

## Turkey Revises Restrictions on Foreign Currency Loans

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Turkish residents with no foreign currency income are generally prohibited from making foreign currency loans, either from abroad or from within Turkey. However, the Council of Ministers recently introduced new rules for such loans, as well as new exceptions to the general prohibition.

Amendment Decree on Decree Number 32 Regarding Protection of Value of the Turkish Currency ("**Amendment Decree**") was published in Official Gazette number 30312 on 25 January 2018, entering into effect on 2 May 2018. The Amendment Decree makes changes to Decree Number 32 on the Protection of the Value of the Turkish Currency number 89/14391, dated 7 August 1989 ("**Decree**").

According to the Amendment Decree, Turkish residents with no foreign currency income are prohibited from making foreign currency loans, either from abroad or from within Turkey.

New exceptions have been introduced to this rule, applying to foreign currency loans which are to be used:

- By public bodies and institutions, banks and financial leasing companies, factoring companies and finance companies which are resident in Turkey.
- By Turkish residents which have a credit balance over US \$15 million at the time of use.
- By Turkish residents within the scope of investment incentive certificates.
- For financing several machines and devices, specified by the Council of Ministers
- By Turkish residents who win domestic tenders which were announced internationally.
- By Turkish residents who have undertaken defense projects approved by the Undersecretariat of Defences.
- By Turkish residents conducting PPP projects.
- By Turkish residents under terms and conditions determined by the Ministry of Treasury.

Banks and financial institutions can provide foreign currency loans to each other, either directly or by participating in international syndications, without any term limitations, in accordance with their own customary practices.

The Amendment Decree introduced the following new rules for foreign currency loans:

- If at the time of utilization, the sum of outstanding credit balances for foreign currency loans exceeds certain thresholds, the sum of the outstanding credit balances and the new loan cannot exceed the three financial years' foreign currency income. These thresholds are:
  - \$5 million to be utilized outside Turkey.
  - \$15 million to be utilized within Turkey.

- If it is later determined that the credit balance exceeds the last three financial years' foreign currency income, the exceeding amount of foreign currency loans from Turkish banks, financial leasing companies, factoring companies and finance companies must be recalled or converted into Turkish Liras.
- Parties acting as intermediaries for loans from abroad must monitor conformity with restrictions on foreign currency loans.

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

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