REGULATION GOVERNING THE PRINCIPLES OF INCORPORATION AND OPERATIONS OF ASSET MANAGEMENT COMPANIES AND TRANSACTIONS RELATED TO THE ACQUISITION OF RECEIVABLES

PART ONE
Objective and Scope, Grounds and Definitions

Objective and Scope

ARTICLE 1 – (1) The purpose of this Regulation is to regulate the procedures and principles regarding the incorporation and operations of asset management companies as well as the transactions regarding the receivables to be acquired by asset management companies.

Grounds

ARTICLE 2 – (1) This Regulation has been prepared on the grounds of Articles 93 and 143 of the Banking Law No: 5411 dated 19/10/2005 as well as Article 15 of Law No: 6361 dated 21/11/2012 on Financial Leasing, Factoring, Financing and Savings Finance Companies.

Definitions and Abbreviations

ARTICLE 3 – (1) The following terms referred to for the purpose of executing this Regulation shall have the meanings indicated below;

a) Bank: Banks as defined in Article 3 of Law No. 5411,

b) Appraisal Institutions: Appraisal Companies authorized by the Board in accordance with the Regulation Governing the Authorization and Activities of the Institutions to Provide the Banks with Valuation Service published in the Official Gazette dated 12/1/2017 and issued 29946,

c) Other financial institutions: Institutions established in Turkey and abroad, which are members of the Financial Institutions Association defined in Law No. 6361 and whose main fields of activity are money and capital markets and which are operating in the field of providing finance, extending loans or insurance by obtaining permits and licenses in accordance with specific laws introduced with respect to these subjects,

d) Financial statements: Financial statements as specified in the Regulation Governing the Methods and Principles of Banks' Accounting Procedures and Storage of Documents published in the Official Gazette dated 1/11/2006 and issued 26333,

d) Financial consumer: Consumers specified in subparagraph (e) of the first paragraph of Article 4 of the Communiqué on the Procedures and Principles Regarding the Fees to be Collected from Financial Consumers published in the Official Gazette dated 7/3/2020 and issued 31061 (No: 2020/7), whose outstanding debts to Banks or other financial institutions or loans extended to merchants which are not in the nature of commercial financing are acquired by asset management companies,

e) Permanent data logger: Short message, e-mail, internet, CD, DVD, memory card etc. any similar instrument or medium which ensures that the information, provided by the client or sent in some way whatsoever, is recorded and copied without any change in a way that allows the examination of the information in question for a reasonable period of time in accordance with its purpose and allows this information to be further accessed without any deterioration,

f) Law: Law No. 5411,

g) Registered e-mail: The account, which is stipulated as per Article 1525 of the Turkish Commercial Code No: 6102 dated 13/1/2011 and which allow communicating notifications in electronic environment,

ğ) Source institution: The Savings Deposit Insurance Fund, Banks or other financial institutions that assign their receivables or other assets incurred based on their main fields of activity to the asset management companies,

h) Control: Control as defined in Article 3 of the Law,

ı) Board: Banking Regulation and Supervision Board,

i) Agency: Banking Regulation and Supervision Agency,

j) Paid-in Capital: The balance to be derived by appropriating the portion of the loss exhibited in the balance sheet however cannot be covered by the reserves, from the company's actually paid-in Capital, free from all kinds of fictitious transactions,

k) Shareholder's Equity: The balance to be derived by appropriating period's net loss, previous years' loss and other items to be determined by the Board from the sum of paid-in capital, capital reserves, profit reserves, net profit for the period, previous years' profit and other items to be determined by the Board (if any) and subordinated debts to be determined by the Board,

l) Risk group: The risk group, specified as per Article 49 of the Law,

m) Risk Center: The Risk Center established by the Banks Association of Turkey in accordance with the Additional Article 1 to the Law,

n) Regulation on the Uniform Chart of Accounts: Regulation on the Uniform Chart of Accounts published in the Official Gazette dated 1/8/2019 and issued 30849,

o) Turkish Accounting Standards: Turkish Accounting Standards as specified in the Law No. 6102,

ö) Asset management company: Companies incorporated by obtaining prior permission/license in accordance with the provisions of the Law and relevant legislation in order to operate for the purpose of purchasing, collecting, restructuring and reselling the receivables and other assets of the source institutions.

PART TWO
Incorporation and Transactions Subject to Permission

Terms of Incorporation

ARTICLE 4 – (1) The incorporation of asset management companies is subject to the permission of the Board.

(2) Asset management companies;

a) should be incorporated as a joint stock company,

b) should have a paid-in capital amount of at least fifty million Turkish lira, paid-in cash and free from all kinds of fictitious transactions,

c) Share certificates should be issued against cash and all of them should be registered,

ç) Trade name should bear "Asset Management Company" expression,

d) The articles of association should be issued in accordance with the provisions of Law No. 6102, this Regulation and other relevant legislation,

e) The founders should meet the requirements indicated in Article 5.

(3) The Board is authorized to increase the minimum capital required for incorporation.

