

The Legal, Credit & Collection Environment in Turkey



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Agenda

Country Overview

- Quick look
- Political update
- Turkish economy at a glance

An Overview of Credit & Collections in Turkey

- Bankruptcy filings
- Foreigner's guide to risk management

Guide to the Debt Collection in Turkey

- Turkish national payment order
- Filing a lawsuit
- Concordat and bankruptcy in Turkey

Quick look – Turkey

- Capital: Ankara
- Population: 80.8 million
- Form of State: Unitary Presidential Constitutional Republic
- Currency: Turkish Lira (1USD = 5.87 TRY)
- Surface area (sq km) 783,560
- NATO member since 1952

Political Update

- Major Events

- The constitutional referendum held on April 16th, 2017
- The Turkish Parliamentary Election took place on June 24, 2018
- On July 18, 2018, the “State of Emergency” was lifted!
- Tensions with US to ease?

Economic Update

Key Aspects	2014	2015	2016	2017	2018f
Real GDP growth (%)	5.2	6.1	3.2	7.4	2.5
Nominal GDP in USDbn	933	858	862	848	712
GDP per Capita in USD	12,110	10,956	10,838	10,507	8,690
Inflation (average, %)	13.5	9.5	8.9	7.8	20.0
Exchange rate (USD)	2.3 TRY	2.9 TRY	3.5 TRY	3.7 TRY	6.1 TRY
Unemployment (%)	9.9 %	10.3 %	10.9 %	11.0 %	11.5 %

Import and Export Partners of Turkey

Main Export Partners	Main Import Partners
Germany – 9.6 %	China - 12 %
United Kingdom – 6.1 %	Germany - 10.3 %
UAE – 5.9 %	Russia – 9.9 %
Iraq – 5.6 %	United States – 5.4 %
United States – 5.5 %	Italy – 5.1 %

Main Economic Sectors

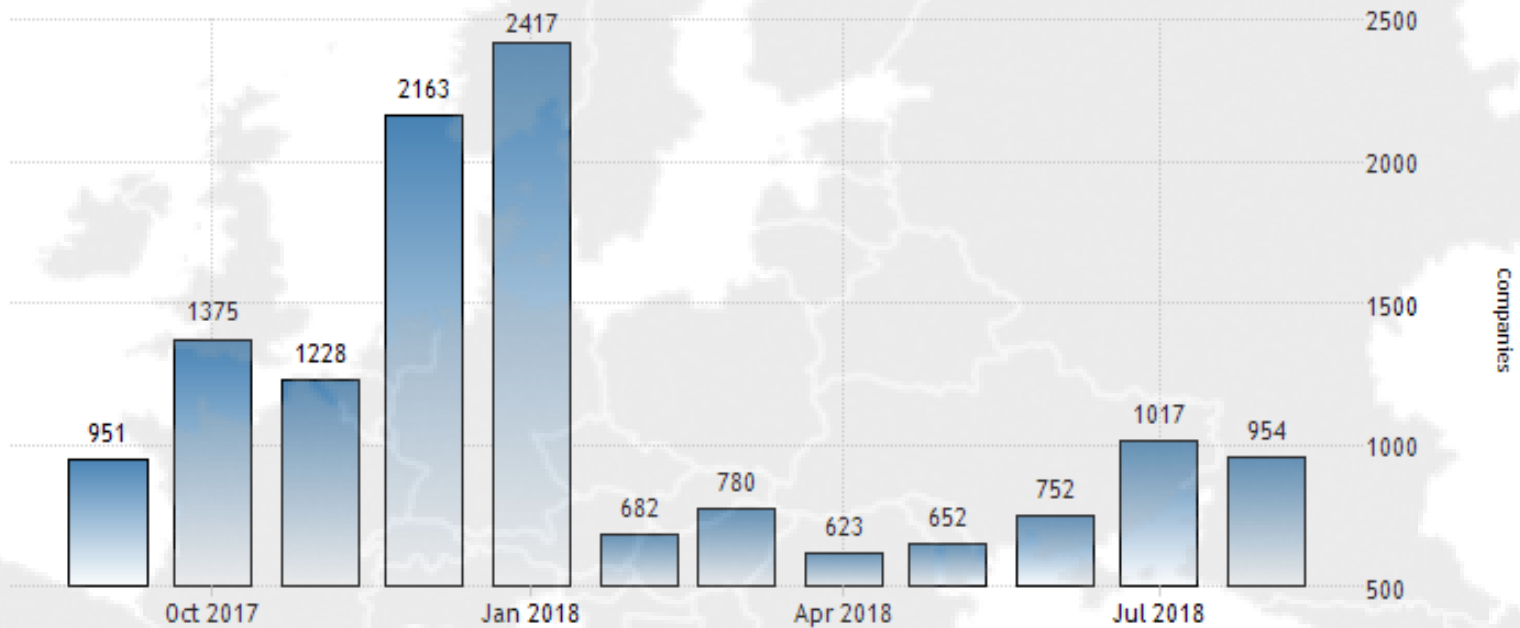
- Agriculture (world's largest – hazelnuts, cherries, apricots)
- Consumer Electronics and home appliances
- Textiles and clothing
- Motor vehicles and automotive products
- Steel-Iron industry
- Construction and contracting sector
- Mining (Coal, chromate, copper, boron)
- Service sector (Transport)
- Tourism

