

## **TURKISH EXIMBANK INC.**

### **IMPLEMENTATION PRINCIPLES OF PRE-SHIPMENT EXPORT CREDITS**

#### **1. PURPOSE AND SUBJECT MATTER**

This Implementation Principles sets out the rules, conditions and follow-up procedures of the Turkish Eximbank INC. (Turkish Eximbank) Pre-Shipment Export Credits Program implemented in order to meet the pre-export/sales/service financing needs of the Turkey and Turkish Republic of Northern Cyprus (TRNC)-resident exporters, manufacturer-exporters, manufacturers which produce, and export export-conditioned final product via exporters, Turkish Free Zone resident (except for Turkey, and other Turkish free zones) companies which sell goods and services to third countries and Turkey-resident companies engaged in the activities that generate foreign exchange earnings.

Under this Implementation Principles, credit disbursement processes within the limits allocated by the Turkish Eximbank Board of Directors to the intermediary banks shall be executed in accordance with decisions of Vice Presidency Credit Committee.

#### **2. DEFINITION AND SCOPE**

Under the Pre-Shipment Export Credits (SÖİK), credits shall be made available to the intermediary banks:

- a) In exchange for definite commitment of Turkey-resident exporters, manufacturer-exporters, manufacturers which produce, and export export-conditioned final product via exporters (except for International Trade Capital Companies (DTSS)) to export against a qualified currency the goods of Turkish origin, or those imported under Inward Processing Regime and used as a part of export good but not qualifying as Turkish-origin (Annexed Form: ML), except for the goods whose export is prohibited by laws, statutory decrees and communiques,
- b) In exchange for definite commitment of TRNC-resident exporters, manufacturer-exporters, manufacturers which produce, and export export-conditioned final product via exporters to export against a qualified currency the goods of TRNC origin, except for the goods whose export is prohibited by applicable laws, statutory decrees and communiques of Turkey and TRNC,
- c) In exchange for the definite commitment of Turkish Free Zone-Resident users holding a manufacturing, trading or maintenance-repair license to sell the goods or services of Turkish origin (Annex Form: ML) from Free Zone to third countries (excluding other Turkish free zones and Turkey), except for the goods, whose export is restricted by the applicable legislation,
- d) In exchange for the definite commitment of Turkey-resident companies to export the following services that generate foreign exchange earnings under the Communiqué on Tax, Duty and Charge Exemptions in Export, Transit Trade, Sales and Deliveries Counted As Export and Foreign Exchange Earning Services (Export:2017/4):
  - Service sales against foreign exchange made by the tourism organizations and travel agencies during local and foreign tourism activities,
  - International cargo and passenger transportation services and activities via land, sea and air vehicles provided that the monies earned as a foreign currency are brought to the Turkey,

- Health services to be provided, in exchange of foreign currency, to the foreign nationals (including diplomatic missions and members), tourists, or Turkish citizens working at abroad while they are in our country,
- Foreign exchange earning services such as contracting, consulting, software and engineering services,
- The maintenance and repair services carried out by companies based in a foreign country, maintenance and repair, renovation and modernization of the Turkish and foreign flag ship, aircraft or trucks used for international transportation, and the sales of goods (excluding fuel and mineral oils) and services as part of maintenance, repair, renovation and modernization, provided that the relevant monies are collected in a foreign currency,
- Video or non-video news sold by Turkey-resident news agencies to the media outlets residing at abroad.

For Turkey-resident companies, the "manufacturer" qualification shall be verified via a Capacity Report while "exporter" qualification via Tax ID.

For TRNC-resident companies, "exporter" qualification shall be verified via *Companies Registry Certification Document*, and *Exporter Certificate* issued by Office of Commerce, and "manufacturer" qualification via *Registry Document* issued by Chamber of Industry/Commerce.

For Free Zone-resident companies, "user" qualification shall be verified via *Tax ID*, relevant *Operating License* and *Capacity Report* (for manufacturers). For a company to be eligible to the credit, it must have an Operating License in the manufacturing, trading, or maintenance-repair activities.