(4) Companies with different fields of activity may operate as asset management companies, provided that they apply to the Agency with the documents required for incorporation in order to amend their articles of association in accordance with the provisions of the Law No. 6102 and this Regulation, to meet the conditions specified in the second paragraph and obtain the necessary permissions/license from the Board,

Requirements for Founding Shareholders

ARTICLE 5 – (1) The founding shareholders of the asset management company and the shareholders holding ten percent or more of the capital of the legal entity

founders or the real and legal persons holding the power to control are expected to meet the requirements stipulated in the first paragraph of Article 8 of the Law.

Incorporation Permit and Operating License

ARTICLE 6 – (1) In order to incorporate an asset management company or to transform an existing company into an asset management company, it is obligatory to apply to the Agency together with the documents specified in ANNEX-1. The Agency is authorized to request additional information and documents if it deems necessary.

(2) Regarding the information and documents to be provided by foreign nationals, the provisions specified in ANNEX-1 shall apply by analogy. Within the scope of this Regulation;

a) In the event that the documents required from foreign nationals cannot be obtained due to the absence of an authority or system responsible for keeping the records in question in the country where these persons are settled, this situation should be confirmed to the Agency with a document to be obtained from the competent authorities of the relevant country.

b) In the event that the documents required from foreign nationals cannot be obtained due to the absence of an authority or system responsible for keeping the records in question in the country where these persons are settled, however it is not possible to confirm this situation to the Agency with a document to be obtained from the competent authorities of the relevant country, the real person or legal persons concerned are obliged to provide a written declaration attesting that they are unable to provide the said certification.

c) Documents to be obtained from abroad for the purpose of the applications filed pursuant to this Regulation should be approved by the competent authorities of the relevant country and the consulate of Turkey in that country or in accordance with the Convention Abolishing the Requirement of Legalization for Foreign Public Documents adopted by Law No. 3028 dated 20/6/1984, prepared within the framework of The Hague Conference on Private International Law. Notarized translations of the documents should be annexed to the application.

(3) In case the application is approved by the Board, the asset management company files an application to the Agency to obtain an operating license after the incorporation or conversion transactions are carried out in accordance with the provisions of the legislation and the registration and announcement procedures are duly completed at the Trade Registry.

(4) For the purpose of the applications filed to obtain an operating license; a copy of the Turkish Trade Registry Gazette in which the articles of association is published, documents attesting that the members of the board of directors, general manager and deputy general managers meet the conditions stipulated in Article 10 and the address information of the persons authorized to represent and bind the asset management company should be submitted to the Agency.

(5) Subsequently; Agency investigates whether the capital of the asset management company applying for an operating license is paid in cash, free from all kinds of fictitious transactions, whether the company's capital is at a level sufficient to carry out the planned activities, whether risk management, internal control, accounting, information technology and reporting systems as well as business units suitable for the activities are established, whether sufficient personnel for these units are recruited and whether the appropriate job descriptions, powers and responsibilities for these personnel are defined accordingly. At the end of the evaluations, the Board grants operating licenses to asset management companies that are deemed to have the competence to carry out their activities.

(6) Incorporation permits of asset management companies will be revoked by the Board in the event the Company is determined to have received the incorporation permit based on false statements, the company declares that it has renounced its incorporation permit, the company has lost the conditions sought for the incorporation permit until it begins its operations, the company fails to get the incorporation permit or fails to file an operating license within 180 days following the incorporation permit. Operating licenses of asset management companies that fail to initiate their operations within one year after obtaining the operating license or cease their operations uninterruptedly for one year shall be revoked by the Board. It is mandatory to notify the Agency of the situation within seven working days as of the date of commencement of the activity.

Amendments to the Articles of Association and Transfer of Shares

ARTICLE 7 – (1) Asset management companies are obliged to notify the Agency before making any amendments to their articles of association. In case the Agency does not express a negative opinion regarding the amendments planned to the articles of association within fifteen business days, these amendments are included in the agenda of the companies' general assembly and the result are duly notified to the Agency. Amendment drafts that are not deemed appropriate by the Agency shall not be discussed in the general assembly. The Registrar cannot register the amendments to the articles of association with the Trade Registry without the approval of the Agency. The articles of association of the asset management companies are published on the website of the asset management company. The articles of association published on the web site should be updated within ten business days as of the date of the amendment. Asset management company is obliged to notify the Agency of any changes in its address within fifteen business days as of the date of change.

(2) Share transfers allowing real or legal persons to acquire shares representing ten percent or more of the capital of the asset management company or resulting the transfer of shares holding the power to control the asset management company is subject to the approval of the Board. Similarly, issuance of new privileged shares, establishment of privilege on existing shares, removal of privilege or establishment of usufruct right are also subject to the approval of the Board. This provision also applies to the pledge of shares in order to acquire voting rights. The issuance or transfer of shares that give the privilege of designating members to the board of directors or supervisory board is subject to the approval of the Board, regardless of the proportional limits set forth in this paragraph. Share transfers realized without obtaining in advance the necessary approval shall not be registered in the share ledger. Registries in the share register realized in breach of this provision shall be null and void.

(3) Shareholders holding the shares that give the privilege of nominating members to the board of directors or supervisory board should have the qualifications sought in founding partners.

(4) The change of control regarding the legal entities holding the control of the capital of the asset management company is subject to the approval of the Board. This provision shall apply until the real person partner or partners are reached, in case the capital shares having the power to determine the administrative and supervisory board of the legal entity partner belong to another legal entity.

