

# THE CENTRAL BANK OF THE REPUBLIC OF TURKEY



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THE LAW  
ON

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THE LAW  
ON  
THE CENTRAL BANK OF THE REPUBLIC OF  
TURKEY  
Law No. 1211  
Date of Acceptance: January 14, 1970

PART ONE  
ESTABLISHMENT OF THE CENTRAL BANK AND  
POWERS, DUTIES AND  
FUNCTIONS

Article 1. As amended by Law No. 3065, dated  
April 21, 1984)  
Establishment and Title.

A bank, under the name of the "Central Bank of the  
Republic of Turkey", is hereby established in the  
name of the State. The Central Bank shall be  
responsible of issuing, circulating and  
withdrawing banknotes, coins, medals and  
tokens, and of issuing and withdrawing  
checks with the powers and duties set forth in this  
Law.

The Bank may also subject to the provisions of private  
law in cases where the Law is not explicit.

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The Central Bank of the Republic of Turkey is hereafter referred to as the Bank in this Law.

#### Head Office and Branches

Article 2. The head office of the Bank is in Ankara.

The Bank may, by Board decision, establish a number of branches in the provinces and cities within the country where development and economic growth is rapid and where there is a need for the Bank's services. The Bank may maintain correspondent banks abroad, with the approval of the Ministry of Finance.

The Bank shall comply in its decisions in this regard to the Ministry of Finance.

#### Membership and Participation

Article 3. The Bank may, by Board decision, invite the Government, the Ministry of Finance, economic and professional organizations in Ankara and other cities, and individuals to become shareholders in such a manner as to be approved by the Government.

Ministry of Finance is authorized to read "Yuksek Mektap" by Law No. 2291 dated December 6, 1984.

#### Fundamental Duties and Powers

Article 4. (as amended by Law No. 2291 dated May 22, 1985)

- i. The fundamental duties of the Bank pursuant to this Law are to carry out the policy of the Government in the field of monetary and credit policy and to encourage economic development and to do so as follows:
  - a) to carry out monetary and credit policy in accordance with the policy of the Government and as to maintain price stability and to ensure the development of the economy;
  - b) to take necessary measures jointly with the Government to protect the domestic and international value of the national currency;
  - c) to regulate the volume and circulation of the money in the country;
  - d) to carry out the operations of the Bank in accordance with the principles and limits stated by the Law;
  - e) to conduct open market operations in order to regulate money supply and liquidity in the economy;
  - f) to determine the terms and types of deposits, as well as the maturity dates and safety periods, as

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- g) to determine the parity of the national currency against foreign currencies within the framework of the policy of the Government;
- h) to manage gold and foreign exchange reserves in line with the economic interests of the country within the framework of relevant laws and regulations and to carry out the operations of the Bank in accordance with the policy of the Government;
- i) to manage foreign exchange reserves and to carry out the operations of the Bank in accordance with the policy of the Government;
- j) to administer and regulate the "Savings Deposits Insurance Fund".

The Bank shall, in particular, carry out the duties of the Ministry of Finance in the field of monetary and credit policy in accordance with the provisions of this Law.

#### ii - Fundamental powers of the Bank are as follows:

- a) The privilege of issuing banknotes in Turkey shall rest exclusively with the Bank.
- b) The Bank shall have the authority to take decisions on money and credit issues and to submit proposals to the Government within the powers granted by this Law.

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d) The Bank shall administer the gold, foreign exchange and interest rate reserves in accordance with the policy of the Government.

#### iii - When necessary, the Bank shall:

- a) present to the Government, when required, its views with regard to measures to be taken on money and credit issues in general, upon request of the Government;
- b) submit advisory opinions or matters related to the operations of the Bank to the Government;
- c) be consulted prior to any decision granting financial institutions, as well as for the issuance of such institutions for which the power to regulate rests with the Government.

The Bank shall be responsible for the independent exercise of the powers granted by this Law.

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**Capital and Shares of the Bank**

Article 4. The capital of the Bank shall be TL 250,000,000, and shall be divided into 250,000 shares of TL 1,000 each. The shares may be increased with the approval of the General Assembly of the Bank.

Article 5. The shares of the Bank shall be divided into four classes: (A), (B), (C) and (D) classes.

Article 6. The shares of the Bank shall be divided into four classes: (A), (B), (C) and (D) classes.

