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Turkey: Merger Control

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The national competition agency for enforcing merger control rules is the Turkish Competition Authority (the Competition Authority), a legal entity with administrative and financial autonomy. The Competition Authority consists of the Competition Board, the Presidency and service departments. As the competent decision-making body of the Turkish Competition Authority, the Competition Board is responsible for, inter alia, reviewing and resolving merger and acquisition notifications. The Competition Board consists of seven members and is based in Ankara.

Turkish merger control regulation

The applicable legislation on merger control is Law No. 4054 on Protection of Competition (Law No. 4054) and Communiqué No. 2010/4 on Mergers and Acquisitions Requiring the Approval of the Competition Board (Communiqué No. 2010/4).

Article 7 of Law No. 4054 authorises the Competition Board to regulate, through communiqués, which mergers and acquisitions should be notified in order to gain validity. Communiqué No. 2010/4 is the primary instrument in assessing merger cases in Turkey. Communiqué No. 2010/4 sets forth the types of mergers and acquisitions that are subject to the Competition Board's review and approval. On 24 February 2017 the Communiqué No. 2010/4 was amended by the Communiqué No. 2017/2 on the Amendment of Communiqué No. 2010/4 (Communiqué No. 2017/2).

With a continued interest in harmonising Turkish competition law with EU competition law, the Competition Authority published the following guidelines on merger control that are in line with the EU antitrust and merger control rules: the Guidelines on Market Definition; the Guideline on Undertakings Concerned, Turnover and Ancillary Restrictions in Mergers and Acquisitions (Guideline on Undertakings Concerned); the Guideline on Cases Considered as Mergers and Acquisitions and the Concept of Control (Guideline on Control), the Guideline on the Assessment of Horizontal Mergers and Acquisitions (Guideline on Horizontal Mergers), the Guideline on the Assessment of Non-Horizontal Mergers and Acquisitions (Guideline on Non-Horizontal Mergers) and the Guideline on Remedies Acceptable in Mergers and Acquisitions (Guidelines on Remedies). The Guidelines on Market Definition was issued in 2008 and is closely modelled after the Commission Notice on the Definition of Relevant Market for the Purposes of Community Competition Law (97/C 372/03). The Guideline on Undertakings Concerned, Turnover and Ancillary Restrictions in Mergers and Acquisitions, which was amended in 2013, contains certain topics and explanations about the concepts of undertakings concerned, turnover calculations and ancillary restraints, and is closely modelled after Council Regulation (EC) No. 139/2004 on the Control of Concentrations between Undertakings. The Guideline on Control, Guideline on Horizontal Mergers and the Guideline on Non-Horizontal Mergers were published in 2013. Finally, the Guideline on Remedies has also been issued by the Competition Authority, which provides explanations on the possible remedies.

Types of transactions

Communiqué No. 2010/4 defines the scope of the notifiable transactions in article 5 as follows:

- a merger of two or more undertakings; or
- the acquisition of direct or indirect control over all or part of one or more undertakings by one or more undertakings or persons, who currently control at least one undertaking, through:
 - the purchase of assets or a part or all of its shares;
 - an agreement; or
 - other instruments.

Turkey is a jurisdiction with a pre-merger notification and approval requirement, much like the EU regime. Concentrations that result in a change of control are subject to the Competition Board's approval, provided they exceed the applicable thresholds. 'Control' is defined as the right to exercise decisive influence over day-to-day management or on long-term strategic business decisions of a company, and can be exercised de jure or de facto.

Acquisition of a minority shareholding can constitute a notifiable merger if it leads to a change in the control structure of the target entity. Joint ventures that emerge as independent economic entities possessing assets and labour to achieve their objectives and that do not aim at or effectively result in the restriction of competition among the parties, or between the parties and the joint venture itself, are subject to notification to, and approval of, the Competition Board. As per article 13 of Communiqué No. 2010/4, cooperative joint ventures will also be subject to a merger control notification and analysis on top of an individual exemption analysis, if warranted.

Market dominance

The Turkish merger control provisions rely on the market dominance test to ascertain whether a merger may be cleared. According to article 7 of Law No. 4054 and article 13 of Communiqué No. 2010/4, mergers and acquisitions that do not create or strengthen a dominant position and that do not significantly impede effective competition in a relevant product market within the whole or part of Turkey shall be cleared by the Competition Board.

