

Changes To Commercial Code Aim To Improve Investment Environment

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Amendment Law

Despite its strong economy and encouraging environment for investment, Turkey has been struggling to consolidate itself as an investment destination due to a series of terrorist attacks over the past year and the coup attempt on July 15 2016. Further, Moody's latest warning to downgrade Turkey's credit ratings has led many investors to question their investments in the country and some have even left the market.

In the meantime, Turkey has taken immediate steps to show that it remains the 17th largest economy and a significant investment hub. The Law Introducing Several Amendments in Different Laws to Improve the Investment Environment (the Amendment Law) was published in the *Official Gazette* on August 9 2016. The majority of the amendments entered into force immediately, while the enforcement date of the remaining amendments has been specified under the Amendment Law.

The Amendment Law's main aim is to boost the markets that have suffered due to Turkey's political instability and the resulting uncertainty among investors and it has already started to pay dividends. According to the *Financial Times* "the lira is enjoying its longest rally in more than two years, heading for its seventh consecutive day of gains as the government works to reassure investors about the country's stability following last month's failed coup", and Moody's decision to delay its credit rating decision has also eased the economic tension in the country to some extent.

Although the Amendment Law has introduced amendments to a wide range of laws, this update mainly focuses on the amendments introduced to the Commercial Code.

Changes to Commercial Code

The amendments to the Commercial Code aim to:

- expedite incorporation procedures for companies;
- reduce the relating notary public costs; and
- foster transparency.

Some amendments introduced in the Commercial Code will notably reduce notary

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public costs for investors when a company is incorporated. Before the amendments were introduced, some incorporation documents, including the articles of association or charter, were subject to approval by a notary public.

Under the changes, the following incorporation documents can be signed before trade registrars:

- the statement of signature (Article 40 of the Commercial Code);
- the articles of partnership of an unlimited liability company (Article 212 of the Commercial Code);
- the articles of association of a joint stock company (Article 339 of the Commercial Code);
- the articles of association of a limited partnership share capital divided into shares (Article 566 of the Commercial Code); and
- the articles of association of a limited liability company (Article 575 of the Commercial Code).

The amendments are not limited to incorporation procedures, as the Amendment Law has also extended their application to a change in the legal type of companies.

Further, the statement of founders has been excluded from the incorporation documents. Before the amendment, the statement of founders was prepared by the founders of the company at the time of incorporation and included information regarding:

- the type of capital involved;
- capital structure;
- company undertakings;
- the benefits determined for founders; and
- the remuneration of service providers.

The statement of founders had to be factual, complete and accurate, as errors could result in civil and criminal liability.

The Amendment Law has also introduced some important amendments to the Commercial Code to foster transparency. New generation cheques will produce a data matrix, providing creditors with easy access to information regarding a cheque, the owner of the cheque account and the drawer of the cheque, including the number and amount of bad cheques issued in the past five years.

This article aims to endow the reader with a general outline about its subject matter. Each individual case should be evaluated according to its circumstances.