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Compliance agenda for era of New Turkish Commercial Code

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Compliance agenda for era of New Turkish Commercial Code

Following 11 years of study, the New Turkish Commercial Code ("New TCC") was enacted on 14 February 2011 and is entering into force on 1 July 2012. It includes many significant changes, in particular for capital stock companies. A number of innovations and revisions will be introduced into business life regarding a wide range of topics such as minimum number of shareholders, preparation of financial statements, minimum share capital amount, website creation and information society services.

Existing companies are required to align many of their managerial and financial procedures and processes, including their articles of association, with the New TCC by the required dates as specified in the Code on Effectiveness. Thereafter they will be expected to continue to carry out these newly introduced procedures as part of their routine practices. It is therefore crucial for companies to be aware of what is new, how they should take action and by when in order to comply with the New TCC.

For companies engaged in harmonising their processes and preparing for this new era, at PwC we would be happy to assist our clients in the business world with meeting the requirements of the New TCC through services offered by our dedicated team of specialists that was created in 2006.

What is new?	What actions should be taken?	By when?
Companies should revise their articles of association to comply with provisions included in the New TCC.	Companies should examine existing articles of association and modify as necessary to comply with the relevant regulations and imperative provisions of the New TCC.	Modifications should be implemented by 14 August 2012.
The obligation for a minimum of five shareholders no longer exists. A company with a single shareholder can be incorporated. Existing companies may reduce their number of shareholders to one person.	The advantages and disadvantages associated with a single-shareholder company should be assessed. If it is preferred to convert to a single-shareholder, the necessary share transfers should be made.	This option will be available as of 1 July 2012.
Minimum share capital amounts are revised. The minimum share capital amount for a limited liability company is increased to TRY10,000. The registered share capital system is introduced to closed joint-stock companies, and the issued share capital amount is increased to a minimum of TRY100,000, if registered share capital is preferred. Otherwise, the minimum share capital for joint stock companies is TRY50,000.	Share capital amounts below the new minimums included in the New TCC should be increased accordingly.	Minimum share capital amounts should be met by 14 February 2014.
The period for keeping share capital under subscription is shortened. A quarter of the share capital should be paid up at the time of registration and the rest can be paid up within 24 months.	Share capital kept under subscription should be completed within the subscription periods as described in the New TCC.	Within the dates of the new subscription deadlines.
At least one member of the Board of Directors (BoD) who is authorised for representation in joint stock companies should be a Turkish citizen and have his/her domicile in Turkey.	All joint stock companies should appoint members who fulfil these requirements.	Within three months of when the New TCC enters into force.
In limited liability companies at least one manager of the company must be domiciled in Turkey and must be solely authorised to represent the company.	All limited liability companies should appoint an authorised manager resident in Turkey.	Within three months of when the New TCC enters into force.
Payment terms are subject to change, and furthermore regulated while doing business with SMEs. Payment terms are stated as 30 days and maximum 60 days.	Companies should review all supplier agreements and terms should be revised to comply with the New TCC.	Will be in force as of 1 July 2012.

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For general assemblies (GAs) of shareholders, limited liability companies will follow procedures similar to those followed by joint stock companies. Companies may hold GAs, BoD and board of managers meetings electronically.	All companies should review their current arrangements regarding GAs, BoD and board of managers meetings, and compare them with regulations in the New TCC and secondary legislation that will be enacted in this respect. Modifications should be made as necessary or as preferred in line with the assessments.	Companies should start assessing these matters, and all necessary arrangements should be made after the enactment of the secondary legislation.
The concept of "group of companies" and its legal and financial outcomes are regulated in the New TCC.	Companies should be familiar with the practices for controlling, cross-shareholding and consolidation and with the rules for preparing reports.	Regulations on groups of companies will be effective as of 1 July 2012.
All commercial books and accounting records should be kept in line with Turkish Accounting Standards, which are identical to International Financial Reporting Standards. Year-end financial statements should also be prepared in line with these standards.	It is essential that all companies make their accounting software, system and processes compatible with Turkish Accounting Standards.	Will come into force on 1 January 2013.
All company papers and documents should indicate the registry number of the trader, trading name, headquarters of the enterprise as well as subscribed and paid-up share capital amounts, if the trader is a capital stock company, its web address and the names of members of its BoD.	All company documents should be reviewed and revised to include these details.	Will enter into force on 1 July 2012.
The existing concept of "statutory auditor" is removed. Companies' financial statements will now be audited by an independent auditor in accordance with Turkish Auditing Standards, which are identical to International Standards on Auditing.	Depending on their scale, companies should appoint independent auditors to conduct independent auditing.	For accounting year 2013, companies should choose their independent auditor by 1 March 2013. However, to ensure the auditor can participate in the year-end cash and stock counts, it is advised that the auditor is appointed before 31 December 2012.
Limited liability companies should prepare annual reports like joint stock companies. Annual reports will be subject to independent auditing to ensure they are compatible with financial statements.	Annual reports should be prepared in line with the New TCC.	2012 annual reports should be issued in line with the New TCC.
Shareholders cannot borrow from a company in which they own shares.	Existing shareholders' current accounts should be examined and outstanding balances should be closed. New loans are not allowed.	These types of loans are banned as of 1 July 2012. Current account debts should be closed by cash payments by 1 July 2015.
Companies are required to publish their financial statements, annual reports, GA decisions on dividend distribution, auditor's opinions and GA decisions on these opinions in the Turkish Trade Registry Gazette within six months of the relevant balance sheet date.	These new procedures are mandatory and must be included on routine to-do lists.	Will enter into force on 1 July 2012.
Each capital stock company should have a website and allocate a section of the site to "information society services". Information and documents listed in Article 1524 will be regularly posted in this section of the website.	The New TCC requires companies to carry out this activity; therefore, it should be included on routine to-do lists.	Will enter into force on 1 July 2013.
It is regulated that branches whose headquarters are located abroad should publish in Turkey both the financial statements belonging to the branch and those relating to their relevant headquarters.	The New TCC requires branches to carry out this activity; therefore, it should be included on routine to-do lists.	Will enter into force on 1 July 2013.
The New TCC includes 23 items of secondary legislation comprising regulations, statutes and communiqués prepared in relation to procedures, principles and implementation of certain rights and concepts.	In order to align with the New TCC, companies should start their preparations and related activities as soon as possible. However, it is essential they are fully informed about the secondary legislation before implementing measures to fulfil issues covered there.	It is expected that the secondary legislation will be announced either before the New TCC enters into force or a short while after this date.

PwC Turkey

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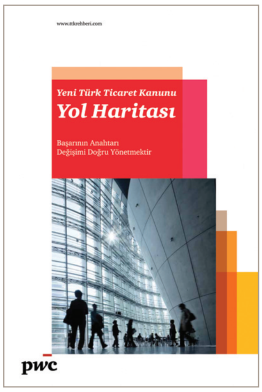
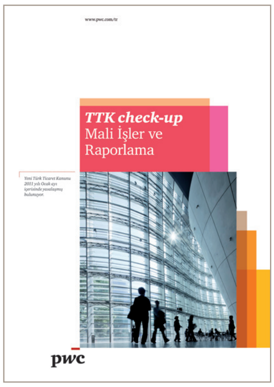
PwC operating in Turkey since 1981, consists of 5 offices; in Istanbul (2), in Ankara, in Bursa and in Izmir, with 1,250 professional staff.





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