Article 3 of Law No. 4054 defines 'dominant position' as 'any position enjoyed in a certain market by one or more undertakings by virtue of which those undertakings have the power to act independently from their competitors and purchasers in determining economic parameters such as the amount of production, distribution, price and supply'. However, the substantive test is a two-prong test, and a merger or acquisition can only be blocked when the concentration not only creates or strengthens a dominant position but also significantly impedes competition in the whole territory of Turkey or in a substantial part of it.

The Competition Board's approval decision will be deemed to also cover the directly related and necessary extent of restraints in competition brought by the concentration (eg, non-compete,

non-solicitation, confidentiality, etc). This will allow parties to engage in self-assessment, and the Competition Board will no longer have to devote a separate part of its decision to the ancillary status of all restraints brought with the transaction. Non-competition issues are, in principle, not taken into account.

Thresholds

Article 7 of Communiqué No. 2010/4 provides the following thresholds:

- the aggregate Turkish turnover of the transaction parties exceeds 100 million lira and the Turkish turnover of at least two of the transaction parties each exceeds 30 million lira;
- the Turkish turnover of the transferred assets or businesses in acquisitions exceeds 30 million lira and the worldwide turnover of at least one of the other parties to the transaction exceeds 500 million lira; or
- the Turkish turnover of any of the parties in mergers exceeds 30 million lira and the worldwide turnover of at least one of the other parties to the transaction exceeds 500 million lira.

As demonstrated by the above, the new regulation, after the amendments, no longer seeks the existence of an 'affected market' in assessing whether a transaction triggers a notification requirement, and if a concentration exceeds one of the alternate jurisdictional thresholds, the concentration will automatically be subject to the approval of the Turkish Competition Board.

The implementing regulations provide for important exemptions and special rules. In particular:

- Banking Law No. 5411 provides an exception from the application of merger control rules for mergers and acquisitions of banks. The exemption is subject to the condition that the market share of the total assets of the relevant banks does not exceed 20%;
- mandatory acquisitions by public institutions as a result of financial distress, concordat, liquidation, etc, do not require a pre-merger notification;
- intra-corporate transactions are not notifiable;
- acquisitions by inheritance are not subject to merger control;
- acquisitions made by financial securities companies solely for investment purposes do not require a notification, subject to the condition that the securities company does not exercise control over the target entity in a manner that influences its competitive behaviour; and
- multiple transactions between the same undertakings realised within a period of two years are deemed a single transaction for turnover calculation purposes. In case such transactions exceed the notification thresholds individually or cumulatively, all of the transactions must be notified, regardless of whether the transactions concerned are related to the same market or sector or whether they were previously notified. The main goal of this regulation is to prevent the conclusion of important mergers or acquisitions without authorisation through the compartmentalisation of those mergers and acquisitions originally subject to authorisation.

There are also specific methods of turnover calculation for certain sectors. These special methods apply to banks, special financial institutions, leasing companies, factoring companies, securities agents and insurance companies. The Turkish merger control regime does not, however, recognise any *de minimis* exceptions.

Procedure

There is no specific deadline for making a notification in Turkey. There is, however, a suspension requirement (ie, a mandatory waiting period): a notifiable transaction (whether or not it is problematic under the applicable dominance test) is invalid, with all the ensuing legal consequences, unless the Competition Authority approves it.

The notification is deemed filed when the Competition Authority receives it in its complete form. If the information provided to the Competition Board is incorrect or incomplete, the notification is deemed filed only on the date when such information is completed upon the Competition Board's subsequent request for further data. The notification is submitted in Turkish. Transaction parties are required to provide a sworn Turkish translation of the final executed or current version of the transaction agreement.

Notification

In principle, under the merger control regime, a filing can be made by either of the parties to the transaction, or jointly. In case of filing by one of the parties, the filing party should notify the other party of the filing. It is advisable to file the transaction at least 45 calendar days before closing.

As for the filing process for privatisation tenders, Communiqué No. 2013/2 provides that it is mandatory to file a pre-notification with the Competition Authority before the public announcement of tender specifications to receive the opinion of the Competition Board which will include a competitive assessment. In the case of a public bid, the merger control filing can be performed when the documentation adequately proves the irreversible intention to finalise the contemplated transaction. Filing can also be performed when the documentation at hand adequately proves the irreversible intent to finalise the contemplated transaction.

The notification form is similar to the Form CO of the European Commission. One hard copy and an electronic copy of the merger notification form shall be submitted to the Competition Board. In parallel with the notion that only transactions with a relevant nexus to the Turkish jurisdiction will be notified, there is an increase in information requested, including data with respect to supply and demand structure, imports, potential competition, expected efficiencies, and so on. Some additional documents, such as the executed or current copies and sworn Turkish translations of some of the transaction documents, annual reports including balance sheets of the parties and, if available, market research reports for the relevant market, are also required.