(5) Approval regarding the transfer of shares within the scope of this article may be granted, provided that the transferee partner has the qualifications sought in the founders.

(6) Share transfers registered in the share ledger should be notified to the Agency within one month, even if the transfer is not subject to prior approval.

(7) For the purpose of the amendments to the articles of association regarding

capital increases; in case the capital increase shall be covered from within the internal resources of the company, the report certifying that internal resources in question are suitable to be added to the capital should be submitted to the Agency and in case the capital increase shall be covered in cash without applying to the internal resources of the company, a declaration attesting that the amount to be increased shall be paid in cash, free from all kinds of fictitious transactions, should be submitted to the Agency in addition to the copy of the resolution of the board of directors on the amendment to the articles of association regarding capital increases and the report attesting that the previous capital has been fully paid. The portion of the capital that is determined to have been increased in breach of the legislation is not taken into account while calculating shareholder's equity.

(8) The reports to be submitted to the Agency in accordance with the seventh paragraph should be approved by independent auditors meeting the conditions specified in subparagraph (a) of the first paragraph of Article 28 of the Independent Audit Regulation published in the Official Gazette dated 26/12/2012 and numbered 28509, within the framework of Turkish Commercial Code No: 6102, Decree-Law No:660 dated 26/9/2011 on the Organization and Duties of the Public Oversight, Accounting and Auditing Standards Authority (Decree-Law) and relevant legislation.

(9) The companies accepted the registered capital system within the framework of Law No. 6102 are obliged to notify the Agency within the scope of the second paragraph for capital increases to be realized within the upper limit of the registered capital..

(10) A copy of the Trade Registry Gazette, in which the amendment to the articles of association is published, is delivered to the Agency within fifteen days following its publication.

Mergers, Divisions, Acquisitions and Liquidation

ARTICLE 8 – (1) Mergers, divisions, acquisitions and liquidation of asset management companies are subject to general provisions, on condition that prior approval is received from the Board.

(2) The following documents should be annexed to the application petition to be submitted to the Agency in order to obtain the approval of the Board regarding the mergers, acquisitions and divisions;

a) Board of directors' resolution regarding the merger, acquisition and division,

b) Merger, acquisition and division agreement,

c) Independent audit reports determining the company's equity, the calculation of the merger and transfer rates, determining the amount for the capital increase and the financial statements regarding the merger, acquisition and division,

ç) The draft of the articles of association to be drawn up as a result of merger, acquisition and division,

d) The report setting out the justifications for the merger, acquisition and division,

e) Estimated financial statements/estimated balance sheet covering the three-year period following the merger, acquisition and division.

(3) Asset management companies may terminate their operations or apply for a voluntary liquidation upon obtaining prior approval of the Board. In order for an asset management company to terminate its activities and for voluntary liquidation, they should apply to the Agency together with the resolution of the board of directors on the subject. In this case, the operating license of the company is revoked by the Board.

(4) Granted approval shall be null and void in the event that merger, acquisition and division transactions are not initiated by taking a decision at the general assembly of the asset management company within three months as of the date of notification of the approval. Unless a new approval is received, these procedures cannot be continued.

Opening a Branch

ARTICLE 9 – (1) Asset management company that will apply to the Agency to obtain a permission to open a branch should have been operating in accordance with the standard rates stipulated in Article 25 and have a capital of one million Turkish Lira for each branch.

(2) It is obligatory to attach a copy of the resolution of the board of directors giving permission for opening a branch to the application petition to be submitted to the Agency.

(3) For the asset management company to be allowed to open a branch abroad, the regulations and practices of the country where the branch is planned to be opened should not pose any obstacles to obtaining the information and documents required by the Agency within the scope of audit and supervisory activities and to conduct audits in the said branch.

(4) The asset management company that is deemed appropriate by the Agency, as a result of the evaluations, is allowed to open a branch.

(5) It is obligatory for the branch opening to be registered in the Trade Registry and announced accordingly within three months as of the date when the permission is received and a copy of the Trade Registry Gazette, in which the registration is announced, should be delivered to the Agency.

(6) In case the branch opening is not duly registered and announced accordingly within three months as of the date when the permission is received, the permit regarding the branch opening shall become null and void. Asset Management Company shall also notify the Agency of its closed branches within one month following the date of closure.

(7) Changes to the address of the branches should be notified to the Agency within one month.

(8) Transferring a branch of the asset management company, already opened in one province, to another is subject to the principles regarding opening a new branch.

(9) The commencement or termination of the activities of an overseas branch should be notified to the Agency within one month.

(10) Asset Management company is not allowed to establish an organization other than branches, under any name whatsoever, and cannot grant franchises.

PART THREE
Corporate Governance

Notifications regarding the members of the board of directors, general managers and deputy general managers

ARTICLE 10 – (1) The board of directors of asset management companies cannot consist of less than three people, including the general manager. In the absence of the general manager, his/her deputy is a natural member of the board of directors. Members of the board of directors, general manager and deputy general managers to be assigned in asset management companies should have the qualifications stipulated in sub-paragraphs (a), (b), (c), (d) and (f) of the first paragraph of Article 8 of the Law. The educational background and professional experience requirements specified in the second paragraph and sought for being nominated as a general manager are also required for more than half of the members of the board of directors.