Turkish Eximbank is authorized to define the credit repayment term, interest rate/profit share rate, credit rate, foreign currency of the credit.

The matters not explicitly regulated by Implementation Principles shall be governed by the provisions of applicable legislation, including notably Banking Law, Export, Foreign Exchange, Investment, Tax and Free Zone Legislation, as well as the relevant provisions of the legislation applicable in TRNC.

### 3. CREDIT TYPES

Under the Pre-Shipment Export Credit Programs, there are different types of credits made available to the eligible companies;

- Pre-Shipment Export Credit (SÖİK TRY/SÖİK Foreign Currency):** Made available in Turkish Lira (TRY) or a foreign currency via deposits banks, development and investment banks to the Turkey-resident exporters, manufacturer-exporters, and manufacturers which produce, and export export-conditioned final product via exporters, and companies which export foreign exchange earning services.
- Pre-Shipment Export Credit Participation Banks (SÖİK Participation TRY/SÖİK Participation Foreign Currency):** Made available in TRY or a foreign currency via participation banks to exporters, manufacturer-exporters, and manufacturers which produce, and export export-conditioned final product via exporters, and companies which export foreign exchange earning services.
- Pre-Shipment Export Credit Investment-Priority Regions Turkish Lira (SÖİK YÖB TRY):** Made available in TRY via deposit banks, development and investment banks and participation banks to the YÖB (Investment-Priority Region)-resident exporters (provided also that export good is manufactured in YÖB), manufacturer-exporters (provided also that export good is manufactured in

YÖB), manufacturers which produce, and export export-conditioned final product via exporters, (Regions, as listed in ANNEX H).

- d) **Pre-Shipment Export Credit TRNC Turkish Lira (SÖİK TRNC TRY):** Made available in Turkish Lira (TRY) or a foreign currency via TRNC branches of the deposits banks, development banks and investment banks to the TRNC-resident exporters, manufacturer-exporters, and manufacturers which produce, and export export-conditioned final product via exporters.
- e) **Pre-Shipment Export Credit Free Zones Foreign Currency (SÖİK SB Foreign Currency/SÖİK SB TRY):** Made available in TRY via deposit banks, development and investment banks and participation banks to the Turkish Free Zone-resident companies holding a manufacturing, trading or maintenance-repair license which sell goods or services from Free Zone to third countries (excluding other Turkish free zones and Turkey).

#### **4. EXCLUDED EXPORT MODES**

Credit may not be made available for

- Sales and deliveries counted as export,
- Transit trade,
- Exporting the imported goods (Excluding re-export under the Inward Processing Regime),
- Export under barter and counter purchase,
- Consigned export,
- Export under the terms of border trade,
- Exports to non-bonded warehouses,
- Exports to Free Zones (the part of exports from Turkey to Free Zones which are re-exported to 3rd Parties),
- Sales from Free Zone to Turkey, or other Free Zones in Turkey

Under this Implementation Principles, no credits may be made available to the companies indicated in the lists of MASAK, OFAC (Office of Foreign Assets Control of the USA), United Nations Security Council, UK Financial Sanctions Enforcement Office or European Union Financial Sanctions, and those companies directly or indirectly owned, partnered or controlled by the persons indicated in said lists.

Intermediary bank shall carry out the control to verify if the companies to which credit is made available, and the persons who directly or indirectly owns, partners or controls such companies are included in the lists of the MASAK, OFAC (Office of Foreign Assets Control of the USA), United Nations Security Council, UK Financial Sanctions Enforcement Office or European Union Financial Sanctions, and the goods and services subject to the rediscount credit, and the companies and persons with whom the relevant business made are included in the said sanction lists. All legal responsibilities shall remain with the intermediary bank which intermediated the credit in this respect.

#### **5. TAX, DUTY, CHARGE EXCLUSION**

Tax, Duty and Charge exclusions relating to the credits made available under Pre-Shipment Export Credit Programs shall be regulated by provisions of applicable legislation.

