

## Turkey Approves Major Changes to Pledge and Assignment Regime From January 2017

15 Nov 2016

Turkey has introduced major legislative changes to the pledge and assignment regime, which will facilitate access to finance for SMEs and boosts competitiveness. From January 2017, existing requirements for pledges on movables under the Turkish Civil Code will no longer apply to pledges granted by merchants and tradesmen, with certain limited exceptions.

The Law on Pledge on Movables in Commercial Transactions numbered 6750 ("**Law**") was published in Official Gazette number 29871 on 28 October 2016, entering into effect on 1 January 2017.

Under the new regime for non-possessory pledges (*teslimsiz rehin*), movables will be registered with the Movables Pledge Registry ("**Pledge Registry**"). The current issue of publicizing pledges on moveable property (*aleniyet*) will be eliminated.

A pledge will be established once the pledge agreement is filed and registered with the Pledge Registry. Signatures on pledge agreements must be notarized, or the signatures must be affixed before an officer of the Pledge Registry. Parties will be able to execute pledge agreements electronically, using secure electronic signatures.

It will become possible to create a pledge over movable goods which are not yet purchased as of the date of the pledge agreement.

Movable property will be capable of registration, without using the commercial title or name of a commercial enterprise. Therefore, companies will be able to pledge movable goods without granting a commercial enterprise pledge. A single piece of movable will be able to be pledged without handing over possession.

A notable consequence is that the new regime will likely impact current practices for assigning receivables (*alaca??n temlik*) because establishing pledges over receivables will be possible simply by creating and registering a pledge agreement with the Pledge Registry.

These pledge agreement will be able to be executed between:

- Financial institutions on one side and merchants, tradesmen, farmers, producer organizations, self-employed real and legal persons on the other; or
- Merchants on one side and tradesmen on the other.

Movable property which will be subject to the new pledge regime are:

- Receivables.
- Trees which can give fruits for multiple years.
- Intellectual and industrial property rights.
- Raw materials.
- Animals.
- All kinds of income and revenues.
- Rental income.

- Right to rent (*kirac?l?k hakk?*).
- Machine and equipment, tools, construction equipment, electronic devices including electronic communication devices.
- Consumables (*sarf malzemesi*).
- Stocks and inventories.
- Agricultural products.
- Commercial title and/or enterprise name.
- Commercial enterprise or tradesman enterprise.
- Commercial vehicle license plate.
- Commercial projects.
- Railway cars.
- Movable assets, rights and joint ownership rights which are in the possession of third parties in relation to the assets listed above.
- Other licenses and certificates whose registration with another registry is not stated in the applicable law.

Please see this [link](#) for the full text of the Law (only available in Turkish).

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