There is also a short-form notification (without a fast-track procedure) if a transition from joint control to sole control is at stake or the parties' aggregate market share is less than 20% in horizontally affected markets and the parties' individual market shares are less than 25% in vertically affected markets.

In the event that the parties to a notifiable transaction violate the suspension requirement (ie, close a notifiable transaction without having obtained the approval of the Competition Board or do not notify the notifiable transaction at all), the acquirer party (for formation of a full-function joint venture, all of the parent companies are deemed as the acquirer party separately) would receive a turnover-based monetary fine at a rate of 0.1% over its annual Turkish turnover generated in the financial year preceding the date of the fining decision. In mergers, both merging parties would be fined. In any event, the minimum amount of this administrative monetary fine is set at 18,377 lira for 2017 and is revised annually. This fine does not depend on whether the Competition Authority will ultimately clear the transaction. This is a fixed ratio (0.1%). The Competition Board

does not have the power to increase or decrease such fine. Therefore, the acquirer would automatically incur the administrative monetary fine once the violation of the suspension requirement is detected.

If, however, there truly is a risk that the transaction is problematic under the dominance test applicable in Turkey, the Competition Authority may:

- ex officio launch an investigation into the transaction;
- order structural and behavioural remedies to restore the situation as before the closing (*restitutio in integrum*); and
- impose a turnover-based fine of up to 10% of the parties' annual turnover.

Executive members and employees of the undertakings concerned who are determined to have played a significant role in the violation (failing to file or closing before the approval) may also receive monetary fines of up to 5% of the fine imposed on the undertakings. The transaction will also be invalid and unenforceable in Turkey.

The Competition Board has so far consistently rejected all carve-out or hold-separate arrangements proposed by merging undertakings. Communiqué No. 2010/4 provides that a transaction is deemed to be 'realised' (ie, closed) 'on the date when the change in control occurs.' While the wording allows some room to speculate that carve out or hold-separate arrangements are now allowed, it remains to be seen whether the Competition Authority will interpret this provision in such a way. As noted above, this has consistently been rejected by the Competition Board so far, arguing that a closing is sufficient for the suspension violation fine to be imposed and that a further analysis of whether change in control actually took effect in Turkey is unwarranted.

The Competition Authority publishes the notified transactions on its official website (www.rekabet.gov.tr) with only the names of the parties and their areas of commercial activity. To that end, once notified to the Turkish Competition Authority, the 'existence' of a transaction will no longer be a confidential matter.

Costs

There are no filing fees required under Turkish merger control proceedings.

Investigation

The Competition Board, upon its preliminary review of the notification (ie, Phase I), will decide either to approve or to investigate the transaction further (ie, Phase II). It notifies the parties of the outcome within 30 calendar days following a complete filing. In the absence of any such notification, the decision is deemed to be an 'approval' through an implied approval mechanism introduced with the relevant legislation. While the wording of the law implies that the Competition Board should decide within 15 calendar days whether to proceed with Phase II, the Competition Board generally takes more than 15 calendar days to form its opinion concerning the substance of a notification. It is more sensitive to the 30 calendar-day deadline on announcement. Moreover, any written request by the Competition Board for missing information will stop the review process and restart the 30 calendar-day period at the date of provision of such information. In practice, the Competition Authority is quite keen on asking formal questions and adding more time to the review process. Therefore, it is recommendable that the filing be done at least 55-60 calendar days before the projected closing.

If a notification leads to a Phase II review, it turns into a full-fledged investigation. Under Turkish competition law, Phase II investigations take about six months. If necessary, the Competition

Board may extend this period once by up to six months.

In practice, only exceptional cases require a Phase II review, and most notifications obtain a decision within 55-60 days from the original date of notification. Neither Law No. 4054 nor Communiqué No. 2010/4 foresee a 'fast-track' procedure to speed up the clearance process. Aside from close follow-up with the case handlers reviewing the transaction, the parties have no available means to speed up the review process.

There is no special rule for hostile takeovers; the Competition Board treats notifications for hostile transactions in the same manner as other notifications. If the target does not cooperate and there is a genuine inability to provide information owing to the one-sided nature of the transaction, the Competition Authority tends to use most of its powers of investigation or information request under articles 14 and 15 of Law No. 4054.

