BANKING LAW OF THE TURKISH REPUBLIC OF NORTHERN CYPRUS

Law No: 39/2001

The Assembly of the Turkish Republic of Northern Cyprus enacts the following Law.

Short Title

1. This Law may be cited as the Banking Law of the Turkish Republic of Northern Cyprus.

FIRST PART

General Provisions

Interpretation

2. In this Law unless the context otherwise requires:

Chapter 113

“Bank” means the banks established under this Law and the Companies Law with the branches of the foreign banks opened within the boundaries of the Turkish Republic of Northern Cyprus.

28/1974

“Branch Bank” means all kinds of local organisations, excluding the banks’ units that consist of electronic transactions equipment, such as branches, agents and fixed or mobile bureaus dealing with acceptance of deposits or other banking operations,

7/1977

“Audit Organs” means the institutions and establishments to which the power of auditing is given under this Law.

30/1983

“Fund” means the Savings Deposit Insurance Fund.

28/1987

“Reserved Fund” means the sum of reserved amount and all other
reserves with paragraph (1) of article 18 of this Law, less, the balance sheet loss.

“Person” means natural persons or corporate bodies

“Central Bank” means the Central Bank of the Turkish Republic of Northern Cyprus.

“OECD” means the Organisation for Economic Co-operation and Development.

“Paid Up Capital” means any bank's actual paid-up capital or paid-up capital set aside for the Turkish Republic of Northern Cyprus free of any collusion less its loss disclosed in the balance sheet not met from reserves;

“Own Funds” means sum of paid-up capital and contributed capital, less, items to be deducted from capital, principles, elements and proportions of which are to be determined by the Central Bank by taking into consideration the international standards,

“Administrator” means the persons, among the public servants, whose scale salaries are at least 15 and who hold the educational requirements mentioned in article 16 of this Law, or the persons possessing the qualities mentioned in article 16 and who are neither public servants nor serving at any other bank.

Scope And Aim

3. (1) The banks already established and the ones that will be established in the Turkish Republic of Northern Cyprus as well as the banks established in foreign countries but that will be operating by opening branches in the Turkish Republic of Northern Cyprus, are all subject to the provisions of this Law.

(2) The provisions of the Law pertaining to the offshore banks, which have exclusively been established under their special Laws, are preserved.

(3) For the situations not arranged in this Law, other procedural rules regarding banks and the ones already in effect, are applied.

(4) The aim of this Law is to organise the principles and procedures pertaining to the establishment, administration, operation, transfer, union, liquidation and audit of banks towards protecting the rights and benefits of depositors, procuring an effective working system for credit facilities, through considering the stability and trustworthy at financial
markets and by also taking into account the economic requirements.

Power And Duty

4. The Central Bank is obliged and authorized, within the frame of power defined in this Law, to take and implement any decisions and measures in order to ensure application of this Law and other relevant Laws, and to supervise and conclude such application, and to ensure that savings are protected and to carry out other activities and to exercises its authority defined in this Law by also issuing regulations within limits of authority granted by this Law, to prevent any transaction or action which could jeopardize rights of depositors and a regular and secure operation of banks and lead to substantial damages to the national economy and to ensure efficient functioning of the credit system.

SECOND PART

Establishment of Banks

Establishment Of Banks Or Opening of Branches In The Turkish Republic Of Northern Cyprus

5. It is imperative to get the permission of the Central Bank for the establishment of a bank in the Turkish Republic of Northern Cyprus or opening of the first branch in the Turkish Republic of Northern Cyprus of a bank that already been established in a foreign country. The principles and procedures regarding the applications and rendering permissions are determined through an official notification by the Central Bank. In the permission that will be rendered, there should be at least four favourable votes of the members of the Board of Directors of the Central Bank.

Provisions for Establishment For Banks

6. The provisions for establishing a bank in the Turkish Republic of Northern Cyprus, are given as follows:

(A) The Turkish Republic of Northern Cyprus citizen founders being natural persons;

(B) The foreign citizen natural person or corporate body founders currently residing and having operations in the Republic of Turkey or in any one of the countries that have diplomatic relations both with the OECD member countries and the Turkish Republic of Northern Cyprus; holding at least 51% (fifty one percent) share in a bank operating in Turkey or in any bank having no restriction
and which is currently operational in one of the OECD member countries, or controlling this bank through indirect participation shares that secure minimum majority; the corporate body founders to have obtained the permission, given by the authorities responsible for implementing and auditing banking rules, in Turkey and OECD member countries, that maintains its validity as at the date of the application, and enabling them to conduct banking business without any restriction in the said countries;

From the purpose of the objectives of this Law, the following companies are considered as indirect participants;

(a) The companies in which a natural person, with his/her spouse and children, participates with unlimited responsibility or acts as its Chairman, Member of the Board of Directors, General Manager or Assistant General Manager, and

(b) The companies in which the participants, as mentioned in sub paragraph (a), participate directly or indirectly with shares over 25% (twenty five percent) of companies capital.

(C) The founders, even though they have declared bankrupt or concordat and been forgiven, should not have been sentenced with more than six months imprisonment or sentenced because of the disgraceful offences such as misappropriation, embezzlement, corruption, bribery, theft, fraud, forgery, in breach of trust, indirect bankruptcy, and because of the smuggling offences except the smuggling of personal use and consumption, mixing up intrigues into official tenders and business, disclosing of the State secrets, tax evasion or participation to tax evasion offences, and they should not possess, either directly or indirectly, 10% (ten percent) or more of the total shares in bankers, banks, insurance companies which have been subjected to liquidation, in the enterprises operating in money and stock markets and in the banks that have been transferred to the Fund;

(Ç) All of the shares must be written to name and issued against cash;

(D) The minimum amount of paid up capital that has been paid in cash and as free from every kind of fictitious transaction, must be of Turkish Lira equivalent of
$2,000,000.- (Two million United States Dollars);

However, the Central Bank is empowered to increase, if deemed necessary and appropriate the minimum amount of capital envisaged above, up to its double.

(E) The Memorandum and Articles of Association must conform to the provisions of this Law.

(2) One person acquiring of the shares that represent 10% (ten percent) or more of a bank’s capital or the share acquisitions resulting in one partner holding shares in excess of 10% (ten percent) of bank’s capital and the share transfers resulting in the drop of one partner’s shares below the ratios mentioned above, are subject to the permission of the Central Bank. The share transfers made without permission cannot be recorded in the share book. The share book recordings not made in accordance with this provision are considered to be void. In the share transfers that will be made following the permission, it is imperative that transferee corporate bodies, document which of the real person is in charge of their administration and control. In case that the capital shares, which determine the administration and control, belong to some other corporate body, this provision is enforced as far as the corporate body reaches the natural person partner or partners.

In implementation of this paragraph, the shares that belong to either natural persons or corporate bodies, mentioned in sub paragraph (A) of paragraph 3 of article 23 hereof, are regarded as shares belonging to one person.

The provisions of this article are also applied in the usufruct and mortgaging of shares. The transfer of the stock shares, to which privilege and usufruct have been acknowledged, is subject to permission without looking at the above mentioned share ratios.

