



## **Turkey: New Requirement to Register Bearer Shares with the Central Registry Agency**

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### **I. Introduction**

In line with the Law No. 7262 on Preventing the Proliferation of Financing Weapons of Mass Destruction (“**Law No. 7262**”), some of the provisions stipulated under the Turkish Commercial Code No. 6102 (“**TCC**”) were amended. As per the amendments made by the Law No. 7262, new notification requirement was introduced. In line with the amendments, the holders of the bearer share certificates in a joint stock company and the information regarding the shares have to be notified the Central Registry Agency (“**CRA**”).

The Communiqué on Notification and Registration of Bearer Share Certificates to the Central Registry Agency (“**Communiqué**”) was published in the Official Gazette dated April 6, 2021 and entered into force on the same day in order to provide further details on the scope of this obligation. The Communiqué regulates the principles and procedures of notification and registration of bearer share certificates to CRA.

### **II. General Overview for the Notification and Registration Obligation to CRA**

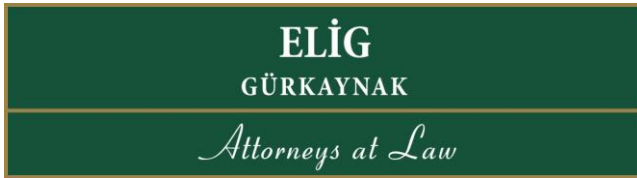
According to Article 7 of the Communiqué, the bearer shareholders and bearer share certificates must be notified and registered to CRA. In case that the bearer shareholders and bearer shares are not notified and recorded to the CRA, bearer shareholders will not be able to exercise their rights attached to the shares, arising from the TCC until the mandatory notification is made to the CRA. Main purpose of this obligation is to create reliable market and to provide transparency.

According to Article 6, authorized representatives of companies must apply to CRA through the online platform of CRA at least 2 (two) days before the general assembly meeting in order to obtain shareholder chart. This chart will be taken into consideration while preparing the list for the ones who can attend the general assembly meeting.

Even though the information on bearer share certificates and their holder will be recorded electronically as per the Communiqué, such records will be confidential and can only be disclosed to authorities designated by applicable law.

### **III. Issuance of the Bearer Share Certificates**

According to Article 7 of the Communiqué, share bearer certificates will be issued with a resolution taken by the board of directors following the payment of the price of all shares. The resolution of the board of directors must include share number of bearer share certificates, contexture, nominal price, number and amount of represented bearer shares, group, the sequence number given by the company



and total number of bearer shares and the total share amount corresponding to these shares. Along with the resolution of the board of directors, information about the bearer shareholder whom each bearer share certificate will be distributed such as name/title, Turkish ID number or passport number/MERSIS number and address and contact information must be notified to the CRA.

Once the required notification is made, share certificate will be issued in the name of the shareholder with a specific number. Following the fulfillment of the notification requirement, the resolution of the board of directors regarding issuance of the bearer share certificates must be registered with the trade registry and announced in the Trade Registry Gazette. For companies who are subject to independent audit, the resolution of the board of directors must also be published on the company's website.

Issuance of the bearer share certificates, notifying to the CRA and delivering the certificates to the shareholders must be completed within 3 month period from the date of payment of the full share prices.

As per the shareholders holding bearer share certificates on the effective date of the Communiqué will apply to the company who issued the bearer share certificate to be notified to the CRA until December 31, 2021 at the latest. The bearer shareholder must apply to the company by using standard form attached to the Communiqué. Once the application is made, the board of directors of the relevant company must check and confirm the authenticity and validity of the certificates and accuracy of the provided information. Following the confirmation, the company must notify and register the bearer shares to the CRA within 5 (five) working days. In case that the shareholders do not apply to the company, they will not be able to use their rights arising from the bearer share certificates until they make the application.

#### **IV. Transfer of the Bearer Share Certificates**

According to Article 5 of the Communiqué, transfer of the bearer share certificates will only be effective once the necessary notification is made to the CRA by the transferee whom actual possession of the bearer share certificate is transferred to. Also, this notification obligation can be fulfilled by the company who issued the bearer share certificates following the application of the holder of the bearer share certificate to the company.

In the notification, information about the transferee must be recorded such as name/title, Turkish ID number or passport number/MERSIS number and tax number, address along with the contact information of the transferee. Also, a copy of the share certificate must be attached to the notification.

As per Article 14 of the Communiqué, transfers based on complete succession (for example; inheritance), the records will be updated by CRA following application of concerned parties together with the document showing the right of ownership of the relevant share.



## **V. Cancellation of the Bearer Share Certificates**

In case that the share certificate is cancelled due to capital decrease or change in the share certificate, authorized representative of company is obliged to notify CRA regarding cancelled the certificate in order for the records of such certificate to be removed from CRA's records.

If a company is deregistered from the trade registry, the records regarding the bearer share certificates will be removed from CRA's records directly by CRA upon notification or ex officio.

## **VI. Sanctions**

As we explained above, holders of bearer share certificates shall not be able to use their rights attached to the shares in case of nonfulfillment of the notification requirement stipulated under the TCC and the Communiqué.

In addition, administrative fine may be imposed in case of nonfulfillment of this requirement as per the TCC. According to Article 486 of TCC, an administrative fine amounting to TRY 20,000 may be imposed on those who fail to fulfill this notification requirement. Similarly, according to Article 489 of TCC, an administrative amounting to TRY 5,000 may be imposed on those who fail to notify the CRA in case of transfer of bearer share certificates.

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