(2) General managers of asset management companies are required to have a bachelor's degree or post-graduate degree in law, economics, business, finance, banking, public administration and equivalent branches and engineering and to have at least seven years of professional experience in the field of law, finance or business administration. Deputy general managers, on the other hand, should have at least five years of experience in the fields of professional experience specified in this paragraph and have

also received bachelor’s degree academic education.

(3) Other managers whose seniority is equivalent to the deputy general manager or who work in higher positions in terms of their powers and duties are also subject to the provisions of this Regulation regarding deputy general managers.

(4) The persons who will participate as proxies in the meetings of the board of directors in the absence of the general manager and the circumstances under which these people will attend the meetings, provided that they have the same qualifications as the general manager, shall be determined by the board of directors.

(5) Members of the asset management company's board of directors, general managers and deputy general managers are required to provide the following information and documents within one month following their appointment or nomination annexed to a letter to be issued by the asset management company addressing the Agency;

a) Detailed CVs, which will be prepared in accordance with the sample in ANNEX-8, indicating their professional experience and former trainings and notarized copies of identity documents or passports for foreign nationals, except for those whose identity and address information can be accessed electronically through the systems established within the scope of Civil Registration Services Law No. 5490 dated 25/4/2006,

b) Written declarations stating that they are not bankrupt and have not declared a bankruptcy,

c) a letter of undertaking (ANNEX-6) signed in the presence of a notary public attesting that they do not directly or indirectly own ten percent or more shares or hold the power to control in Banks subjected to the provisions of Article 71 of the Law No. 5411 or transferred to the Savings Deposit Insurance Fund before this Law took effect and documents to be obtained from the Savings Deposit Insurance Fund attesting these matters stipulated herein,

ç) a letter of undertaking (ANNEX-7) signed in the presence of a notary public attesting that they do directly or indirectly hold a ten percent or more shares of or hold administrative power to control bankers subjected to liquidation or factoring, financial leasing, financing and insurance companies as well as institutions operating in money and capital markets whose operating licenses have been revoked except for voluntary liquidation,

d) Criminal records as of the recent six months including archive records,

e) A copy of the general assembly or board of directors resolution regarding their appointment or nomination.

(6) A notarized copy of the bachelor’s degree diploma should be submitted to the Agency, for the general manager and deputy general managers, in addition to the documents stipulated in the fifth paragraph.

(7) In the event that the members of the company's board of directors, general manager and deputy general managers resign for any reason whatsoever, the leave should be notified to the Agency within one month.

PART FOUR
Internal Systems

Establishment of Internal Systems

ARTICLE 11 – (1) In order to monitor and control the risks they are exposed to; asset management companies are obliged to establish and operate an adequate and effective risk management and internal control system to work affiliated to the Board of Directors that is compatible with the scope and structure of their activities and in line

with changing conditions.

(2) It is the sole responsibility of the Board of Directors of Asset Management Companies to establish the risk management and internal control systems in accordance with this Regulation, to ensure its operability, suitability, effectiveness and adequacy, to ensure the operation of accounting and reporting systems within the framework of the Law and related regulations and to ensure that the information produced with these systems are reliable, accurate, complete, traceable, consistent and in the appropriate form and quality to meet the needs.

(3) Asset management companies are obliged to establish an effective and sufficient internal control system to ensure that their activities are carried out in accordance with the legislation, internal regulations and the nature of their activities, to ensure the integrity and reliability of the accounting and reporting system and the timely availability of information, through continuous control activities to be followed and implemented by their personnel at all levels. Internal control activities are executed by internal control personnel, who will work affiliated to the board of directors and will consist of at least one person, in compliance with the activity structure and scope of the asset management company and who shall exclusively be engaged in internal control activities. Internal control personnel will present a report to the board of directors or a member of the board of directors other than the general manager to be nominated by the board of directors about the internal control activities executed, twice a year, within a month following the months of June and December.

(4) In order for the internal control system to work effectively and adequately;

a) The asset management company should separate the duties within its structure based on functional units, distribute the responsibilities accordingly, define the authorities and responsibilities clearly and in writing and submit them to the approval of the board of directors together with the principles of practice,

b) should define internal control activities,

c) should prepare business flow charts exhibiting the controls on business processes and business steps.

(3) Asset management companies are obliged to establish an appropriate risk management system, to create, implement and report risk policies within this scope and take the necessary measures to identify, evaluate, report and manage the risks which they are exposed to in order to effectively and safely pursue their activities. Risk management activities shall be executed by the risk management department and its personnel who will work under the board of directors.

Establishment of Information Systems

ARTICLE 12 – (1) The information systems to be established by the asset management companies shall be structured in accordance with the scale, nature and complexity of the activities of the asset management companies. Information systems are established in a structure that will allow all information about asset management companies to be safely stored and used in electronic environment. Asset management companies have to ensure the reliability of their information systems and make necessary changes by updating them regularly.

Accounting and financial reporting system

ARTICLE 13 – (1) Asset management company has to recognize all its transactions in a timely and accurate manner, on the basis of each transaction and in

accordance with their real nature, within the framework of the procedures and principles set forth by the Public Oversight, Accounting and Auditing Standards Authority; has to prepare its financial reports timely and accurately, in a form and content that can meet the need for getting information, comprehensible, reliable and comparable, suitable for audit, evaluation and interpretation. The information included in the financial reports should be compatible with the accounting records.

