furthermore, investors intending to exit domestic companies also utilize IPOs instead of the conventional route of private share transfers. As per the data provided by the Central Securities Depository and Trade Repository of Türkiye, total amount raised from public offering within the first 11 months of 2023 was TRY 66.3 billion (approximately USD 2.28 billion).

on a foreign stock market?

There are not many domestic companies that pursue IPOs on foreign stock markets. Up until now, only a few domestic companies active in Turkish e-commerce business have launched IPOs via SPAC structure on NASDAQ.

If foreign, which one?

NASDAQ.

22. Do M&A/Investment/JV agreements typically provide for dispute resolution in domestic courts or through international arbitration?

To resolve disputes stemming from investment agreements or investment-related issues, non-Turkish investors have the option to seek resolution through authorized local courts or pursue national or international arbitration, along with other dispute resolution methods. This choice is available if it aligns with the conditions specified in the relevant regulations and if all involved parties consent to the selected method of dispute settlement.

M&A, Investment and Joint Venture agreements generally include provisions for international arbitration. Particularly, there is a rising preference for utilizing the rules established by the Istanbul Arbitration Centre. The

arbitration regulations of the Istanbul Arbitration Centre, available in Turkish, English, French, and German languages, have introduced innovative elements to Turkish law. These include concepts like fast-track arbitration (expedited procedure), procedural timetables, and the provision for emergency arbitrators. Notably, arbitral awards rendered by the Istanbul Arbitration Centre hold the same weight as court decisions; they are final, binding, and enforceable. Given Türkiye's participation in the New York Convention, awards issued by the Istanbul Arbitration Centre can be enforced not only within Türkiye but also in other countries that are signatories to the New York Convention. This facilitates the international enforceability of awards granted by the Istanbul Arbitration Centre.

23. How long does a typical contract dispute case take in domestic courts for a final resolution?

A typical contract dispute case takes at least 2 years to be concluded in local courts in Türkiye. If the subject matter of the dispute exceeds the appeal limit of TRY 17,830.00 determined for the year 2023 and the dispute is brought to the appeal judicial remedy, the period for the appeal courts to review the decision of the local court is at least 2 years. If the subject matter of the dispute exceeds the cassation limit of TRY 238,730.00 determined for the year 2023 and the dispute is brought to the cassation jurisdiction, the period for the appellate courts to review the decision of the court of appeal is at least 1 year. For this reason, if a dispute is resolved through ordinary judicial routes, it takes at least 5 years for the dispute to be concluded.

24. Are domestic courts reliable in enforcing foreign investors rights under agreements and under the law?

As a general rule, foreign investors enjoy the same treatment as domestic investors under Turkish law. Furthermore, in the Turkish judiciary system, local court decisions are reviewed by courts of appeal and courts of cassation. Decisions given by the local courts that are contrary to the procedure and/or the law are overturned by the courts of appeal named as the Regional Courts of Appeal and/or the Courts of Cassation and are sent back to the local courts for retrial. Therefore, even if the local courts render an erroneous decision, this decision can be overturned by the courts of appeal and/or cassation. In this respect, the courts of appeal and cassation constitute the basis of the juridical security.

25. Are there instances of abuse of foreign investors? How are cases of investor abuse handled?

FDIs are under constitutional protection in Türkiye. Also the FDI Law in Türkiye provides equal treatment for all investors.

Turkish judiciary has never ruled against a party solely on the grounds that the party is a foreigner. Turkish courts evaluate the dispute before them by focusing entirely on the facts, regardless of the nature or nationality of the parties.

26. Are international arbitral awards recognized and enforced in your country?

The recognition and enforcement of international arbitral awards in Türkiye are governed by the Turkish International Arbitration Law and the principles outlined in the New York Convention. The rising popularity of

arbitration in Türkiye has led to increased familiarity among national courts with the processes for recognizing and enforcing arbitral awards in the country. However, for an award to be recognized and enforced in Türkiye, it must meet specific conditions permitted under the New York Convention: (i) reciprocity between Türkiye and the country where the award was granted, (ii) absence of jurisdictional exclusivity under Turkish law concerning the subject matter, and (iii) compliance with “public order” principles, ensuring that enforcement does not violate fundamental principles of Türkiye’s legal system.

27. Are there foreign investment protection treaties in place between your country and major other countries?

Yes. Türkiye has signed Bilateral Investment Treaties with 98 countries, 76 of them are currently in force. The Contracting Parties include all the EU member states except Ireland as well as all the OECD member countries except Iceland, Canada, Norway and New Zealand. These agreements aim to promote and protect FDIs.

Contributors

Cem Davutoğlu
Senior Partner

cem.davutoglu@bener.com



Bahar Ülgen Haşserbetçi
Partner

bahar.ulgen@bener.com



Eren Üçok
Partner

eren.ucok@bener.com



Serkan Kolay
Partner

serkan.kolay@bener.com