Article 7. The shares of the Bank shall be divided into four classes: (A), (B), (C) and (D) classes.

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**Class (A) Shares**

Article 8. Each class (A) shares shall consist of at least 100 shares. The shares in this class shall be issued only to the Treasury and shall not constitute more than one percent of the capital.

**Class (B) Shares**

Article 9. Class (B) shares shall be allocated to national banks operating in Turkey.

**Class (C) Shares**

Article 10. A maximum of 10,000 shares shall be allocated to Class (C) shares, which shall be issued to foreign banks and to companies possessing similar privileges.

**Class (D) Shares**

Article 11. Class (D) shares shall be allocated to Turkish commercial institutions and to legal and real persons of Turkish nationality.

**Changes in the Classes of Shares**

Article 12. The Bank shall immediately respond to the request of the shareholders to change the class of their shares, provided that the request is made to the other. No commission shall be charged for the conversion of shares from one class to the other.

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The number of Class (C) shares shall in no event exceed the amount set forth by this Law.

**PART TWO**

**ORGANIZATION AND ORGANS OF THE BANK**

**Organization and Organs**

Article 13. The organs of the Bank shall be as follows:

- The General Assembly of Shareholders
- The Board
- The Office of the Governor
- The Auditing Committee
- The Executive Committee
- The Disciplinary Committee of the Head Office and Branches
- Branches

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**CHAPTER I**

**The General Assembly**

**Right to Vote**

Article 14. The General Assembly of the Bank shall be composed of the shareholders who are registered in the share book of the Bank. The General Assembly shall elect the Board of Directors. Each person owning ten shares or representing this number of shares shall be entitled to one vote.

**Duties and Powers of the General Assembly**

Article 15. The General Assembly shall have the following duties and powers:

- To examine the annual report submitted by the Board and to approve it.
- To examine and approve the balance sheet and the income statements of the Bank.
- To release the members of the Board and the Auditing Committee.
- To increase the capital.
- To amend the Articles of Association of the Bank.

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<p>to make a decision concerning the liquidation of the bank.</p> <p><b>Article 16. The Articles of Association of the Bank and Liquidation</b></p> <p>Article 16.1. The Articles of Association of the Bank shall become effective upon the approval of the Council of the Bank and the approval of the Association of the Bank shall also be subject to this provision.</p> <p>to Decisions to be taken for the liquidation of the bank before the end of the period set forth in Article 16.1 shall be subject to the approval of the Council of the Bank and the approval of the Association of the Bank.</p> <p>Ministers provided that all of the commitments assumed by the bank under this law are fully met.</p> <p>A law that may be required in the General Assembly to amend the Articles of Association of the Bank and to decide on its liquidation as well.</p> <p><b>The Office of the Governor</b></p> <p>Article 17. The Governor shall chair the General Assembly.</p>	10
<p><b>Representation</b></p> <p>Article 18. Those who are not attending may not represent more than one vote by proxy at the General Assembly.</p> <p><b>CHAPTER II</b></p> <p><b>The Board</b></p> <p><b>Composition</b></p> <p>Article 19. The Board shall be composed of the Governor and six members to be elected by the General Assembly.</p> <p>The duties of the members may not be re-elected for more than two consecutive terms. The Governor shall be elected for a term of five years and may be re-elected for one term. The members of the Board shall be elected for a term of five years and may be re-elected for one term. The members of the Board shall be elected by a special law. Furthermore, those members of the Board who are to leave the Board at the end of their term shall be designated by the Governor. The members of the Board shall be elected by a special law. Furthermore, those members of the Board who are to leave the Board at the end of their term shall be designated by the Governor. The members of the Board shall be elected by a special law. Furthermore, those members of the Board who are to leave the Board at the end of their term shall be designated by the Governor.</p> <p>Members of the Board shall be required to have received a higher education and to have acquired</p>	11

