

Registered Capital System in Turkey

The Capital Markets Board ("**CMB**") issued the Communiqué on the Registered Capital System (the "**Communiqué**") on 25 December 2013 repealing the Communiqué on the Principles regarding the Registered Capital System. Whilst some of the issues regulated under the former communiqué are preserved under the Communiqué, certain changes have been introduced.

Duration

The registered capital ceiling authorised by the CMB will be effective for five years, including the year of authorisation. Even if the registered capital ceiling is not reached at the end of the five-year period, in order to adopt a resolution for capital increase, the board of directors should obtain CMB's permission for the following:

- the previous permitted ceiling, or
- a new ceiling as well as an authorisation for a new period at the first general assembly meeting to be held. In the event that such permission is not granted, the capital cannot be increased through a board resolution.

The CMB is entitled to determine a period shorter than five years depending on the companies or sectors involved.

Regulations in relation to the ceiling

The registered capital ceiling permitted by the CMB to be effective for five years cannot exceed the amount that is equal to five times the issued capital or the equity capital of the company (whichever is higher).

Companies may exceed the registered capital ceiling only once in

relation to certain transactions (i.e. capital increase from internal sources and dividends, merger, demerger). However, cash capital increases do not benefit from this one-time exception.

In the event that companies that have adopted the registered capital issue convertible bonds or convertible derivatives, the total amount of converted shares and the issued capital of the company cannot exceed the amount of the registered capital.

General assembly quorums

In public companies which adopted the registered capital system, a meeting quorum is not required for the general assembly to grant the board of directors the authorisation to limit rights in relation to purchase of new shares.

The decision quorum is the affirmative votes of two-thirds of the shareholders present at the general assembly meeting. Where half of the shareholders are present in a general assembly meeting, the decision will be taken with the majority of the attendants (provided that a higher quorum is not required under the articles of association).

For companies that have adopted the authorised capital system, pre-

emptive rights of shareholders may be restricted; shares may be issued above or below the nominal value of the shares by a resolution adopted by the board of directors to such effect, provided that such authority has been conferred upon the board of directors pursuant to the company's articles of association.

Cancellation of resolutions of the board of directors

Members of the board of directors and shareholders, whose rights are violated, are entitled to initiate lawsuits against resolutions of the board of directors relating to matters stipulated under the new Communiqué before the commercial courts. This must be done where the centre of the company is located and within 30 days from the announcement of the relevant resolution. Unless the court rules for the deferral of the enforcement or cancellation, the applications submitted to the CMB in relation to the relevant capital increase will continue to proceed.

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