#### **6. BANK LIMIT**

Turkish Eximbank Board of Directors will allocate cash credit limits in TRY for Turkish Lira credits, and in US Dollar for foreign currency credits to the banks which act as an intermediary in disbursement of the credits.

Total principal balances of the credits to be extended by intermediary banks in the name and for the account of Turkish Eximbank at a certain time shall be within the said limits. These limits will be notified to intermediary banks.

Entire TRY credit limits allocated to the intermediary banks are solely reserved to the Small and Medium Enterprises (SMEs) as defined in Article 8, and at least 30% of the USD credit limits are reserved solely to SMEs.

At least 5% of the credit limits allocated for SÖİK TRY Credit is reserved solely to companies residing in the Investment-Priority Regions (YÖB) (ANNEX-11) (provided also that export good is manufactured in YÖB).

SÖİK TRNC TRY credit shall be made available via TRNC branches of Turkey-resident banks within the scope of TRNC additional limit.

The maximum amount of the credits that can be made available by intermediary banks to their subsidiaries, affiliates and other companies in their groups shall be 40% of each TRY and USD credit limits that are allocated to them.

## **7. COMPANY LIMIT**

Under Pre-Shipment Export Credit Programs, total principal balances of the TRY and Foreign Currency credits made available to one single company may not exceed 25 Million US Dollar.

Said company limit is:

- 15 Million US Dollar for SÖİK Participation TRY/SÖİK Participation Foreign Currency credit
- 5 Million TRY for SÖİK KKTC TRY Credit.

The amount of the credits made available for financing foreign exchange earning services against Tax, Duty and Charge Exclusion Document (VRHIB) may not exceed amount of VRHIB.

For the foreign-currency credits to be extended to Turkey-resident firms under the SÖİK, intermediary banks shall be responsible for monitoring the conditions and limitations as defined in the Decree (Number 32) on Protection of Value of Turkish Money, and Communiqué regarding the Decree on Protection of Value of Turkish Money (Communiqué Number: 2008/32/34) and the Capital Movements Circular of Turkish Central Bank (TCMB) of 02.05.2018, as well as for performing actions and controls as required at the Risk Center of The Banks Association of Turkey.

## **8. DEFINITION OF SMALL AND MEDIUM SIZE ENTERPRISE (SME):**

Small and Medium Enterprises (SME) are, regardless of the legal status, the micro, small and medium size enterprises, owned by one or more real and natural persons, having an annual employee base less than 250 persons, with a maximum 125 million Turkish Lira annual net sales revenues or as indicated in any of its financial balance sheet, which falls in the stand-alone business definition, and is a manufacturer, manufacturer-exporter, exporter or engages in activities and services that generate foreign exchange earnings.

If an enterprise;

- does not own more than 25% of the capital of another enterprise,

- if any legal person or public entity or enterprise or their several subsidiaries does not own, individually or jointly, 25% or more shares of this enterprise,
- if enterprise does not keep consolidated accounts and not included in another enterprise which keep consolidated accounts and therefore it is not a subsidiary or affiliate,

then it shall be qualified as stand-alone enterprise.

SMEs are classified as follows;

- **Micro Enterprise:** An enterprise which employs less than ten persons annually, whose annual net sales revenue or any of financial balance sheet does not exceed 3 million Turkish Lira.
- **Small Enterprise:** An enterprise which employs less than fifty persons annually, whose annual net sales revenue or any of financial balance sheet does not exceed 25 million Turkish Lira.
- **Medium Enterprise:** An enterprise which employs less than two hundred fifty persons annually, whose annual net sales revenue or any of financial balance sheet does not exceed 125 million Turkish Lira.

## 9. EXPORT/SALES/SERVICE COMMITMENT

Export/Sales Commitment means the FOB export/sales amount as committed by the borrower to realize, and the service amount means the amount of service export/sales for which credit is used.