The Competition Board may request information from third parties, including customers, competitors and suppliers of the parties, and other persons related to the merger or acquisition. The Competition Board uses this power to define the market and determine the market shares of the parties. Third parties, including the customers and competitors of the parties and other persons related to the merger or acquisition, may request a hearing from the Competition Board during the investigation, subject to the condition that they prove their legitimate interest. They may also challenge the Competition Board's decision on the transaction before the competent judicial tribunal, again subject to the condition that they prove their legitimate interest.

Clearance

The Competition Board may either render a clearance or a prohibition decision. It may also give a conditional approval. The reasoned decisions of the Competition Board are served on the representatives to the notifying parties and are also published on the website of the Competition Authority (www.rekabet.gov.tr).

The Competition Board may grant conditional clearance and make the clearance subject to the parties observing certain structural or behavioural remedies, such as divestiture, ownership unbundling, account separation, right of access, and so on. The number of conditional clearances has increased significantly in recent years.

Judicial review

Final decisions of the Competition Board, including its decisions on interim measures and fines, can be submitted for judicial review before the administrative courts. The plaintiff may initiate a lawsuit within 60 days of the parties' receipt of the Competition Board's reasoned decision. Decisions of the Competition Board are considered as administrative acts. Filing a lawsuit does not automatically stay the execution of the Competition Board's decision. However, upon request of the plaintiff, the court may decide to stay the execution. The court will stay the execution of the challenged act only if the execution of the decision is likely to cause irreparable damages, and the decision is highly likely to violate the law. The appeal process may take up to two-and-a-half years.

Recent developments

The Draft Competition Law, which was issued by the Turkish Competition Authority in 2013 and officially submitted to the Presidency of the Turkish parliament on 23 January 2014, is now null and void following the beginning of the new legislative year of the Turkish parliament. At this stage, it remains unknown whether the new Turkish parliament or the government will renew the draft

law. However, it could be anticipated that the main topics to be held in the discussions on the potential new draft competition law will not significantly differ from the changes that were introduced by the previous draft. Therefore, in this hypothetical scenario, the discussions are expected to mainly focus on:

- compliance with EU competition law legislation;
- introduction of the EU's SIEC (significant impediment of effective competition) test instead of the current dominance test;
- adoption of the term of 'concentration' as an umbrella term for mergers and acquisitions;
- elimination of the exemption of acquisition by inheritance;
- abandonment of the Phase II procedure;
- extension of the appraisal period for concentrations from the current 30-calendar-day period to 30 working days; and
- removal of the fixed turnover rates for certain procedural violations, including the failure to notify a concentration and hindering on-site inspections, and set upper limits for the monetary fines for these violations.

The TCA recently published the Merger and Acquisition Insight Report (the Report). Along with its mission, vision, objectives, priorities and description of its duties and power, the TCA made an assessment in the Report on its activities between 1 January and 31 December 2016 concerning merger control along with the statistical data. To summarise, in 2016, the Board assessed 209 transactions and among these, there have been 200 merger, acquisition or joint venture transactions, and nine privatisations. Among these transactions two concentrations were taken into Phase II review in 2016 (ABI-SABMiller, 16-19/311-140, 01.06.2016; Group Maritim-APM Terminals, 16-16/267-118, 11.05.2016). Furthermore, one concentration notified and taken into Phase II review in 2015 was withdrawn in 2016 (Merve Gözlük Camı-Essilor, 16-31/520-234, 23.09.2016). The overall increase in the number of Phase II reviews and conditional approval decisions in 2015 and 2016 gives the impression that the Board will not hesitate to go into Phase II review and seek for commitments if it deems it necessary based

on the potential competition law concerns. This strongly indicates that remedies and conditional clearances are becoming increasingly important under Turkish merger control enforcement. In line with this trend, the number of cases in which the Competition Board decided on divestment or licensing commitments, or other structural or behavioural remedies has increased dramatically over the past five years.

The Authority has recently introduced the Communiqué No. 2017/2 Amending Communiqué 2010/4 on Mergers and Acquisitions Requiring the Approval of the Board. One of the amendments introduced to Communiqué No. 2010/4 is that article 1 of Communiqué No. 2017/2 abolished article 7(2) of Communiqué No. 2010/4, propounding that 'The thresholds (...) are redetermined by the Board biannually'. Through the mentioned amendment, the Board is no longer rested with the duty to re-establish turnover thresholds for concentrations every two years. To that end, there is no specific timeline for the review of the relevant turnover thresholds set forth by article 7(1) of Communiqué No. 2010/4. Secondly, article 2 of Communiqué No. 2017/2 modified article 8(5) of Communiqué No. 2010/4. Together with this amendment, the Board would now be in a position to evaluate the transactions realised by the same undertaking concerned in the same relevant product market within three years as a single transaction, as well as two transactions carried out between the same persons or parties within a three year period. Lastly, article 3 of Communiqué No. 2017/2 introduced a new paragraph to be included to article 10 of Communiqué No. 2010/4. This newly introduced provision by article 3 of Communiqué No. 2017/2 is similar to article 7(2) of European Commission Merger Regulation. At any rate, although there was no similar specific statutory rule in Turkey on this matter, the case law of the Turkish Competition Board shed light on this matter.