(3) It is imperative that partners who own 10% (ten percent) or more of capital, bear the necessary qualifications required for being founders. Those founders who no longer hold these qualifications shall not be entitled to benefit from their shareholder rights except dividend rights. In this case, except holding and transferring of stock shares, all the other shareholder rights are exercised by the Central Bank. This provision is, exclusively, not put into force about those shareholders who no longer bear the qualifications required for the founders due to the reason that they own share of a bank to which the provisions of the paragraphs 1 and 2 of article 37 are applied.
7. The provisions for the foreign banks intending to practice banking business through opening branches in the Turkish Republic of Northern Cyprus, are given as follows:

By Foreign Banks

(1) Their paid up capital allocated to the Turkish Republic of Northern Cyprus, must not be less than the amount mentioned in article 6 of this Law hereof; and

In The Turkish Republic Of Northern Cyprus

(2) Undertaking banking business or accepting deposits in the countries where they have been established and operating, must not be forbidden or restricted.

In case that foreign banks are prohibited or restricted in the countries where they are located, after their establishment in the Turkish Republic of Northern Cyprus, the activities of their branches accepting deposits and conducting banking business in the Turkish Republic of Northern Cyprus, are also prohibited.

8. The principles and procedures pertaining to the applications made according to article 6 and 7 of this Law and to the establishment or opening of a branch in the Turkish Republic of Northern Cyprus, are determined through an official notification by the Central Bank and published in the Official Gazette.

9. As from the date of publication of the Central Bank’s decision pertaining to the establishment of a bank or opening a branch in the Turkish Republic of Northern Cyprus, unless the banking unit starts its operations within six months, permission becomes null and void.
THIRD PART

Operational Principles of Banks

10. The banks that have been established and commenced operations in the Turkish Republic of Northern Cyprus or of which application procedures have been completed, are eligible to receive a banking license to accept deposits or conducting banking operations, by applying to the Central bank. It is obligatory to attach, to the application, the document showing that the Turkish Lira equivalent amount of $20,000. -(Twenty thousand United States Dollars), for the license fee, has been deposited into an account, opened in the name of the Treasury and held at the Central Bank. Provided that the Turkish Lira equivalent of $10,000. - (Ten Thousand United States Dollars) amount of the license fee is deposited until the end of January each year, into the account held at the Central Bank and opened to the name of the Treasury, the banking licenses of banks are automatically renewed. The principles and procedures regarding this application and rendering the license for banking business are determined through an official notification by the Central bank and published in the Official Gazette.

The foreign banks that are operating by opening branches in the Turkish Republic of Northern Cyprus, are obliged to notify the Central Bank, within one month at the latest, as from the date of their opening of the second branch and also to submit in a separate declaration indicating one of their branches as the responsible administrative centre authorised in representing all their other branches.

The banking licenses of the banks failing to deposit the necessary license fee become invalid and procedures about them are followed in accordance with article 37.

11. (1) Upon the applications made through article 8 of this Law, the Central Bank, after examining whether the parties involved fulfill the requirements written in this Law or not, whether they hold the qualifications required by this Law or not, in order to start banking operations or accepting deposits, renders the banking licenses to appropriate applicants, within a maximum of 6 months period of time, as from the date of their submitting in the applications.

(2) As a result of the examination carried out, a period not exceeding three months is given to those, whose positions are found inappropriate, for making necessary arrangements and completing the missing parts of their
applications. Within this period, after a reexamination carried out for the renewed applications in accordance with paragraph 1, the results are notified to those applicants whose positions are found inappropriate and thus the rendered permissions are duly cancelled. In this case, the banking fee which has already been paid, is not refunded.

Minimum Legal Own Fund 12. In case a bank’s own funds, as at 31st December of each year drop below the Turkish Lira equivalent of $2,000,000. - (Two million United States Dollars), it must sum up the difference in cash, until the end of April of the following year. For the purposes of this article, the reserves made under the Law of Revaluation of Capital and Economic Assets of Enterprises and the amount that will be transferred from after tax profit to the reserves are deemed to be in cash. The portion of the contribution Capital above the 100% level (Hundred Percent) of the principal capital, is not considered in the own fund calculations.

Removal Of The Permission For Banking Operations And Accepting Deposits 13. (1) In case that any inconvenience is ascertained on a bank’s conducting banking business operations or accepting deposits as a result of the audit carried out by the Central Bank and/or independent auditing organs, the Central Bank may remove the bank’s permission regarding its conducting banking business or accepting deposits, either temporarily or permanently, either partially or completely, with the coverage of its entire organization or its branches that will be deemed necessary. The principles and procedures pertaining to canceling the permission for banking business operations and accepting deposits, are arranged through an official notification produced by the Central Bank.

(2) If the inconvenience is removed, the authorization of conducting banking business operations and accepting deposits, may be granted again by the Central Bank.

Those Not Authorised to Accept Deposits 14. (1) No natural person or corporate body, other than the banks authorised by this Law and those authorised by their special laws, shall accept deposits as a principal or side operation, nor shall they use any words or expressions in their business titles, public statements, and advertisements, that would imply that they accept deposits. However, among the ones that have been established under the Co-operative Companies law and are exclusively requesting to operate in the field of banking and finance, under this Law, to the ones that fulfill the obligations and conditions envisaged in
Chapter 114
28/1959
51/1983

the Banking Law of the Turkish Republic of Northern Cyprus, necessary permissions for exercising banking operations and accepting deposits are duly granted. In the implementation of this Law, the money collected by the co-operative units that have not fulfilled the obligations and conditions talked about, merely from their members as subscription and as for the purpose of providing health and social aid, provident and savings, are not regarded as deposits. These co-operative units will be allowed to provide loans to their members, not exceeding the amount they have collected. The work places which practice accepting deposits, conduct banking operations and use the word ‘bank’ without getting any permission, shall be closed down by the Court on the demand of the Central Bank.

(2) In the implementation of this article hereof, the practice of receiving of interest or the equivalent amount under any other name whatsoever, against any equivalence, whenever been requested or on the point of returning it back, through making announcements to the public either in writing or oral form or in any other way, is considered as accepting deposit. However, the procedural provisions for organising the bond and security markets are hereby preserved. As against the money accepted, rendering ordinary stocks or negotiable instruments, receipts or certificates instead of giving deposit bankbooks, does not change the situation.

(3) In the practice of this Law, the money collected by official and private establishments and companies, which are exclusively collected from their members and deposited into the funds established therein with the purpose of providing pension, health care and social benefits, provident and savings that all merely belong to their members, are not considered as deposits.

FOURTH PART

Organization and Organs of Banks

Forming of the Board Of Directors Credit Committee

15. (1) Except for the ones that operate as branches, the board of directors of any bank shall have at least five members. All the conditions, except the period, as envisaged for the general manager position in article 16 of this Law, are also required for the members being one more than their half.
And Internal Audit

(2) The board of directors are authorised to extend credits. The board of directors may delegate this authority to a credit committee or the head office in accordance with principles and procedures to be defined by the Board. Formation of a credit committee and its decision making principles shall be laid down by the Central Bank.

(3) Banks are obliged to set up an efficient internal audit system and a risk control and management system, the principles and procedures of which will be defined in a regulation to be issued by the Central Bank, compatible with the scope and structure of its operations in order to ensure monitoring and control of risks which they encounter due to their transactions.

General Managers And Assistant General Managers Of Banks

16. General manager of a bank and assistant general managers must complete higher education in the areas of Law, mathematics, administrative sciences, statistics, international relations, public administration, economics, business management, finance, accounting, banking or have higher education in engineering-management fields. For those to be appointed as general managers, they must have relevant experience in banking and finance sector or in the field of public administration dealing with economics and finance for a total of 10 (ten) years, 5 (five) years of which in managerial positions and the ones who will be appointed to the position of the assistant general manager must have a total of 7 (seven) years experience, three years of which in managerial levels.