The amount of the commitment which must be realized is total amount of the principal, interest, and any expenses of the credit made available for foreign currency credits, and, for the TRY credits, the principal amount.

Realization period of export/sales commitment is 24 months for the credits with a term up to 24 months, and, for the credits with a term longer than 24 months, the original term of the credit.

## 10. CONTACT BRANCH

In disbursement of the credits, Turkish Eximbank will accept a branch/unit to be designated by the banks for themselves as the contact branch. Credits requests shall be submitted by these branches to Turkish Eximbank. Credit disbursement instructions shall be delivered by Turkish Eximbank to contact branches. Repayment notifications shall be made by contact branches as defined in the Article 19. Signatory Circulars, including amendments, of the authorized representatives of the contact branch must be submitted to Turkish Eximbank.

The Fax Agreement, provided in the Annex-9, and the Electronic Banking Agreement, provided in the Annex-10 must be signed by the Bank Head Offices, and delivered to Turkish Eximbank, along with the up-to-date signatory circulars of their authorized persons.

## 11. ACCOUNT OPENING

A deposit banks account / special current account will be opened in TRY, to be named Turkish Eximbank Pre-Shipment Turkish Lira Export Credit, and in foreign currency (USD, GBP, JPY, EUR), to be named Turkish Eximbank Pre-Shipment Foreign Currency Export Credit, at the contact branches of the banks which will make credits available.

Payments and collections relating to the credits will be made at these accounts. Monthly statements of these accounts will be delivered by contact branches to Turkish Eximbank within the first week of the next month.

## **12. APPLICATION METHOD**

For each credit application, companies will apply to the intermediary banks along with the documentation as provided on the Turkish Eximbank website.

First-time applying companies shall submit the copies of;

- Capacity Report,
- The last issue of the Trade Registry Journal which contain the Company title
- Operating License for trading, manufacturing and maintenance & repair activities (For Free Zone-resident companies),
- Chamber of Commerce or Industry Register Copy, and Companies Registry Certification Document, or Exporter Certificate issued by Office of Commerce, to be issued pursuant to TRNC legislation in the last six months, or equivalent documents according to the applicable legislation (for TRNC-resident Companies)

Turkish Eximbank reserves the right to request any kind of information and document that may be found necessary depending on the specific conditions of the firm and the commitment/project relating to the credit request.

## **13. GUARANTEE**

Before making credit available, intermediary banks will issue and furnish Turkish Eximbank an Intermediary Bank Borrower Current Account Undertaking (ANNEX-2) in the amount of the TRY limit allocated to them for the TRY credits, and 10% more than the USD limit allocated to them for the Foreign Currency credits.

For any increase in the intermediary bank limits, banks must issue and furnish Turkish Eximbank Intermediary Bank Borrower Current Account Undertaking in the amount of such increased new limit for TRY credits, and 10% more than such increased new limit for the Foreign Currency credits.

## **14. TERM EXTENSION AND FORCE MAJEURE EVENT**

Companies may not claim an extension to the repayment terms by asserting that they could not realize entire or a part of the manufacturing or export/overseas sales/services on the grounds such as credit is being insufficient compared to the commitment, short credit repayment term, inability to supply inputs or goods, domestic and foreign market difficulties, failure to realize entire or a part of the export/sales/service they committed, single-sided acts and actions of the buyers, except for the force majeure events.

Force majeure events, and the matters relating to the confirmation of such events shall be regulated by the applicable tax, duty and charge exclusion legislation, and applicable provisions of the Communiqué on Credit, Insurance and Guarantee Services of Turkish Eximbank for Sales from Free Zones to Third Countries (Export 2018/10).

For SÖİK TRNC TRY credit, the applicable legislation of TRNC shall apply. Turkish Eximbank may redefine the interest rate/profit share rate to be applied on the credit for which it finds suitable to grant a term extension.

## **15. CREDIT REPAYMENT TERM**

Repayment term options of the credit programs are announced on the website of Turkish Eximbank.

Credit repayment term shall commence on the date when the credit is credited by Turkish Eximbank to the account of intermediary bank.