(2) Asset management companies are obliged to recognize their transactions in accordance with Turkish Accounting Standards by keeping records in accordance with Turkish Accounting Standards and the Regulation on Uniform Chart of Accounts, using a suitable accounting and financial reporting system and by using the appropriate accounts within the scope of their operating licenses from the accounts list included in the Uniform Chart of Accounts and Prospectus to be Implemented by Banks, as determined by the Board pursuant to the said Regulation.

(3) Asset management companies value total receivables and other assets they have acquired in accordance with the procedures and principles set forth in the framework of Turkish Accounting Standards and allocate provisions accordingly, in order to cover the losses that they have incurred or expected to incur due to their transactions, but whose amount is not certain. Expected cash flows within 10 years as of the date of financial statements are taken into account when revaluing the receivables acquired.

(4) Transactions that require collective recognition and transactions with a back value date can only be carried out by the asset management company in exceptional cases; worksheets attesting the correctness and reconciliation of these transactions are prepared at the end of the month, retained and kept ready for inspection.

(5) All collections realized on behalf of asset management companies, including transaction fees deducted from such collections by those who are concerned, should be recognized in the asset management company's accounting records. Collections from the principal debtor and other debtors, that are not recognized in the accounting records, are not allowed. This provision shall not apply to the attorney's fees collected directly by the legal attorney pursuant to Article 164 of the Law No. 1136 on Attorneyship dated 19/3/1969.

PART FIVE
Field of Activity and Audit

Field of Activity

ARTICLE 14 – (1) Asset management companies;

a) may take over/acquire, transfer, collect or restructure the receivables and other assets and liquidate the assets of the source institutions operating outside the insurance business arising from their main field of activity and the receivables and other assets of the source institutions operating in the field of insurance arising exclusively from the credit insurance service.

b) may operate, lease, collateralize, transfer and invest in real estate or other property, rights and assets acquired for the purpose of collecting receivables.

c) may provide additional financing to its debtors in order to collect their receivables, provided that the total amount of financing provided does not exceed three times of its shareholder’s equity.

ç) may provide intermediation, support and consultancy services in the collection, restructuring or transfer of the receivables and other assets of the source institutions arising from their main fields of activity.

d) may engage in operations to carry out its main activities, within the scope of the capital market legislation and provided that necessary permissions/approval are obtained

in advance; may issue securities, establish funds, invest in issued securities.

e) may acquire affiliates only for the purpose of carrying out its activities, except for the compulsory acquisition of shares due to the receivables.

f) may provide consultancy services to companies in the fields of corporate and financial restructuring.

(2) Asset management companies are not allowed to operate outside of the subjects specified in this article. Exclusively for the purpose of acquiring the receivables and other assets of banks and other financial institutions; they cannot establish a credit relationship with the bank or other financial institutions in accordance with the definition set out in Article 48 of the Law from which it has taken over/acquired receivables or other assets.

(3) Asset management companies may acquire subsidiaries other than the participation shares they have acquired compulsorily due to their receivables, on condition that they obtain prior approval from the Agency. The justification for acquiring the subsidiary should be explained in writing, including the financial planning of the company and the cash flows expected with this acquisition, and an application should be filed to the Agency together with the resolution of the board of directors to be taken on the subject. After the necessary permissions/approval are obtained from the Agency, the Agency should be notified about the finalized process within fifteen days following the completion of the subsidiary acquisition. Asset management companies are required to own at least ten percent of the total capital or voting rights in partnerships they will participate in pursuant to this article.

(4) The provisions of the third paragraph shall not apply to the subsidiaries that the asset management companies have acquired compulsorily due to the receivables they have taken over. It is mandatory to inform the Agency within fifteen days as of the date of acquisition concerning the subsidiaries acquired within this scope.

(5) It is mandatory to notify the Agency about the transactions carried out within the scope of subparagraph (c) of the first paragraph. The notifications shall include the financial planning behind the finance provided, the reason for providing such finance and the expected cash flows thereto.

Independent Audit

ARTICLE 15 – (1) Independent audit of asset management companies is executed within the framework of Law No. 6102, Decree Law No. 660 and relevant legislation.

(2) The independent audit reports regarding the year-end unconsolidated financial statements of the asset management company should be uploaded to the Agency's database until April 15 of the following year.

(3) Independently audited financial statements of asset management companies are published on the companies' websites.

Audit, Supervision and Giving Information

ARTICLE 16 – (1) Asset management companies, shareholders of asset management companies, partnerships controlled by asset management companies and other relevant real and legal persons are obliged to provide all kinds of information and documents requested, by the Agency and the professional personnel of the Agency duly authorized to conduct on-site audits pursuant to the provisions of this Regulation, to present the book records and documents, to have them ready for examination and to open the entire information technology system for on-site audit in accordance with audit purposes.

(2) The Agency is authorized to require asset management company to take all necessary measures in case situations that will seriously affect their financial structure is detected. Asset management companies are obliged to take and implement the measures

required by the Agency within the periods stipulated.

(3) Asset management companies are obliged to send the financial statements and statistical information, the form and scope of which are determined by the Agency, within the required time and via the required methods.