Those Who Are Prohibited To Work At Banks

14/2000

17. Any person who has been fined more than once or sentenced to imprisonment due to their actions not complying with the provisions of this Law or the rules of the previous Turkish republic of Northern Cyprus Banking Law which ceased to be in effect, with those people who have been sentenced due to shameful offences, bankrupts, and also those who have caused banks falling into the scope of article 37 of this Law as a result of their acts and practices, shall not be employed in any bank as its chairman, member of the board of directors, general manager, assistant general manager, or as an employee having first degree signing authority. As a result of audits carried out, if members of any bank mentioned in this article, have jeopardized the secure operation of their banks and violated the provisions of this Law or other Laws, the removal of their signing authority will be obligatory following the request done for opening legal prosecutions and upon the request made by the Central Bank. Unless the permission is given by the Central Bank, these persons shall not be employed in any bank.
Those who will be appointed to the positions of general manager and assistant general manager, together with documents confirming that they hold the required conditions must notify the Central Bank. Unless a negative reply, together with reasoning within seven working days as from the date of the notification received by the Central Bank, is given, the appointments of these persons may proceed.

If the General Manager and/or the Assistant General Managers are leaving their jobs for any reason, the Central Bank should be notified together with the reasons for their leave, both by the bank involved and those leaving the jobs, within seven working days as from the date of their leave.

### FIFTH PART

**Reserves and the Provisions Pertaining to Deposits**

<table>
<thead>
<tr>
<th>Reserves For Probable Losses</th>
<th>18. (1)</th>
<th>Banks are obliged to reserve 10% (ten percent) portion of their annual net profits for probable losses. This obligation continues until the total reserved amount becomes equal to the amount of the paid up capital.</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>(2)</td>
<td>These reserves shall be used for the payment of the losses, only.</td>
</tr>
<tr>
<td>Classification Of Deposits</td>
<td>19. (1)</td>
<td>Saving deposits are the accounts opened under this title by natural persons and not subject to commercial transactions.</td>
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<td></td>
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<td>However, drawing cheques exclusively on demand savings deposit accounts shall not be considered as a commercial transaction.</td>
</tr>
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<td></td>
<td>(2)</td>
<td>Banks shall separate savings deposits from other types of deposit accounts and classify deposit accounts according to terms and types thereof as determined through an official notification produced by the Central Bank and published in the Official Gazette.</td>
</tr>
<tr>
<td>Withdrawal of Deposits</td>
<td>20.</td>
<td>The provisions of the Laws currently in force being preserved, the rights of depositors to withdraw their deposits, shall not be limited in any manner or at any time.</td>
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<tr>
<td></td>
<td></td>
<td>The conditions agreed upon by and between the holders of the demand deposits are enforceable in any other country.</td>
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</table>
Privileges Of The Owners Of Savings Deposits

21. If banks terminate their operations or are liquidated, the holders of savings deposits for the part of their deposits which is not insured shall have a first degree privileged claim, which shall be subordinate to those of the Fund, as opposed to other creditors with 90% (ninety percent) portion of their dues, on the existing balance held in such banks.

Prescription On Deposits

22. (1) Upon written requests given in by depositors, banks shall send them the statement of their accounts at least once a year.

(2) Any deposit, bailed goods or claims of any kind with banks, over the Turkish Lira equivalent of $20 (Twenty United States Dollars) in amount and value, that have not been claimed for a period of ten years or more from the date of the last withdrawal of transaction or the date of the last written instruction given by the depositor, after the depositors been informed by a letter sent to their addresses, shall be transferred, by banks, to the Central Bank, through an organized table showing their holders’ names, identifications, addresses and their due amounts reached together with their interests accrued, within six months period of time starting from the beginning of the calendar year that follows the ending of this period.

(3) Those deposits, bailed goods or claims transferred to the Central Bank in accordance with paragraph 2 above, of which amounts and values do not exceed the Turkish Lira equivalent of $20 (Twenty United States Dollars), shall be transferred to the Savings Deposits Insurance Fund by the banks in question. The Central Bank shall announce the ones which are over the Turkish Lira equivalent of $20 (Twenty United States Dollars) in the Official Gazette. The deposits, not been claimed within one year period of time starting from the date of the announcement, shall be recorded in the Savings Deposits Insurance Fund at the end of this period as income.

(4) The period of prescription in the accounts that have conditionally been opened on the names of small children and merely for making payments to them starts working out as of the date of adolescence of the minor child.
SIXTH PART

Credits and Other Investments

Boundaries Of Risks

23. (1) For the purposes of this Law, cash credits and non-cash credits such as guarantee letters, sureties, avals, endorsements and acceptances, etc., and bonds and similar capital market instruments it will purchase, and credits it will lend by depositing or otherwise, and receivables arising from futures sale of assets, and overdue cash credits, and amounts of non-cash credits converted into cash and futures and options contracts and other similar contracts and shareholding interests shall be deemed to constitute an exposure notwithstanding the account through which they are traced.

(2) (A) A bank may not incur an exposure directly or indirectly, to a natural person or corporate body, in excess of 25% (Twenty five percent) of its own funds or 4 % (Four percent) of bank’s total deposits, whichever is greater.

(B) Exposures to a natural person or corporate body, in excess of 10% (Ten percent) of bank’s own funds or 2 % (Two percent) of its total deposits, whichever is greater, shall be considered as large exposures. Total of the large exposures may not exceed tenfold of a bank’s own funds. Large exposures shall be notified to the Central Bank, in accordance with the principles and procedures laid down by this bank.

(C) For the exposures having State bail, this ratio may not exceed 100% (hundred percent) of the total own funds.

(Ç) For the implementation of this Law, the ratio of taking into consideration of the non cash credits and operations, principles and procedures that take place within the exposure limits set in the first paragraph above, shall be organized through an official notification determined by the Central Bank.

(3) (A) (a) In the implementation of this Law, for calculating the exposure limit that can be given to a natural person or corporate body, without looking to whether any exposure has been rendered in their favor or not, related with directly given credits, those natural persons or corporate bodies that have relations mentioned here below are considered to form a risk group for the bank giving that credit.
(i) A natural person with his/her spouse and their children,

(ii) The ones mentioned in sub paragraph (i) or together with a corporate body or by themselves alone having control either directly or indirectly over their capital or administration or participate therein with unrestricted responsibility or those mentioned in subparagraph (i) acting as chairman, member to the board of directors or general manager of companies,

(iii) Even if the relationships mentioned in the sub paragraph (i) or (ii) do not exist, those natural persons or corporate bodies with relations, among themselves, to the dimension of bail or, whenever any one of them falls into financial difficulty, creating the result of one or a few of them falling into financial difficulty as well,

(b) (i) The direct or indirect shareholders of a bank,

(ii) Those mentioned in the subparagraph together with their companies over which they control, either directly or indirectly, separately or together, their capital or administration or in which they participate with unlimited responsibility or the natural persons mentioned in subparagraph (i) acting as chairman, member of the board of directors and general manager,

(iii) Those natural persons or corporate bodies having relations to the dimension that will create the result of either one or a few other persons falling into difficulty because of the situations mentioned in the subparagraphs (i) or (ii) or due to a guarantee with a bank or a person’s falling into payment difficulty,

are accepted as risk group in which this bank is also included.