If repayment date of the credit principal installments and term interests/profit shares fall on a weekend or public holiday (for For SÖİK TRNC TRY credit, such holiday in TRNC) (including the half business days legally announced during a calendar year), repayment date shall be the next first business day.

For the Credits against VRGHIB to finance the foreign exchange earning services, credit repayment term may be longer than the payment term of the VRHIB. In this case, however, exclusion shall only apply to the tax, duty and charges which will accrue within the term of VRHIB. No exclusion shall be applied after the term of VRHIB.

## **16. INTEREST AND PROFIT SHARE RATIO**

Interest/profit share rates to be applied to the credit is determined and announced by Turkish Eximbank to the intermediary banks. Interest/profit share rates to be applied to the credits shall be determined on the basis of the Interest/profit share rates effective on the credit disbursement date.

However, banks may add to these Interest/profit share rates the commission rates as determined by Turkish Eximbank. Intermediary bank commission is annually maximum 1 (one) for the TRY credits, and annually maximum 0.5 (half) point for the foreign currency credits.

With respect to the credit disbursement, intermediary banks may not claim and collect from Turkish Eximbank or company a commission, fee, costs, etc. under any name whatsoever, other than the aforementioned commission.

Interest/profit share rate will be determined by adding the margin determined by Turkish Eximbank to the borrowing rate effective in the interbank money market for a certain foreign currency such as USD LIBOR/EURIBOR/GBP LIBOR/TIBOR. As to be used in the calculation of interest/profit share and commission rate;

- For the US Dollar credits; USD LIBOR is the ICE USD LIBOR interbank US Dollar benchmark (base) interest rates as determined and published by Intercontinental Exchange (ICE) on [www.theice.com](http://www.theice.com) every day at 11:00 AM (London), or published on the related pages of the data distribution platform such as Bloomberg/Reuters.
- For Euro credits, EURIBOR is the EMMI EURIBOR interbank Euro benchmark (base) interest rate, as determined and published by European Money Markets Institute (EMMI) on the website [www.emmi-benchmarks.eu](http://www.emmi-benchmarks.eu) every day at 11:00 AM ("Brussels"), or published on the related pages of the data distribution platform such as Bloomberg/Reuters.
- For the British Pound credits; GBP LIBOR is the ICE GBP LIBOR interbank British Pound benchmark (base) interest rates as determined and published by Intercontinental Exchange (ICE) on [www.theice.com](http://www.theice.com) every day at 11:00 AM (London), or published on the related pages of the data distribution platform such as Bloomberg/Reuters.
- For Japanese Yen credits, TIBOR is the JBA EUROYEN TIBOR interbank Japanese Yen benchmark (base) interest rate, as determined and published by JBA EUROYEN TIBOR on the website [www.jbatibor.or.jp](http://www.jbatibor.or.jp) every day at 11:00 AM ("Brussels"), or published on the related pages of the data distribution platform such as Bloomberg/Reuters.

If it impossible to determine the USD LIBOR/EURIBOR/TRIBOR/GBP LIBOR/TRLIBOR and similar rates to be applied to the relevant interest/profit share/commission payment term due to the reasons such as inaccessibility of the websites which publish the data; or inaccessibility of the relevant pages of the

Bloomberg/Reuters and similar data distribution platforms; or unavailability of the relevant rate in the pages where data are published; or availability of rate from one single bank, due to any causes whatsoever, as required to determine the USD LIBOR/EURIBOR/TRIBOR/GBP LIBOR/TRLIBOR, then Eximbank will use the arithmetic average of the interest rate determined by two (2) reference banks to their credits in USD/EUR/GBP/JPY/TRY and other relevant currency unit in the relevant banking market, effective on the interest/profit share/commission determination date for the credit amount and interest payment term (resulting average number is rounded to one higher decimal point). If the reference banks does not quote rate, then rate will be determined by Turkish Eximbank.

