

Turkey Tightens Bankruptcy Postponement Regime

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Turkey has tightened up its postponement of bankruptcy regime. Bad faith debtors would regularly exploit the prior legislative arrangements and court processes, using them to threaten or bargain with their creditors by depriving them of enforcement and execution avenues for a significant and uncertain amount of time. However, legislative amendments go a significant way towards evening up the balance between creditors and debtors in this area. The amendments entered into force on 9 August 2016, but will not apply until after the three month State of Emergency has been lifted ([more information](#)).

The Law Regarding Amendment of Certain Laws for Improvement of Investment Environment numbered 6728 ("**Amendment Law**") was published in Official Gazette number 29796 on 9 August 2016.

Changes introduced by the Amendment Law include:

- Legislation now specifies the exact documents and data which companies must submit when applying to postpone bankruptcy. If the applicant fails to submit the required information within a two week grace period, the applicant will be immediately declared bankrupt.
- Recovery project reports must now demonstrate how the management expenses and working capital will be met during the postponement period.
- Creditors now have legislative basis for objecting to bankruptcy postponement, within two weeks of its announcement in commercial registry. Creditors can object (request the court reject the postponement application) on the ground that the applicant does not meet the criteria for postponement of bankruptcy.
- Applicants can now only submit a revised recovery project only once during postponement of bankruptcy proceedings.
- Extensions to the postponement period are reduced from four years to one year.
- Applicants which have already benefited from postponement of bankruptcy cannot apply for a further postponement within one year of previous postponement periods expiring (including extension periods).
- The court can now appoint multiple trustees if it believe a single trustee will not be capable of handling all necessary duties.
- A single trustee can now be appointed to a maximum of three companies.
- Courts can now terminate a trustee and appoint new trustees, if necessary.
- Trustees must now submit a quarterly evaluation report to the court about whether the applicant shows improvements in line with the recovery project.

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

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