(B) In calculating the maximum limit of exposure to be given to a natural person or corporate body, the complete amount of the credits that have been directly given to each one of the natural person or corporate body comprising this risk group, are regarded as indirectly given to any one of the natural person or
corporate body of this risk group. The security and guarantees of the natural persons or corporate bodies of the risk group accepted by the bank against the credits used by the other real persons or corporate bodies taking place in the same risk group, are not considered in the calculations of the indirect exposure limits.

(C) The indirect participation ratio is calculated by multiplying the participation ratios.

(4) The following credit operations are not subject to the restrictions given in this article:

(A) The operations of which equivalent has been blocked, as cash, in a bank;

(B) The operations conducted in the Central Bank and in the markets related with this bank; and

(C) The interest accrued on the matured loans and the increments caused by the exchange rate changes applied on the exposures, and the other elements.

However, in the calculation of limits, in case that new exposure is allocated to the same person, the exposures that had previously been rendered in foreign currencies are considered to be at the exchange rate of the date that the consecutive exposures were used.

(5) When incurring exposures or issuing bails or guarantees, banks must obtain from the applicants their latest statement of account in accordance with procedures to be defined by the Central Bank. If the total amount of exposures incurred to and bails or guarantees issued to customers other than institutions, partnerships and banks, in which general or annexed budget agencies, state economic enterprises, and organisations included hold more than half of the capital thereof, exceed the amount determined by the Central Bank, then conformity of the statements of account and the accompanying balance-sheet and profit/loss statements to be received to generally accepted accounting principles must be verified by a professional group authorised in audit within the principles and procedures set out by the Central Bank.
(6) Banks must set aside provisions for losses which have resulted or are expected to result from loans and other receivables thereof, and the total amount of which cannot be determined, as set out in regulations issued by the Central Bank. All specific provisions, which any bank may set aside pursuant to this paragraph, shall be deemed as an expenditure for the purpose of calculation of corporate income tax base in the year when they were set aside.

24. (1) Without prejudice to provisions of Article 23, the total of the exposures that a bank will render to natural persons and corporate bodies that are under the scope of holding 10% or above its capital and of the related indirect exposures, shall not exceed 20% (twenty percent) of the bank’s own funds.

(2) Those exposures that will be rendered to members of bank’s staff, without any guarantee, shall not exceed the sum of the yearly wages of the members of the staff concerned.

25. The President and members of the Board of Directors of a bank may neither participate in the discussions concerning the demands for a loan, guarantee and surety from the corporate bodies with which they are connected with ties of interest or from their mother, father, brother, wife, husband and children, nor they may vote in connection with these matters. In the application of this article, a real person who is in a position to administer and control a corporate body in accordance with the Law or statute, or owns more than 10% (ten percent) of the share capital thereof, is deemed to be connected with ties of interest to such corporate body.

26. (1) Without prejudice to provisions of Article 23, banks may acquire shares of companies, other than financial institutions which is mainly engaged in money and capital markets and insurance under an authorization and a license issued in accordance with appropriate legislation, provided that the amount of the shares so acquired in that company shall not exceed %15 (fifteen percent) of banks’ own funds. The total amount of such shares shall not exceed %60 (sixty percent) of a bank’s own funds. Any shares in a company, which is less than %10 (ten percent) of that company’s capital, and shares acquired free of charge and any increase in such shares, which do not require any transfer of funds, shall not be taken into account in calculation of the foregoing limits.

(2) A bank and its subsidiaries in which it owns more than %50 (fifty percent) of the capital, can not acquire shares of companies
in which any shareholder who controls more than 10 (ten percent) of the bank's capital and the president and members of the bank's board of directors, or its general manager and assistant managers, separately or collectively, hold more than 25 (twenty-five) percent) of the capital. The banks that fail to satisfy the standard ratios that have been put into force in accordance with this Law, shall never acquire any new participation.

27. Companies and establishments in which a bank participate can not purchase shares in the capital of that bank, or accept them as pledge, or provide advances against them.

28. Banks shall not engage in purchase and sale of real estate or commodities (except gold) for commercial purposes. The total book value of real estate acquired by a bank, net of depreciation, can not exceed 50 (fifty percent) of a bank's own funds. The commodities acquired by a bank on account of its receivables shall be disposed of within one year, and the real estate acquired by a bank within three years. In case the disposing off is either impossible or causes great losses, these periods shall be extended up to its double by the Central Bank.

If banks acquire commodities and real estate property by acting against the provisions of this Law and have duly been sentenced, the already acquired commodities and real estate property shall be liquidated through selling.

SEVENTH PART

Accounting And Recording Order

29. (1) The account period of banks is the calendar year.

(2) Banks shall organize their accounts and balance sheets with profit and loss statements in Turkish Lira by ignoring the decimals.

(3) Banks are obliged to organize and keep the records of their accounts annual balance sheets and profit and loss statements in accordance with the official explanatory note pertaining to; the single order of accounts scheme, the single type of balance sheet and profit and loss statement with their dip notes, the
principles of auditing and valuing as well as the principles and procedures of their implementation and organization, which shall be laid down by the Central Bank.

(4) The information to be included in monthly balance sheets and profit and loss statements that will be organized by banks as well as their forms, shall be determined by the Central Bank. Banks are obliged to submit to the Central Bank these statements and their attachments following the end of the month of their preparation.

Conformity Of Accounts And Transactions

30. Banks may neither leave any of their transactions unrecorded and record them in the accounts that do not conform to their true nature, nor they may close their legal and auxiliary accounting books and records before reconcile them with the accounts of their branches and correspondents at home and abroad.

Keeping The Documents

31. Banks are obliged to keep, for a period of twelve years, the originals of the banking transactions documents or if not possible their copies that do not raise any doubt on their accuracy, and the printouts of their letters, by organizing dates and reference numbers thereto in a procedural manner. Such documents may be maintained in the form of a microfilm and microchip or in electronic magnetic media under the principles and procedures to be determined by the Central Bank.

Announcement Of Annual Balance Sheet With Profit And Loss Statements In Newspapers

32. (1) Banks are obliged to send, their annual balance sheets and profit and loss statements, which include the signatures of the president or the deputy president of the board of directors and that have been approved by an independent auditing firm, within a month, following their approval by the general assembly, in any case, within the first four months of the consecutive year, to the Central Bank. Also, these balance sheets and profit and loss statements are to be announced in at least two of the local newspapers.

(2) If the Central Bank examines and determines that any balance sheet or profit and loss statement declared publicly is inaccurate or includes an inaccurate information then upon the instruction of the Central Bank, the relevant bank is obliged to announce again, within fifteen days in the same newspapers and in the same way, the corrected balance sheets and profit and loss statements together with the declaration of their correction.

Requesting Statement, Report And Financial Tables And

33. With the purpose of following up the implementation of this Law, the Central Bank has the power to request, from banks, statements, reports and financial tables that are in conformity with the principles and samples determined by it and to fix the standard
Determining The Ratios

ratios pertaining to the use of financial structure and resources in such a way that, of their received deposits comprising of different monetary units and of the other obligations, banks may sustain, for every monetary unit, a position in another currency, only with an amount not exceeding 20% (twenty percent) of the total of these obligations, in the monetary unit in question. It is obligatory that at least 80% (eighty percent) of the obligations in question are held in position with the same monetary unit, or invested. According to this, the maximum amount of open position of a bank is limited with 20% (twenty percent). Other obligations are determined through a notification to be prepared by the Central Bank. Banks are obliged to entrust, to the Central Bank, the statements, reports and financial tables that they have arranged according to the provision of this paragraph, and to conform to the ratios that will be determined.