For calculation of the first term interest of the credit; USD LIBOR/EURIBOR/GBP LIBOR/TIBOR rates shall be used which are effective on the credit disbursement value date of

- 4 months, for credits with a term up to 120 days,
- 6 months, for credits with a term longer than 120 days.

And for the calculation of the interests of the 6-month terms after the first term, 6-month USD LIBOR/EURIBOR/GBP LIBOR/TIBOR rates will be used, effective on the commencement date of each interest term.

For SÖİK Participation Credits, profit share will be determined on the credit disbursement date (flat rate profit share) and shall remain constant in the subsequent terms. For the calculation of the profit share to be determined during the credit disbursement; USD LIBOR/EURIBOR rates will be used which are effective on the credit disbursement value date of

- 4 months, for credits with a term up to 120 days,
- 6 months, for credits with a term of 121 to 180 days,
- 12 months, for credits with a term of 181 to 360 days,

For credit terms of longer than 360 days, the reference rates to be used in the determination of the profit share rate will be determined by Turkish Eximbank by taking account of the Interest Rate Swap (IRS) effective on the credit disbursement value date or the relevant credit repayment term.

If USD LIBOR, EURIBOR, GBP LIBOR or TIBOR to be used in the calculation of credit interest rate/profit share are negative, these values will be taken zero (0).

Discounted interest rate/profit share may be applied to the TRY credits to be used by the YÖB-resident companies.

Turkish Eximbank is authorized to change the interest/profit share rates unilaterally. Changes to the interest/profit share rates shall not apply to the credits that are still at risk for Turkish Eximbank.

## **17. DISBURSEMENT**

Credit in TRY shall only be made available to companies qualified as a SME, as defined in Article 8 of this Implementation Principles. For TRY Credits, credits that are found eligible by Turkish Eximbank shall be paid to the account of the relevant bank as recorded in the EFT system. Intermediary banks will credit the credit amounts transferred to their accounts at the EFT system to the accounts as defined in Article 11 in the same day, and transfer them to the account of the relevant company in the same day.



- For SÖİK TRNC TRY credit, credit amounts will be transferred to the company accounts until the end of first business day after receipt of the transfer of relevant credit from Turkish Eximbank.
- For SÖİK Participation TRY credit, credit amounts will be transferred to the company accounts within first 5 (five) business days after receipt of the transfer of relevant credit from Turkish Eximbank.

For Foreign Currency Credits, credits that are found eligible by Turkish Eximbank shall be paid in the relevant foreign currency to the correspondent account of the relevant bank. Intermediary banks will credit the credit amounts transferred to their accounts to the accounts as defined in Article 11 in the same day, and transfer them to the account of the relevant company in the same day. Intermediary banks will transfer the credit amount that is credited to their accounts in relevant foreign currency, or TRY-equivalent to the account of the company. Exchange rate to be used in the calculation of TRY-equivalent of the credit include USD Dollar, EURO, British Pound, and Japanese Yen buy rates as determined by Turkish Eximbank at 11:00 AM on the disbursement day. Foreign currency credit allocated shall be transferred to a temporary foreign currency deposit account, and this account will not be used for buying TRY.

- For SÖİK Participation Foreign Currency credit, the credit amounts will be transferred to the company accounts within the subsequent 5 (five) business days.

The fact that credit was actually paid by intermediary bank to the company within aforementioned periods, a written confirmation shall be submitted by the company to Turkish Eximbank within 5 business days after notified credit disbursement date (ANNEX-7). Otherwise, credit shall be deemed to have been paid by intermediary bank to the company. In the event that, according to said written confirmation letter, credit has not indeed been paid by the intermediary bank to the company within aforementioned period, then the penalties, as defined in the Article 23, shall be imposed.

If the credit is to be cancelled after transferred to the accounts of intermediary bank, then the penalties, as defined in the Article 23, shall be imposed.

## **18. FOREIGN CURRENCY TYPE**

Foreign Currency Credits will be made available in US Dollar, EURO, British Pound and Japanese Yen.