Turkey Credit Rating

	Rating	Outlook	Date
Moody's	Ba3	negative	17 Aug 2018
Fitch	BB	negative	13 Jul 2018
S&P	B+	stable	17 Aug 2017

An Overview of Credit & Collections in Turkey

TURKEY BANKRUPTCIES



SOURCE: TRADINGECONOMICS.COM | TOOB, TURKEY

An Overview of Credit & Collections in Turkey

Foreigner's guide to risk management

- Closely monitor credit risk!
- Businesses are advised to limit their exposure and/or select high return transactions only.
- Plan for short-term supply chain interruptions, as the security and political situations remain uncertain.
- Investment opportunities in a variety of sectors, including energy supplies and retail, will remain strong.
- Try to seek credit insurance possibilities for your transactions!
- Most secure way: Letter of credit (Cash against documents)
- Make sure to have agreements signed with your trade partner with clear terms and obligations!

Foreign Creditor's Guide to Debt Enforcement in Turkey

Turkish National Payment Order

- Filing your claim to the competent authorities
- A payment order is issued and served to the debtor's registered address
- Debtors have 7 days to contest the claim, and if they do not;
 - Orders become final, determinative and ready to be enforced.
 - Asset investigation, attachment on third party receivables is possible.
 - In case of non-collection, certificate of insolvency can be requested.
- If debtors contest the claim;
 - The case will go to court to be decided.
 - Proof of the claim must be pursued which is why invoices, order confirmations, contracts, and any kind of corroborating correspondence are of vital importance.

Foreign Creditor's Guide to Debt Enforcement in Turkey

Filing a lawsuit

- A foreign creditor may as well directly file a lawsuit
- a foreign creditor may be required to deposit a security to the court
- the plaintiff is required to deposit the court expenses such as service, court expert, viewing and witness expenses, in advance
- a court charge which will be calculated based on the amount of the claim must also be paid at the time of filing
- in general, courts render a decision within two (2) years of the filing, may take up to four (4) or more years as in some cases
- If you already have a foreign judgment; however, the plaintiff must initiate recognition and enforcement proceedings in Turkey to enforce the judgment unless it is an arbitral award!!

Foreign Creditor's Guide to Debt Enforcement in Turkey

The Concordat Process

- Aims to protect both the debtors in poor financial standing, as well as their creditors.
- one of the debtors or one of the creditors who can ask for a bankruptcy, applies to the enforcement court with a petition and offers a concordat project
- the debtor also must include a detailed balance sheet and a table of income and expense to its project
- if the court finds that the conditions of the concordat are met, it shall immediately issue a temporary respite decision of no more than three months.
- Two conditions for the respite decision: existence of the possibility the success of the concordat and absence of the intention to damage the debtor's creditors
- simple trial procedure
- if the court finds that the necessary conditions do not exist, the court rejects the request.

Foreign Creditor's Guide to Debt Enforcement in Turkey

Bankruptcy

- Another method of collecting monetary debts is commencing with a forced bankruptcy procedure or proceedings against the debtor.
- As bankruptcy lawsuits generally take more than 3 years, some creditors avoid requesting the debtor's bankruptcy.
- Bankruptcy proceedings can only be commenced against merchants/companies!
- Creditors may also directly request a debtor's bankruptcy from the competent commercial courts, providing that the conditions are met.
- Once the decision of bankruptcy is granted, the decision is conveyed to the competent bankruptcy office.

Thank You for Your Attention!