Revocation of the operating license and other sanctions

ARTICLE 17 – (1) Asset management companies which have lost the conditions specified in the second paragraph of Article 4 or whose shareholders have lost the qualifications sought in the founding partners, which have been found to have acted in breach of the second paragraph of Article 14, which have failed to take the measures required by the Agency in accordance with Article 16 within the specified period of time, which have failed to send the information and documents requested by the Agency in due time, which have been found to have unrecognized transactions or incorrectly recognized transactions or have recognized their transactions in breach of the provisions of this Regulation may be granted a period of up to three months by the Agency to bring their situation in compliance with the provisions of the legislation. It is at the discretion of the Board to revoke the operating licenses or suspend the authority to conclude new contracts with the source institutions regarding the transfer of receivables or other assets of companies that are found unjustifiable to grant time to rectify their situation or companies that cannot improve their situation within the time given by the Board.

(2) Operating licenses of asset management companies applying for voluntary liquidation and asset management companies that fail to notify their address changes in due time pursuant to Article 7 and are not found to be at their address despite communicating a legal notification shall be revoked by the Board.

(3) Board resolutions regarding the revocation of the operating licenses are published in the Official Gazette.

(4) Companies whose operating licenses have been revoked may not engage in activities exclusively granted to asset management companies in accordance with the Law and relevant legislation and may not use any words, phrases or signs in their trade titles, announcements and advertisements or in their workplaces that will raise an awareness that they are engaged in such business.

PART SIX
Procedures Regarding the Transfer/Acquisition of Receivables and Other Transactions

Pre-acquisition

ARTICLE 18 – (1) Source institutions subject to the audit and supervision of the Agency may transfer their receivables and other assets arising from their main field of activity to asset management companies, on the condition that they explain the economic justification of such a transfer in writing, taking into account the debtor and the collateral, and the collection percentage and period of the debt and its fair value. The principles of execution regarding the transfer are determined in writing and put into practice accordingly.

(2) Source institutions subject to the audit and supervision of the Agency cannot transfer their receivables to asset management companies via a method other than tender except for receivables involving only an individual risk group.

(3) Source institutions subject to the audit and supervision of the Agency set a timetable that will allow asset management companies to evaluate the process on equal terms, during the tender process for the transfer. In line with this timetable; an informative text, which includes the tender conditions and the qualifications of the receivables portfolio to be transferred is published on the source institution's own website and on the main page for at least five working days. This may be considered as

an invitation to tender.

(4) Source institutions subject to the audit and supervision of the Agency provide information and documents of the same nature to the asset management companies that will participate in the tender and allow them a time period, not less than ten working days and for the same length of time, so that they can conduct a pre-bid inspection. A fair, transparent and competitive transfer environment is ensured during the transfer process. It is obligatory to share information and documents in accordance with the fourth paragraph of Article 73 of the Law, within the framework of a non-disclosure agreement to be concluded between the parties and in a way that will be limited to tender purposes only and will be destroyed following the tender. Information such as the type of the loan, the personal identity/commercial title of the loan debtor and personal/commercial identifiers such as Personal ID No/TAC, the principal amount of the debt, the amount of interest and expenses incurred, the interest rate, the default date, the collateral status, whether it is subject to restructuring and the ongoing or concluded legal processes thereto are shared/disclosed within the scope of the said information and document sharing. The Board is authorized to determine the additional elements that should be included in the content of this information sharing.

Liabilities of the Source Institution with respect to the Transfer

ARTICLE 19 – (1) Source institutions subject to the audit and supervision of the Agency are obliged to;

a) inform the debtor about the asset management company to which the debt will be transferred, together with the principal and ancillaries, and to keep the relevant documents and records ready for inspection before the transfer of the receivables,

b) notify the asset management companies accurately and completely about the information and documents specified in the fourth paragraph of Article 18, before the transfer of the receivables,

c) in case enforcement/bankruptcy proceedings have been initiated; to transmit, in a healthy and accurate manner, the information about the legal proceedings and lawsuit, if any, the identity information that will enable the identification of the relevant debtor and the current contact information, to the asset management companies with which a transfer agreement has been concluded together with the documents that constitute a legal basis of the receivable,

ç) forward all kinds of information and document requests communicated by the asset management companies based on the complaints regarding the transferred receivables, to the requesting debtor, within fifteen days from the date of receipt of the request,

d) make the necessary notifications to the Risk Center and other relevant authorities that the receivable has been transferred to the asset management company, if deemed necessary.

(2) The qualifications of the receivables to be transferred to the asset management company shall be determined by the boards of directors of the source institutions subject to the control and supervision of the Agency, in accordance with the provisions of this Regulation, and within the framework of written policies and procedures to be developed by taking into account the efficiency principle, market conditions, the collection potential of the receivable and the collateral status, the assets of the debtor, the results that can be obtained from legal proceedings and by making the necessary benefit and cost analyzes.

(3) In addition to non-performing receivables, performing receivables can also be transferred to the asset management company by the source institutions subject to the audit and supervision of the Agency. Performing and non-performing receivables cannot

be included simultaneously in the same transfer portfolio, except for receivables pertaining exclusively to an individual risk group.