Power To Control Banks

34. (1) The implementation of this law together with the provisions of other Laws related to banks and control on every kind of banking transaction, determining and analyzing the relation and balance among assets, receivables, own funds, liabilities, profit and loss statements, and all other factors affecting financial structure, shall directly be carried out on behalf of the Central Bank by the Central Bank inspectors.

(2) The Central Bank is empowered to request all the information it deems necessary, regarding the provisions of this Law and other Laws, to examine all of the accounting books, recordings and documents of the banks, while these banks are obliged to submit in these information and to make ready those books, recordings and documents for being examined.

(3) The qualification required for the auditing institutions that will conduct auditing with the banks independently, and with the authorization given by the Ministry in charge of financial affairs and the control of the independent audit reports, shall be determined by the Central Bank through an official notification. The Central Bank and independent auditing institutions are responsible for the losses they give to the third persons because of the operations they carried out according to this Law.

Audit of the Branches and Companies of foreign

35. The fulfillment of demand for conducting audit and requesting information thereof, of the competent authorities empowered in conducting audit according to foreign countries Laws, within the enterprises operating in their own countries financial markets but having
Countries in the Turkish Republic of Northern Cyprus, is subject to the permission of the Central Bank. Information that will be requested by these competent authorities may be given by the Central Bank with the condition of their not being disclosed. The Central Bank can have any cooperation and exchange of information regarding banking issues, within the frame of the agreements to be made with the competent authorities authorized in auditing.

Administrative Measures

36. (1) After controlling a bank and following the legal investigations of those bank members who have been found to have violated the rules of this Law and all other related laws, and who have been confirmed to have jeopardized bank’s operating in a safe manner, upon the request of the Central Bank, it is compulsory to remove their power of signatures until the process of trial ends.

(2) On the condition of legal prosecution to be taken against people being concealed, the Central Bank is empowered to cease the advances and rediscount loans, call back the opened credits, limit the interbank transactions and electronic fund transfer operations and to take similar administrative measures that it requested from them regarding the removal and avoidance of the illegalities in this Law.

(3) In case that any natural person or corporate body other than the ones authorized according to this Law, has been detected of accepting deposits or conducting banking activities without obtaining authorization pursuant to this law, or used the words and expressions in any of their documents, notices and advertisements, which could give the impression of their accepting deposits or carrying out banking activities, the places of business of these persons may temporarily be closed, their notices and advertisements shall be stopped, and their illegal documents, notices and advertisements may be seized.

Strengthening the Financial Structure

37. (1) As a result of the audit conducted, if any transaction is found to be contradictory to this Law, to the arrangements made and resolutions given based on this Law, to the banking principles and practices that would jeopardize a bank’s operating in a safe manner, on the condition of the punishment procedures to be initiated against responsible people of the bank being preserved, the Central Bank shall warn the relevant bank for correcting the transactions in question, to do it on time that will be specified, and taking the necessary measures to avoid
their repetition. Bank has to take the necessary measures requested by the Central Bank and notify the measures taken to the Central Bank within a specified time period. In case that bank fails to take the requested measures and repeats the transactions that might jeopardize its operating in a safe manner, then depending upon the nature and importance of the transactions, the Central Bank shall be empowered to take the following measures towards keeping the operation of the banks in a safe manner and protecting the rights of depositors:

(A) to appoint new members to the Board by dismissing or replacing all or some of the members of the board of directors or by increasing the number of seats therein;

(B) to restrict the operations of the bank in such manner as to cover its whole organisation or only those of its branches which will be considered necessary or its relations with correspondent banks; and

(C) to increase the deposit insurance premiums payable by the bank or to require provisions up to one hundred percent of deposits it accepts.

The wages of the board of directors that will be appointed according to this subparagraph are determined by the Central Bank and met by the relevant bank or the Fund.

(2) (A) If the Central Bank, in its sole discretion determines that the assets of a bank are insufficient, or are about to become insufficient, to cover its obligations in terms of maturity or the bank does not oblige to regulations related to liquidity, the Central Bank may ask the bank to remedy this failure in accordance with a plan of action approved by itself and may also for the purpose of strengthening the liquidity, grant an appropriate period of time to the bank and require it;

(a) Not to invest on long term basis or fixed assets; and

(b) to dispose of fixed assets such as real estate and equity holdings;

And all the other measures it deems appropriate.

(B) If the Central Bank, in its sole discretion determines that a bank is about to fail or fails to meet any minimum
level of capital required to be maintained by the bank pursuant to applicable regulations, the Central Bank might ask the bank to remedy this situation in accordance with a capital restoration plan approved by itself requiring the bank to increase its capital or to obtain funds that are qualified as capital. The Central Bank may also, for the purpose of strengthening the capital require it;

(a) not to pay dividends, to cease additional payments such as bonus, premiums, in kind or in cash social aids to the members of the Board of Directors, general manager and assistant general managers;

(b) to limit or end the operations which cause losses, and

(c) to liquidate the assets which have low efficiency or are inefficient.

Including all other measures it deems appropriate, for the purpose of strengthening the own funds.

(3) If the Central bank in its sole discretion determines that;

(A) a bank does not take the measures in part or in whole stated in paragraph (2) of this Article, the financial structure of the bank cannot be strengthened although the measures have been taken in part or in whole, or the financial structure has become so weak that it could not be strengthened even if those measures were taken, or;

(B) a bank can not fulfill its obligations as they fall due or;

(C) the value of the liabilities of the bank exceeds the value of the assets, in accordance with the valuation standards determined for the implementation of this Article; and

(C) the continuation of its activities would threaten the rights of depositors and the security and the stability of the financial system,

It has the authority to transfer the management and control and privileges of shareholders except dividends, of a bank to the Fund or revoke the license of the bank to perform banking operations and/or to accept deposits.

(4) If shareholders who directly or indirectly, individually or with other shareholders hold the bank’s management and control, are found to have made use of the bank’s resources for their own interests directly or indirectly in a manner to jeopardize the secure functioning of a bank or caused the bank to sustain
a loss as a result of such misuse, then the Central Bank may transfer the privileges of shareholders except dividends, and the bank’s management and control to the Fund.

In case the resources which have been utilized or the losses that have been incurred, have not been returned or compensated in accordance with this sub paragraph within a specified time period, then, without looking at the amount of resources used and of the losses incurred, the shares of these shareholders shall be transferred to the Fund by the decision of the Central Bank.

(5) (A) For the banks, the management and control and privileges of shareholders except dividends based on provision of paragraph (3) of which, is taken over by the Fund, by taking into consideration the balance sheet of the bank as of the date of transfer, the Fund is authorized:

(a) to transfer assets that are deemed appropriate, organization, personnel who agrees, and insured saving deposits including interests that might not exceed the average interest rate applied by the five largest banks according to their saving deposits by the time of transfer date, and the reserves in liabilities, to a bank that will be founded or a current one that is volunteer and/or to request the revocation of license of the bank to accept deposits and to carry out banking operations from the Central Bank.

(b) to take over losses corresponding to capital of the bank not exceeding insured deposits on condition that it owns the bank’s equity as a whole

Shares representing amounts corresponding to the payments to be made upon losses that have been taken over, shall be transferred to the Fund, without any further action.