<p>knowledge and experience in banking or in the fields of economics and finance.</p> <p>The Governor shall be the Chairman of the Board.</p> <p>Salaries and remuneration of the Board members shall be determined by the Council of the Bank. These procedures to be followed to elect Board members by those members meeting separately and be covered by the Bank.</p> <p><b>Term of Office</b></p> <p>Article 20. The term of office of Board members shall be five years.</p> <p>One third of Board members shall be required to retire at the end of their term. The members of the Board who are to leave the Board at the end of their term shall be designated by the Governor. The members of the Board shall be elected by a special law. Furthermore, those members of the Board who are to leave the Board at the end of their term shall be designated by the Governor.</p> <p>Members of the Board shall be required to have received a higher education and to have acquired</p>	12
<p>Article 21. Members of the Board shall neither participate in discussions nor cast votes on credit or other matters of the Bank in which they have a direct or indirect interest.</p> <p><b>Meetings, Decisions and Withdrawal from</b></p> <p><b>Voting</b></p> <p>Article 22. The term of office of Board members shall be five years.</p> <p>One third of Board members shall be required to retire at the end of their term. The members of the Board who are to leave the Board at the end of their term shall be designated by the Governor. The members of the Board shall be elected by a special law. Furthermore, those members of the Board who are to leave the Board at the end of their term shall be designated by the Governor.</p> <p>Members of the Board shall be required to have received a higher education and to have acquired</p>	13





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The provisions of sub-paragraph 4.5 and 5 of Article 43 of the Banking Law shall also be applicable to the Central Bank of the Republic of Turkey in connection with the carrying out of its functions and in accordance with this provision.

#### CHAPTER III

Relations Between the Bank and the Government and Relevant Duties

Acting as Financial and Economic Adviser.

Article 41. (As amended by Law No. 3291, dated May 20, 1990)

I. As financial and economic adviser:

The Bank shall be the financial and economic consulting body of the Government. In this capacity, the Bank shall be consulted by the Government on all matters relating to the formulation of money and credit policy which are requested by the Government. The Bank shall be represented in the negotiations of financial and trade agreements to be concluded with foreign countries.

II. As fiscal agent:  
The Bank may be assigned as the fiscal agent for the carrying out of the financial and economic relations of the State.

The Bank may be entrusted with the duties of carrying out the financial servicing of the government, with the exception of the carrying out of the operations in accordance with special laws or decisions based thereon. The Bank may not be held responsible for the operations it shall perform in this capacity.

III. As treasurer:

The Bank shall be the treasurer of the Government. In this capacity, the Bank shall, in particular, execute the following operations and administrative tasks at the request of the Government: the carrying out of the operations, as well as domestic and foreign money transfers and formations of all types on behalf of the State. The Bank and the attached-budget administrations, and of local administrations and municipalities must be deposited with the Bank within the limits of its competence.

The Bank shall pay no interest on such deposits.

#### Special Assets

Article 42. The Ministry of Finance may have the custody of the assets of the Bank deposited and retained. The Ministry of Finance may request any information in this regard from the Bank.

#### CHAPTER IV

Request for Information and the Centralization of Risks

Authority to Request Information, Balance Sheets and the Reports of Banks

Article 43. (As amended by Law No. 3068, dated December 1, 1985)

All banks operating in Turkey shall be obliged to submit to the Bank their annual balance sheets and income statements along with the reports of their

\* "Ministry of Finance" is amended to read "Prime Ministry" in the Banking Law No. 1064, dated December 6, 1984.

boards of directors and auditors within one month at the latest after the date of their general assembly meetings.

The Bank may request any kind of information from banks, including information on their assets, liabilities, exchange and other operations. However, no information may be requested from the banks on the personal deposit accounts of the customers. The Bank may also request information on the assets and liabilities and to submit to the Bank audit reports prepared by independent auditing institutions designated by the Prime Ministry.

Banks shall be obliged to submit the information requested by the Bank in accordance with paragraphs 2 and 3 within the period determined by the Bank. The Bank may also request information on the financial condition of the banks and shall submit its opinions to the Prime Ministry together with its proposals when necessary.

\* This paragraph is introduced by subparagraph 3 of Article 13 of Law No. 3068 and becomes effective as of January 1, 1987.

# Continuation of Rules

Article 44. The Bank shall establish a system for certification of bills in order to certify the genuineness of the bills and to prevent the circulation of false bills in Turkey.

Notices of protest sent by banks shall be gathered at the Bank to be notified to the banks. The notices of protest shall be determined by the Bank and the Banks Association of Turkey.

At the operations and records of the Organization for the Bank, the Bank may accept commercial bills and documents to be presented by banks for discounting, provided that they have at least three months before they mature in two of the signatures, it may also be accepted for discounting, provided that they have a maximum of 9 months left to maturity. Agricultural bills, the maturity of which do not exceed 9 months, may also be accepted for discounting. The Bank may also grant advances against the bills for discounting in accordance with the provisions of Article 45.