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Mr Gönenç Gürkaynak is a founding partner and the managing partner of ELIG, Attorneys-at-Law, a leading law firm of 70 lawyers based in Istanbul, Turkey. Mr Gürkaynak graduated from Ankara University, Faculty of Law in 1997, and was called to the Istanbul Bar in 1998. Mr Gürkaynak received his LLM degree from Harvard Law School, and is qualified to practise in Istanbul, New York, Brussels, and England and Wales (currently a non-practising solicitor). Before founding ELIG, Attorneys-at-Law in 2005, Mr Gürkaynak worked as an attorney at the Istanbul, New York and Brussels offices of a global law firm for more than eight years.

Mr Gürkaynak heads the competition law and regulatory department of ELIG, Attorneys-at-Law, which currently consists of 36 lawyers. He has unparalleled experience in Turkish competition law counseling issues with more than 19 years of competition law experience, starting with the establishment of the Turkish Competition Authority. Every year Mr Gürkaynak represents multinational companies and large domestic clients in more than 20 written and oral defences in investigations of the Turkish Competition Authority, about 15 antitrust appeal cases in the high administrative court, and over 50 merger clearances of the Turkish Competition Authority.

Mr Gürkaynak frequently speaks at conferences and symposia on competition law matters. He has published more than 150 articles in English and Turkish by various international and local publishers. Mr Gürkaynak also holds teaching positions at undergraduate and graduate levels at two universities, and gives lectures in other universities in Turkey.



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Mr K Korhan Yıldırım is a partner at ELIG, Attorneys-at-Law. Mr Yıldırım graduated from Galatasaray University Faculty of Law in 2005 and is a member of the Istanbul Bar Association. He has been working with ELIG, Attorneys-at-Law for more than nine years and has been a partner in the competition law and regulatory department since January 2014.

Mr Yıldırım has extensive experience in competition law, contracts law, tender law, administrative law, real estate law and general corporate and commercial law matters. He has successfully represented numerous multinational and national companies before the Turkish Competition Authority and Turkish courts. Mr Yıldırım has also authored and co-authored many articles on competition law and merger control matters, and is a frequent speaker at various conference and symposia.

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ELIG, Attorneys-at-Law is committed to providing its clients with high-quality legal services. We combine a solid knowledge of Turkish law with a business-minded approach to develop legal solutions that meet the ever-changing needs of our clients in their international and domestic operations. Our competition law and regulatory department is led by our managing partner, Mr Gönenç Gürkaynak, and consists of three partners, one counsel and 36 associates.

In addition to unparalleled experience in merger control issues, ELIG has vast experience in defending companies before the Turkish Competition Board in all phases of antitrust investigations, abuse of dominant position cases, leniency handlings, and before courts on issues of private enforcement of competition law, along with appeals of the administrative decisions of the Turkish Competition Authority.

ELIG represents multinational corporations, business associations, investment banks, partnerships and individuals in the widest variety of competition law matters, while also collaborating with many international law firms.

During the past year, ELIG has been involved in over 50 merger clearances by the Turkish Competition Authority, more than 20 defence project investigations, and over 15 antitrust appeals before the administrative courts. ELIG also provided more than 40 antitrust education seminars to employees of its clients.

ELIG has an in-depth knowledge of representing defendants and complainants in complex antitrust investigations concerning all forms of abuse of dominant position allegations, and all forms of restrictive horizontal and/or vertical arrangements, including price-fixing, retail price maintenance, refusal to supply, territorial restrictions and concerted practice allegations.

In addition to significant antitrust litigation expertise, the firm has considerable expertise in administrative law, and is well equipped to represent clients before the High State Court, both on the merits of a case and for injunctive relief. ELIG also advises clients on a day-to-day basis in a wide range of business transactions that almost always contain antitrust law issues, including distributorship, licensing, franchising and toll manufacturing issues.



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