In case, transferred assets of a bank, to which provisions of sub-paragraph (a) of this paragraph is applied, are less than transferred liabilities, the difference shall be paid by the Fund. In this case and in case of revoking the license to accept deposits and perform banking operations of the bank to which provisions of sub-paragraph (a) of this paragraph is applied, the provisions of paragraphs (2) and (3) of Article 38 shall not be applied. In case a bank is liquidated as a result of applying the provisions of this Law, according to the provisions of Articles 38 and/or
39, the Fund shall participate as a privileged creditor in
the amount it paid.

(B) For the banks, the management and control and
privileges of shareholders except dividends based on
provision of paragraph (4) of which, is taken over by
the Fund, the Fund is authorized;

(a) by allowing a suitable period, to request the return
or indemnification of resources used in the
manner defined in the said paragraph or of losses
incurred and to request the transfer of the shares
to the real and legal persons that are found to be
appropriate by the Central Bank.

(b) to request from shareholders who directly or
indirectly, individually or jointly control the
bank’s management and natural persons who own
more than 10 percent of the capital of corporate
bodies that are shareholders of the bank, to furnish
the Fund with a statement of wealth including
their spouses and children that are dependent,
showing immovables and their interests and
movables, rights and receivables which are
attachable and securities and all kinds of revenues
and incomes as well as immovables, attachable
movables, rights, receivables and securities which
they have acquired or assigned with or without a
gratuitous contract, over the past two years prior
to the date of such declaration.

(c) to apply to the court to obtain any injunction
including a preliminary injunction and
preliminary attachment on properties of such
shareholders who directly or indirectly,
individually or jointly hold the bank’s
management and control as well as any other
restraining order including prohibition of
defendants from traveling abroad which may be
deemed to be necessary to protect interests of
creditors, without requiring deposition of a
collateral.

Statement of wealth requested according to the
provisions of this paragraph should be presented
to the Fund within seven days.

(6) For the banks which it holds their shares according to the
provisions of paragraph (5), the Fund is authorized;

(A) to transfer assets and liabilities, partially or wholly, to a
bank that will be established or an existing one that is
volunteer or to merge the bank with another bank that is
volunteer, by providing technical and financial
assistance if necessary; and

(B) in order to maintain confidence and stability in financial
system and limited to the situations deemed appropriate
by the Board, and in order to strengthen and rehabilitate
its financial structure, and if necessary; to increase its
capital, to postpone or reduce the legal reserve
requirements and to cancel the penalty interest that
would be imposed upon prior consultation with the
Central Bank, to purchase its subsidiaries, real estates
and other assets or to provide advance in return to these
assets or to make deposits or take-over its receivables or
its losses, or to sell these assets and shares to the third
parties through discounting or similar means, to
guarantee obligations of the bank that resulted or will
result from real transactions depending on the records
of the bank, to assign public or private banks or third
parties for liquidation of all kind of receivables and
assets on behalf and account of itself, And to take all
other measures, or to apply measures mentioned in sub-
paragraph (a) of (A) of paragraph (5). In such transfers
made based on provisions of this paragraph and
paragraph (5), the consent of debtors and creditors are
not required.

(7) The Fund is authorized to take any measure and to ask for
assistance from other public institutions in order to secure the
assets and the books and records of the bank whose privileges
of shareholders except dividends and management and control
or shares have been transferred to itself. The Fund may also
obtain this support from private institutions under contracts it
enters into.

In accordance with this Article, the Central Bank’s decision related to the
revocation of license for performing banking activities and accepting
deposits, or to transfer shares of a bank to the Fund, or to transfer rights of
shareholders except dividends and management and control shall be
published in the Official Gazette.

<table>
<thead>
<tr>
<th>Removal Of License For Conducting Banking</th>
<th>38. (1) In the event that the license of a bank to perform banking operations and to accept deposits is revoked, its management and inspection shall be assumed by the Fund.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Operations</td>
<td>(2) Any and all execution and bankruptcy proceedings against the bank, including preliminary injunctions ordered against it, shall be discontinued as from the date on which the decision</td>
</tr>
</tbody>
</table>
of the Central Bank to revoke its license is published in the Official Gazette.

(3) The Fund shall take measures for the protection of the rights of depositors and other creditors of the bank whose management and inspection has been assumed by it. A preliminary injunction or preliminary attachment may be issued by a court upon the Fund's request in respect of properties, rights and receivables of officers of a bank, whose license to carry out banking transactions and to receive deposits has been revoked, as defined in Article 39 hereof without requiring a security deposit. Any such preliminary injunction or preliminary attachment so issued shall automatically become null and void unless no action or enforcement-bankruptcy proceedings are instituted within six months from the date of the order. Creditors of a bank may not assign their rights or take any action, which could lead, to assignment of their rights from the date of revocation of the bank's license to carry out banking transactions and to receive deposits. The Fund shall pay the insured deposits with the bank of whose management and inspection has been assumed by it directly or through another bank it may designate and institute bankruptcy proceedings in the name of the depositors against the bank. The Fund shall be exclusively authorized to take the foregoing actions.

(4) In the event that a bankruptcy judgement is issued, the Fund shall act as a privileged creditor and shall liquidate the bank.

(5) In cases where the bank is not declared bankrupt, provisions of Article 40 hereof shall apply.

Personal Responsibility 39. If it is determined that the chairman and members of the board of directors and the credit committee of a bank, or its general manager and assistant general managers, or its authorized signatory officers have caused the bankruptcy of the bank through their decisions and actions which infringe applicable laws then, on the basis of a decision of the Central Bank and upon the request of the Fund, such persons shall be held personally liable to the extent of the damage they have caused to the bank. Where any such decision or act have been made or taken in order to provide benefits to any shareholder or a group of shareholders controlling the bank individually or jointly, whether directly or indirectly, the provisions of the first paragraph above shall also be applied to such shareholder or group of shareholders to the extent of the benefits so obtained.
NINETH PART

Merger, Acquisition and Liquidation

Merger Or Acquisition

40. (1) The merger of a bank with one or more banks or transfer of all its liabilities, claims and deposits to another bank shall require the permission of the Central Bank. If, within three months after the date of permission, the competent bodies of the concerned banks fail to adopt the necessary decisions and to start the merger or acquisition process, then the permission granted shall become null and void. The principles and procedures concerning mergers and acquisitions shall be set out in a notification issued by the Central Bank.

(2) Disregarding whether there exists any contrary provisions in other Laws or not, within the scope of a notification to be issued by the Central Bank, for a newly established bank or a bank which has newly been taken over, the following exceptions shall be offered:

(A) On the condition that the permission is granted by the Central Bank and acquisition and merger operations have commenced within 3 months from the date of the permission, for a bank to merge with another bank or more than one bank or by ending its existence as a corporate body, if the balance sheet values of this bank, either totally or partially, are transferred to a bank or a number of banks or if the shares of this bank, either totally or partially, belong to the Savings Deposit Insurance Fund and if the balance sheet values are taken over by the Savings Deposit Insurance Fund, the profits earned, as a result of acquisition or merger, shall be exempted from the corporate tax. In case that merger or acquisition has not realized as conformable to the permission received within eighteen months period of time as from the date of the permission received, for the taxes not settled in time, a tax loss shall be considered as being created.

(B) For the merger and acquisitions that will take place, the amount of deductible loss, appeared in the balance sheet prior to merger or acquisition, may be cited as expenditure, subject to the condition of not exceeding 5 years from the corporate income of the institution that has been taken over or merged.