Liabilities with respect to the Transferred Receivables

ARTICLE 20 – (1) Asset management companies are required to make a written notification to the contact addresses of the principal debtor or their legal representatives, which may be inquired through the Risk Center or the directory services of electronic communication operators or may be obtained from the source institutions, before initiating legal proceedings and collection procedures regarding the receivables they have taken over. The aforementioned notification can also be made electronically via a permanent data logger.

(2) The notification specified in the first paragraph, including the name of the source institution, comprises of a text explaining that the debtor's debt to the source institution has been transferred to the asset management company and that the asset management company should be contacted to obtain further information about the debt together with all contact information of the related asset management company. The notification does not include information about the details of the debt.

(3) For the purpose of the initial meeting held when the debtor contacts the relevant asset management company; the transaction that constitutes the source of the debt, the organization that is the party to the debt, the total amount of the debt together with the principal and its accessories, the legal actions that the debtor will face in case of legal proceeding is initiated by the asset management company and other amounts that the debtors are obliged to pay are communicated to the debtor in an accurate, simple and comprehensible manner in accordance with the procedure specified in Article 21. If it is possible to clearly calculate the fees and expenses to be paid by the debtor to the relevant authorities at the time of notification, the amount of these fees and expenses are also communicated to the debtor; otherwise the debtor shall solely be informed about the liability to pay the said fees and expenses. All of the aforementioned information to be notified to the debtor within the scope of the said communication shall be sent to the debtor's contact addresses specified in the first paragraph or to other communication addresses to be specified by the debtor during this communication, in writing or via a permanent data logger.

Collection Process

ARTICLE 21 – (1) In every situation where a monetary amount is offered to the debtor by the asset management companies and their affiliated collection teams and after the agreed amount is paid, it is obligatory to notify the debtor in writing or through a permanent data logger and to record this notification. In case the agreed amount is paid, it is obligatory to include the information on the redemption of the debt in the said notification.

(2) Asset management companies are obliged to accurately determine the identity and contact information of the debtors. In case the debtor communicates directly with the asset management company through the contact information provided by the company to the debtor or when communicating with the debtor, it is not allowed to communicate any other party except those who want to pay the debt, undertake the debt, participate in the debt or the contract, although with the consent of the debtor and the company and no information about the debt can be provided to third parties who are not authorized about the debt.

(3) Asset management companies are obliged to act in accordance with Article 73 of the Law and the provisions of Personal Data Protection Law No. 6698 dated 24/3/2016 and relevant legislation, to avoid communication and collection methods that shall otherwise damage the reputation of debtors in the society and to act with due

diligence for not to communicate with third parties unrelated to the debt due to similarity in name and other information in all communications with the debtors. Asset management companies can contact the debtor via the telephone numbers that can be obtained from the Risk Center or inquired through the directory services of electronic communication operators or notified by the source institutions or the debtor and can provide information about the debt during the said communication only after the debtor's identity information is confirmed via a security confirmation or by other means whatsoever. In case asset management companies find out that the phone number used to communicate with the debtor is used by third parties, they are obliged to deactivate the relevant number in their systems so that it cannot be used for further communications.

(4) Asset management companies may only transfer the receivables they have taken over to another bank or other financial institution subject to the supervision and supervision of the Agency or Savings Deposit Insurance Fund. The transfer of the said receivables to other natural and legal persons who are a party to the said debt relationship by giving a collateral, surety, guarantee or otherwise in favor of the debtor in the financing agreement concluded between the source institution and the debtor regarding the transferred receivables or other third parties with prior written consent of the debtor shall not constitute a breach of this provision.

(5) It is essential that the asset management companies should not sell the immovables acquired by amicable means below the amount specified in the appraisal report prepared by independent appraisal institutions within one year prior to the acquisition and should not sell the immovables acquired through execution less than the acquisition amount. In case of a sales transaction in violation of this provision, the economic justifications for the sales shall be kept in written, ready for inspection.

(6) Obligations to be fulfilled by asset management companies in order for the transferor institution to control the collection realized by the asset management company, in revenue-sharing cases, shall be clearly regulated in the agreements regarding the transfer of receivables to be concluded with the source institution.

Legal Proceedings

ARTICLE 22 – (1) Upon the request of the debtors; documents regarding the transactions and amounts directly collected from debtors, for whom enforcement or bankruptcy proceedings have not been initiated yet within the scope of the provisions of the Execution and Bankruptcy Law No. 2004 dated 9/6/1932, shall be sent in writing or transmitted electronically via permanent data logger by the asset management companies to the debtors who have rendered the payment.

(2) In case there is an open execution or bankruptcy proceedings initiated by the source institution before the debt is taken over or in case execution or bankruptcy proceedings are initiated by the asset management company, all amounts collected with respect to the debt by asset management companies and source institutions subject to the supervision and control of the Agency shall also be notified to the relevant enforcement agency, upon the request of the debtor and if the required fee is paid. Asset management companies shall not be held responsible for acting in breach of this provision in case collections realized by source institutions are duly not reported to the enforcement offices.

(3) The debtor shall be duly informed in a clear and comprehensible manner before applying with a collection request about the fees, taxes, counter party attorney fees and other payments and transactions, if any, to be assumed by the debtor and to be paid to other persons and organizations in order to abolish enforcement proceedings in case the debt is paid by mutual agreement or directly together with the principal and its accessories. For the purpose of the negotiations conducted, the total settlement balance

shall be communicated to the Borrower, including the said expenses. Before a full or partial collection is realized, the debtor shall be informed of the actions to be taken to remove the enforcement proceedings and, if any, of any taxes, fees and other liabilities arising due to enforcement proceedings or other reasons. Information communicated shall be retained and shall be kept ready for further inspection.