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## PART FIVE OPERATIONS TO BE PERFORMED BY THE BANK

### CHAPTER I

#### Operations with Credit Institutions Redeemments and Advances

Article 45. a) The Bank may accept commercial bills and documents to be presented by banks for discounting, provided that they have at least three months before they mature in two of the signatures, it may also be accepted for discounting, provided that they have a maximum of 9 months left to maturity. Agricultural bills, the maturity of which do not exceed 9 months, may also be accepted for discounting. The Bank may also grant advances against the bills for discounting in accordance with the provisions of Article 46.

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b) Commercial bills, belonging to real and legal persons, may be accepted for discounting and may be presented by a bank, and

c) Bills to be presented by the banks entitled by law to meet the credit requirements of the Treasury of the Republic of Turkey may be accepted for discounting, provided that they have a maximum of 9 months left to maturity. Agricultural bills, the maturity of which do not exceed 9 months, may also be accepted for discounting. The Bank may also grant advances against the bills for discounting in accordance with the provisions of Article 46.

Medium Term Redeemments and Advances  
Article 46. a) Bills, as provided by Law No. 3098, dated December 6, 1980, may be accepted for discounting, provided that they have a maximum of 9 months left to maturity. Agricultural bills, the maturity of which do not exceed 9 months, may also be accepted for discounting. The Bank may also grant advances against the bills for discounting in accordance with the provisions of Article 47.

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#### Maximum Amount of Bills Eligible for Redeemments or Advances

Article 47. a) Bills, as provided by Law No. 3098, dated December 6, 1980, may be accepted for discounting, provided that they have a maximum of 9 months left to maturity. Agricultural bills, the maturity of which do not exceed 9 months, may also be accepted for discounting. The Bank may also grant advances against the bills for discounting in accordance with the provisions of Article 48.

Advances against Bonds  
Article 48. a) Bills, as provided by Law No. 3291, dated May 28, 1989, may be accepted for discounting, provided that they have a maximum of 9 months left to maturity. Agricultural bills, the maturity of which do not exceed 9 months, may also be accepted for discounting. The Bank may also grant advances against the bills for discounting in accordance with the provisions of Article 49.

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9) "General Spending" and "Profit and Loss Spending" certificates with a maximum of 120 days left before they mature.

10) Furthermore, the Bank may purchase the above-mentioned securities on the open market, or may sell them by concluding a repurchase agreement or may sell them by concluding a reverse-repurchase agreement. The Bank may also purchase or sell securities 91 days beginning with the date of purchase or sale.

The Board may make the amount of capital added in sub-paragraph (9), in line with the changes in the wholesale price index, and the types of securities to be purchased or sold, and the types of securities to be sold, by using economic developments into account.

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The Bank shall have the power to designate the establishments and institutions subject to the operations covered by this article from among the establishments and institutions mentioned in article 2469 of the Civil Code, by taking into consideration the nature of the operation.

The Bank may take regulatory measures in connection with the money market operations.

ii. Operations of the Bank as fiscal agent of the Treasury

The Bank may, on behalf of the Treasury, conduct the operations of the Treasury, in accordance with the provisions of the Law No. 2469 of the Civil Code, provided that the required provisions are set aside by the Treasury.

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#### CHAPTER IV Operations on Gold and Foreign Exchange

Article 45- a) The Bank may buy and sell gold coins and bullion, may import and export gold, and may receive and grant advances against gold.

b) The Bank may buy and sell all kinds of foreign exchange and may receive and grant advances against foreign exchange and may extend loans to banks. Moreover, the Bank may receive

at kinds of advances and credits in foreign exchange, whether covered or uncovered.

The purposes and conditions of operations described in this paragraph shall be determined by the Board.

c) The Bank may extend credits to correspondent banks in accordance with trade and remittance documents.

The Treasury shall assume the profits and losses resulting from the changes in the value of foreign exchange denominated non-convertible by the Bank which are covered and sold in accordance with the final paragraph.

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#### Loan Limits

Article 46- The maximum amount of the loans and advances granted by the Bank shall be determined by the Board in accordance with the types of credits which the Bank shall extend under Article 45, as well as the nature of the operations and taking into consideration the economic targets, the principles of national monetary policy, the credit policy, the foreign exchange policy, the foreign exchange system and the composition of the Bank's portfolio.