(C) During the acquisitions and mergers to be carried out, all the procedures pertaining to the documents and
agreements arranged, to the record and registration of the estate and real estate property of the institution annulled or on the name of the institution to which it will join, and the renewal, prolongation, exchange, handing over or abolishment of the letters of guarantee, agreements expound, securities and other paper on behalf of the institution which merged to or taken over from, arranged before the date of acquisition and merger by the institution annulled or that have been received in favour, shall be exempted from all kinds of taxes, duties, charges (including the vehicle purchase tax) and the money received in favour shall be exempted from the Banking and Insurance Services tax.

(Ç) During the process of arrangement of the documents and agreements or other papers of the banks whose participations capital shares belong, either in whole or in part, to the Fund, the securities received in its favour with the receivables in pursuit and other balance sheet items, being either acquired or purchased by the Fund and the assets possessed in this way, be subjected to acquisition, merger or sell out by the Fund, and the papers, real estate and estate property and rights arranged regarding the exchange, renewal, prolongation, handing over and abolishment of these, all kinds of record and registration procedures to be carried out on behalf of the Fund or the persons it will appoint, shall be exempted from every kind of tax, duty and charge (including the vehicle purchase tax), and the prices paid by the Fund to bank shall be exempted from the Banking and Insurance Services tax.

(3) With the purpose of helping the merger to be successful, the Central Bank is empowered to decrease or postpone the additional reserve requirements of the banks merged, to the periods that it will determine.

(4) In case that the banks whose capital shares are either totally or partially belong to the Fund, are subject to acquisition, merger or sell out completely or partially, the assets and/or liabilities of the bank in question shall be carried out according to the principles and procedures set out by the Central Bank.

Liquidation Or Termination Of Activities

41. If a bank operating in the Turkish Republic of Northern Cyprus wishes to terminate and liquidate its operations, it must publicise its intention in at least two newspapers printed and distributed across the Turkish Republic of Northern Cyprus, notify the depositors and creditors and the individuals and establishments that can be considered a depositor or
creditor, refund all the deposits it is holding, in cash or in kind, the balances of the custody and current accounts and its other liabilities within two months, regardless of their maturity, and transfer all deposits, custody accounts and claims, in cash or in kind, not claimed by the beneficiaries within that period to the Central Bank. The Central Bank shall keep the assets so transferred for a period of ten years as from the beginning of the year that follows and publicise them at the beginning of each year in accordance with the required procedure. At the end of this period, necessary procedures shall be done in accordance with article 22.

**TENTH PART**

**Miscellaneous Provisions**

<table>
<thead>
<tr>
<th>Banks Activities Abroad</th>
<th>42. The permission of the Central Bank shall be required for a Bank to establish participation or joining with already established partnerships, opening branches or representative offices in abroad.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representative Offices of Foreign Banks</td>
<td>43. The permission of the Central Bank shall be required for a bank established abroad to open a representative office in the Turkish Republic of Northern Cyprus provided that it does not accept deposits and is not engaged in any other banking operations.</td>
</tr>
<tr>
<td>Development And Investment Banks Not Collecting Deposits</td>
<td>44. With the purpose of contributing to the development and improvement of various sectors of the economy of the Turkish Republic of Northern Cyprus through carrying out the required procedures and providing necessary exposures, development and investment banks, which have been established under their own special Laws and do not collect deposits, are subject to the provisions excluding articles 5, 6, 10, 11, 12, 13, 14, 15, 18, 19, 20, 21, 22, 23, 24, 26, 27, 28, 37, 38 and 39 of this Law.</td>
</tr>
<tr>
<td>Fine</td>
<td>45. Excluding the provisions of articles 50, 51, 52, 53, 54, 55, 57 and 58 of this Law, each of the financial amounts and limits stated in this Law may be increased by the Central Bank, either in whole or in part every year, with the amount and limits required by the two folds of the consumers price index announced by the State Planning Organization.</td>
</tr>
<tr>
<td>Customer Related Bans</td>
<td>46. Banks are banned to open accounts of deposits and loans under any name whatsoever, in the names of the customers not documenting their identification, to arrange contracts with them and to render them the</td>
</tr>
</tbody>
</table>
47. (1) Banks, which are governed by this Law, are obliged to become members of the TRNC Banks Association. The aims of this Association, which is a professional establishment having legal entity with the status of a public institution, are:

(A) To ensure the improvement of banking profession and to take the measures enabling its members to conform to the ethical rules by defining them;

(B) To ensure that banks operate in a dignified and well-disciplined manner as required by the banking profession in order to meet the requirements of the national economy;

(C) To adopt and implement all kinds of measures necessary for preventing unfair competition among banks;

(Ç) To determine the principles and conditions that banks shall comply with in notices and advertisements in terms of their type, style, quality and quantity after obtaining the Central Bank’s opinion thereon.

(2) The Association shall follow up the banking regulations and apply the decisions and measures it takes, and comply with the measures requested by the Central Bank.

(3) The measures shall be taken, including the cancellation of membership temporarily against members who have failed to comply fully and accordingly with the general or specific decisions or measures taken by the Association, and the Central bank should be informed.

(4) The organs of the Association, working principles and scope of its activities shall be laid down in the Memorandum and Articles of Association which shall be put into force by the Council of Ministers, upon the proposal of the Central Bank, after obtaining the Association’s opinion and with the approval of the Companies Registrar. Banks are obliged to comply with the Memorandum and Articles of the Association as well as the decisions and measures that will be taken by the Association. Expenditures of the Association shall be distributed to banks in accordance with the number of votes as determined in the Memorandum and Articles of the Association. Banks are obliged to deposit the amount
fallen into their portions within the period as specified in the Memorandum and Articles of the Association. Where such expenditure participation shares are not paid due within the specified period thereof, the Association, through the Court bailiff, shall collect them.

ELEVENTH PART

Provisions of Punishment

Investigation Method

48. The Central Bank is authorized to carry investigations for the practices of punishment that take place in this part. The result of the investigations carried out shall be sent to the Department of Law for instituting necessary legal proceedings.

Fines And Imprisonment

49. (1) If banks, whose positions are determined to be contradicting to the articles 6 and 7 of this Law, fail to rectify their positions within the periods given by the Central Bank, necessary legal proceedings will be initiated against them and the officers and employees involved directly in the managing of their functions are deemed to have committed an offence as well and on their conviction will be liable to a fine of up to TL 10,000,000,000.- (ten billion Turkish Liras) or imprisonment of up to five years or to both.

(2) If those banks, failing to fulfill the requirements written in article 17 of this Law and do not amend their position within the periods, not being less than one month, to be notified by the Central Bank, then the banks’ executives or members responsible for those transactions are deemed to have committed an offence and on conviction they are liable to a fine of up to TL 10,000,000,000.- (ten billion Turkish Liras) or to imprisonment of up to five years or to both.

(3) Those who sign bank documents that are filed with Courts or addressed to the Government Offices and the Central Bank or published but which contain false information and those who sign any kind of documents used for the arrangement of the former, are deemed to have committed an offence, in accordance with their duties, involvement and their degree of participation in the act, and on conviction are liable to a fine of up to TL 15,000,000,000.- (fifteen billion Turkish Liras) or to an imprisonment of up to seven years or to both.