(4) In case the debt or the covered debt amount is paid to the execution office and enforcement proceedings are terminated, Risk Center and other relevant authorities shall duly be notified regarding this situation.

Providers of the Outsourced Services

ARTICLE 23 – (1) Although it is essential for asset management companies to carry out their main activities within their own organizations these companies may procure certain services like collection and the follow-up of legal proceedings from third party service providers such as law firms, call centers, appraisal institutions; this shall not affect the responsibilities of the asset management company and the asset management company's board of directors against the legislation.

(2) In case the asset management company outsources temporary or permanent advocacy services for the follow-up of legal proceedings pertaining to the receivables taken over, a service procurement contract is concluded between the service providers and asset management companies in accordance with the obligations set forth in the relevant provisions of this Regulation and the said contracts shall be kept ready for further inspection.

Provisions with respect to financial consumers

ARTICLE 24 – (1) In cases where the debtor of the acquired receivable is a financial consumer, asset management companies:

a) are obliged to communicate with the debtor or other persons specified in the second paragraph of Article 21 as to be related or authorized with respect to the debt, only between 09:00 and 20:00 excluding public holidays and Sundays, in cases where the debt is not paid despite the notification communicated in accordance with the first paragraph of Article 20 and to take the necessary measures to prevent communication with other persons,

b) are obliged to communicate with the debtor about the collection, in accordance with the third paragraph of Article 21, via the telephone numbers that can be obtained directly from the Risk Center or inquired through the directory services of electronic communication operators or notified by the source institutions or the debtor only after the debtor's identity information is confirmed via a security confirmation or by other means whatsoever,

c) are obliged to limit the number of calls to a maximum of three per day, including calls from different telephone lines, and ensure that only one SMS is sent in cases where the debtor cannot be reached; to ensure that a minimum of five business days elapse until the next call, unless the debtor has a recorded consent, in cases where the debtor is reached and the subject matter is conveyed to him/her accordingly; to ensure that people who do not agree their debts, refuse any settlement and explicitly indicate that they do not want to be called, are not called unless the asset management company has concrete documents attesting that these people are indebted,

ç) are obliged to establish and operate an easily accessible system that will work continuously during working hours, through the call centers whose numbers are clearly indicated on the website or in written and verbal notifications, allowing to receive all requests regarding all kinds of information and documents related to the debt by making a security confirmation on the debtor's identity information and allowing to record and retain any complaints and objections,

d) are obliged to provide call center service in accordance with the relative limits specified in Articles 5 and 8 of the Regulation Governing the Service Level and Quality of Bank Call Centers published in the Official Gazette dated 20/5/2020 and issued 31132.

(2) It is essential that the information to be provided to financial consumers by asset management companies regarding the debt and collections is correct, simple and comprehensible.

PART SEVEN
Precautionary Provisions

Standard Ratio

ARTICLE 25 – (1) It is obligatory for asset management companies to achieve a standard ratio (the ratio of shareholder's equity to total assets) of at least three percent and to maintain this ratio.

(2) The Board, taking into account the asset management company's asset structure and financial structure, may decide to increase the standard rate or to apply different rates on an asset management company basis.

(3) The asset management company, which cannot meet the standard ratio, cannot conclude new agreements with the source institutions regarding the transfer of its receivables or other assets until this ratio is achieved.

PART EIGHT
Miscellaneous Provisions

Repealed Regulations

ARTICLE 26 – (1) Regulation Governing the Principles of Incorporation and Operations of Asset Management Companies published in the Official Gazette dated 1/11/2006 and issued 26333 and Regulation Governing the Sales of Receivables of State-owned Banks and Financial Institutions that are Subsidiaries of These Banks to Asset Management Companies published in the Official Gazette dated 11/8/2017 and issued 30151 have been repealed.

Adjustment period

PROVISIONAL ARTICLE 1 – (1) Asset management companies are obliged to adjust their situations to the conditions set forth in sub-paragraph (b) of the second paragraph of Article 4 of this Regulation within one year. If deemed appropriate by the Board, this period may be extended, provided that it does not exceed one year. Operating licenses of asset management companies that fail to meet the aforementioned obligation are revoked by the Board.

(2) For those asset management companies who have applied to the Agency for incorporation or for obtaining an operating license before the publication date of this Regulation, the amount stipulated in sub-paragraph (b) of the second paragraph of Article 4 of this Regulation shall be applied as thirty million Turkish Lira. These asset management companies are obliged to adjust their situations to the conditions set forth in sub-paragraph (b) of the second paragraph of Article 4 of this Regulation within one year after they have obtained their operating license.

(3) Asset management companies that are currently operating as of the date this Regulation enters into force are required to adjust their status to other provisions of the Regulation within six months.

Enforcement

ARTICLE 27 – (1) This Regulation enters into force on the date of its publication.

Execution

ARTICLE 28 – (1) The provisions of this Regulation are executed by the Chairman of the Banking Regulation and Supervision Agency.

Click for annexes.