#### CHAPTER V Other Operations

Article 46- The Bank may perform banking operations and services to be determined by the Board.

The Bank shall supervise the operations of financial institutions which carry out operations which shall be determined by the Board, and shall have the power to place where the branch offices are located.

#### PART SIX

##### Operations prohibited for the Bank

Article 46- a) The Bank may not extend credits and grant advances without a guarantee for the operations clearly authorized by the Law.

b) The Bank may not, in any manner whatsoever, be a guarantor or provide security.

The guarantee to be given for the National Lottery is excluded from this provision.

c) The Bank may not renew the securities existing in its portfolio.

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d) The Bank shall neither accept for discount those bills and instruments connected solely with the business of agriculture, nor shall it grant advances on such property.

e) Other than the matters specified in this Law, the Bank shall neither engage in any business or trade on its behalf and for its own account, nor shall it accept deposits or advances from individuals, nor shall it accept deposits or advances from the Government of the Republic of Turkey or from any of its organs.

f) The Bank may only print notes, bonds, stamps, securities and foreign securities in the Turkish Lira.

g) The Bank may not acquire real property other than that required for its business, nor shall it acquire buildings, furniture and motor vehicles and other movable property for its own needs, and taking care to promote the cultural and professional standards and the social needs of the personnel of the Bank.

h) The Bank shall be liable for the payment of any and all property it has been obliged to acquire as a result of legal proceedings initiated by the Bank, for the payment of any and all property it has been obliged to acquire as a result of legal proceedings initiated by the Bank, for its own needs, within a period of three years at the most.

In case of necessity the period may be extended by the Ministry of Finance.

**PART SEVEN**

**Accounts and Balance Sheet of the Bank, Budget, Expenditure, Exemptions and Miscellaneous Provisions**

**CHAPTER I**

**Accounts of the Bank and Accounting Period for the Bank**

Article 47. The accounting period of the Bank shall be the calendar year.

**Balance Sheet and Report**

Article 48. The Bank shall report to the meeting of the Board of Directors and to the Ministry of Finance the balance sheet and the income statement along with the annual report to be prepared by the Board of Directors.

\* "Ministry of Finance" is amended to read "Prime Ministry" by Law No. 1068, dated December 6, 1964.

as of the end of each calendar year and shall have the balance sheet published in the Official Gazette.

**Provisions and Special Reserves**

Article 49. Provisions, in the amounts deemed appropriate by the Board, may be set aside from the profits of the Bank for the purpose of covering contingencies which may occur in the following years due to the operations exclusive to the Bank. Expenses, as well as the difference arising from the operations of the Bank, shall be paid from the profits of the Bank.

**Distribution of Profit**

Article 50. The annual net profit of the Bank shall be distributed in the following order:

- a) 20 percent to the reserve fund;
- b) 5 percent of the nominal value of the share capital to the shareholders as the first dividend;
- c) a maximum of 5 percent of the remaining amount to the Board of Directors in an amount not to exceed the amount of the first dividend;
- d) the remaining amount shall be distributed to the extraordinary reserve fund, after deducting the above-stated percentages.

d) a second dividend to the shareholders in the ratio of the amount of the first dividend to the amount of the share capital by a decision of the General Assembly, after the distribution.

**Revaluation Differences**

Article 51. In the event of a change in the value of the Turkish currency, the difference, both payable and negotiable, arising from the revaluation of gold and foreign currencies held by the Bank shall be paid from the annual income statement.

The terms and conditions of the utilization or distribution of the above-stated differences shall be determined by the Ministry of Finance and the Bank.

**Liquidation**

Article 52. In the event of liquidation of the Bank, the principles applicable to liquidation shall be those of the Turkish Commercial Code, and the assets to be paid out with first priority from the net assets to be obtained as a result of liquidation, following the payment of the debts of the Bank, shall be distributed to the extraordinary reserve fund.

\* "Ministry of Finance" is amended to read "Prime Ministry" by Law No. 1068, dated December 6, 1964.





Enforcement Date  
Article 76: This Law shall become effective on the  
date of its publication.  
Enforcement  
Article 75: The Council of Ministers shall be  
responsible for the enforcement of this law.