(4) Bank officers and employees involved in actually managing the affairs of the banks that fail to comply with articles 23,
24, 26, 27 and 28 and with the rules of articles 30, 31, 32, 34, 36, 37 and 39, and of the participation and their shareholder establishments that act contradictory to the rules of article 34 of this Law, are deemed to have committed an offence and on their conviction are liable to a fine of up to TL 15,000,000,000.- (fifteen billion Turkish Liras) or an imprisonment of up to seven years or to both, in accordance with their duties and involvement, and the degree of their participation in the act.

(5) Bank officers and employees involved directly in managing the affairs of banks that fail to comply with the provisions of article 29 of this Law, are deemed to have committed an offence and on conviction are liable to a fine of up to TL 10,000,000,000. - (Ten billion Turkish Liras) or to an imprisonment of up to seven years or to both, in accordance with their duties and involvement, and the degree of their participation in the act.

(6) Natural persons or corporate bodies which impede the Central Bank’s carrying out its duties, are deemed to have committed an offence and on conviction are liable to a fine of up to TL 25,000,000,000.- (twenty five billion Turkish Liras) or to an imprisonment of up to seven years or to both..

(1) Natural persons and the officers or relevant employees of corporate bodies, who carry on banking operations or accept deposits without the written licence specified in articles 5 and 11 or who act contradictory to article 14 of this Law, are deemed to have committed an offence, in accordance with the degree of participation in the act, and on conviction are liable to a fine of up to TL 25,000,000,000.- (twenty five billion Turkish Liras) or to an imprisonment of up to seven years or to both.

(2) The places of business of any person, who has committed the offence as specified in article 1 above, may be closed down temporarily or permanently and their notices and advertisements may be suspended or collected by the decision of the Court upon the Central Bank’s request.

51. Officers and employees who directly manage the affairs of the banks which fail to comply with the obligations and liabilities as written in articles 16, 17, 20, 22 and 25 of this Law, are deemed to have committed an offence, in accordance with the participation in their act, and on
conviction are liable to a fine of up to TL 10,000,000,000.- (ten billion Turkish Liras) or an imprisonment of up to seven years or to both, and besides, those officers and employees whose acts are ascertained to impede a bank’s safe functioning may be prohibited from being employed in banks for a period of three years by the decision of the Court.

Secrecy 52. (1) If officers and other employees of banks disclose in confidential information relating to any bank or clients thereof which they have received in connection with their positions and duties to any authority other than those which has been expressly authorized by law are deemed to have committed an offence and on conviction are liable to a fine of up to TL 15,000,000,000.- (fifteen billion Turkish Liras) or to imprisonment of up to seven years or to both.

(2) Provision of this Article shall survive termination of employment contracts of any such officer or employee of a bank

Publishing And Spreading Around False Statements And News 53. Any person who has deliberately taken an action which could damage the reputation of the Central Bank or any other bank or its assets or disseminated inaccurate information to that effect, are deemed to have committed an offence and on conviction are liable to a fine of up to TL 15,000,000,000.- (fifteen billion Turkish liras) or to an imprisonment of up to seven years or to both.

Responsibilities of the Central Bank Employees 54. If employees of the Central Bank disclose in confidential information relating to the Central Bank which they have received in connection with their positions and duties to any authority other than those which has been expressly authorized by law, are deemed to have committed an offence and on conviction are liable to a fine of up to TL 15,000,000,000.- (Fifteen billion Turkish Liras) or to an imprisonment of up to seven years or to both.

Preservation Of The General Assembly 55. (1) If any act by banks or responsible persons, which constitutes an offence hereunder, also requires imposition of a fine pursuant to any other law, shall not be an impediment to carry out legal proceedings against them under those laws as well.
Section 154 (2) The provisions of the Penalty Act, which stipulates responsibility, are concealed.

3/1962
43/1963
15/1972
20/1974
31/1975
6/1983
22/1989
64/1989
11/1997

Provisions Related To The Central Bank
56. The penalties written in article 51 of this Law is applied to the banks and their responsible organs which do not fulfill the obligations and liabilities regarding the legal reserves and rates of interest as indicated in the Central Bank Law.

False Accounts And Transactions
57. In case the obligations and liabilities stated in articles 29 and 30 of the Central Bank Law are not fulfilled, the penalties written in paragraphs 3 and 6 of article 49 of this Law, are applied against the responsible employees.

TWELVETH PART
Provisional Rules

Provisional Article:
1. The establishments which obtained the license for conducting banking business before the date of publication of this Law and has been operating, apply to the Central Bank to get their license after depositing the license fee as stated in article 10 of this Law, into a Treasury account kept in the Central Bank, within three months period at the latest, starting from the date of publication of this Act.
Before The Date of Coming Into Force of This Law

Provisional Article: Rendering permission To Cooperative Units for conducting Banking Business Under This Law

2. Among the cooperatives, which have been established according to the Cooperative Companies Law, the permission for carrying out banking business under this Law shall be rendered to those, which have been found appropriate in fulfilling the obligations and liabilities envisaged in this law.

In case that the level of the own fund of the establishments that have received licenses through applications, in accordance with this Law, is below the amount of capital envisaged in article 6 of this law, the amount of the unpaid part of their own funds, being not less than \( \frac{1}{4} \) (one fourth), are to be paid out every year until the end of January and to be completed within four years time starting from the effective date of this Act.

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Provisional Article: Banks Raising Their Capital To The Amounts Required By This Law

3. (1) Banks established before the date of publication of this law are obliged to pay out the unpaid amount of the own fund as envisaged in article 12 of this Law, on the condition of not being less than \( \frac{1}{2} \) (one half), within two years time starting from the effective date of this Law.

(2) Banks are obliged to align their Memorandum and Articles of Association in accordance with this law, within one year, as from the effective date of this Law.

Provisional Article: The Provisional Rules Pertaining To The Personnel

4. General managers and assistant general managers of banks, who have minimum of ten years of experience in banking or in finance sector, but do not have the education and training envisaged in article 16 of this Law, and the ones who have the necessary education and training with minimum of five years of experience in banking, shall maintain their positions and duties.
Provisional Article: Raising the State Guaranteed Credits To the Limits of This Law

5. The State is obliged to pay off the loans belonging to the State and the State-guaranteed loans rendered before this Law came into effect, within maximum of five years, through paying out every year, the 20% (twenty percent) portion of the remainder as at the effective date of this Law together with all the annually accrued interests. The obligations for failing to pay in this way shall not be imputed to banks, their executives or shareholders. For the borrowing made under the State guarantee and/or those that have directly been made by the State, the provisions of article 39 of this Law shall not be applied to the executives who have given loans above the limits mentioned in this Law.

Provisional Article: The Existing Deposits of The Cooperative Companies

6. The money collected by the cooperative companies from the persons other than their members, under the name of deposit, shall be refunded to their owners within two years as from the date of coming into force of this Law.

THIRTEENTH PART

Final provisions

Repeal 14/2000

58. (1) As from the date of effect of this Law, the Banking Law of the Turkish Republic of Northern Cyprus shall be repealed. However, any notification, which has been put into force, based on repealed provisions and currently in effect shall remain in full force and effect until decrees, regulations and notifications has been put into effect in accordance with this Law provided that they are not in conflict herewith.

Executive Power

59. The Ministry In Charge Of Economic Affairs shall execute this Law.

Coming Into Force

60. This Law shall be effective as from the date of its publication in the Official Gazette.
BANKING LAW OF THE TURKISH REPUBLIC OF NORTHERN CYPRUS

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