SÖİK Participation Foreign Currency Credit will be made available in US Dollar and EURO.

## **19. REPAYMENT**

For the credits with a term of 120 and 180 days, interest/profit share and principal amounts will be paid on the repayment date at once.

For other term options, interest/profit share and principal repayments will be made on the dates indicated in the credit repayment plan.

For the credits listed below, Banking and Insurance Transaction Tax (BSMV) will be collected along with the repayments:

- SÖİK TRNC TRY,
- SÖİK SB Foreign Currency/SÖİK SB TRY,
- Credits for financing the foreign exchange earning services, not subject to the VRHIB submission,
- Credits with a term longer than 2 years.

Intermediary banks will repay Turkish Eximbank the credit amounts they will collect from the companies on their respective repayment dates.

For foreign currency credits, if the payments made by intermediary banks are on a date different than repayment date/value date, it is essential to make a value date adjustment (back-value) to Turkish Eximbank for such payments.

Credit, as a whole or in part, can be repaid earlier.

For early repayment of the credit, the terms as defined in the applicable legislation and in this implementation principles shall be taken as a basis for closing the export/sales, foreign exchange earning services commitments.

In case of early repayment of the credit, for the purposes of calculation of credit interest/profit share rate:

- For TRY Credits; interest/profit share rate effective on the disbursement date for the term indicated on the credit request form,
- For SÖİK Foreign Currency Credit and SÖİK SB Foreign Currency Credit;
  - Interest rate on the disbursement date for the credits with a term of 120 and 180 days,
  - Interest rate on the disbursement date if early payment falls in the 1st term, for the credits with a term longer than 180 days,
  - Interest rate determined for the relevant term, if it is made in the subsequent terms.
- For SÖİK Participation Foreign Currency Credit; Profit Share determined on the disbursement date

Shall be taken into account.

Before a credit repayment is made, intermediary bank will provide Turkish Eximbank a repayment notification not later than 02:00 PM, 1 (one) business day prior to repayment day, for TRY Credits, and 2 (two) business days prior to repayment day, for Foreign Currency Credits (Repayment Notification Form-Annex:6). No repayment notification will be made on the legally-announced half business days (for credits made available to TRNC-resident companies, such half business days in TRNC and/or Turkey).

If repayment notification falls on these dates, information form will be delivered by the contact branches to Turkish Eximbank not later than 2 (two) business days, for TRY Credits, 3 (three) business days, for Foreign Currency credits prior to the credit repayment date. Turkish Eximbank will provide the intermediary bank, the total amount of the principal installment, interest/profit share and if any relevant tax and charges, as well as value date.

Intermediary banks shall agree and sign the Intermediary Bank Borrower Current Account Undertaking (ANNEX-8) to close the credit on the relevant repayment date, irrespective of failure of company to repay credit.

For TRY Credits, intermediary banks will pay to the TIC Account No 0016 of Turkish Eximbank at the EFT System, the sum of the principal, interest/profit share and other tax and expenses, as calculated and notified by Turkish Eximbank to them.

For Foreign Currency Credits, intermediary banks will pay in credit foreign currency on the value date to the account of the Turkish Eximbank at its correspondent bank, the sum of the principal, interest/profit share and other tax and expenses, as calculated and notified by Turkish Eximbank to them.

Company may repay intermediary bank the credit in a foreign currency or TRY.

If credit is repaid in TRY by company to the intermediary bank, the exchange rates to be used in the calculation of Turkish Lira equivalent of payment include USD Dollar, Euro, British Pound, and Japanese Yen sell rates as determined by Turkish Eximbank at 11:00 AM on the disbursement day.

In calculation of the interest/profit share, the year shall be taken as 360 days in the fixed aliquot.

Furthermore, in the cases of the revocation of the intermediary banks' authorities to perform banking transactions or accept the deposit/participation fund, or cancellation, restriction, or revocation of their operating permits (on the publication date of the relevant decision on Official Gazette), and/or their failure to fulfill their commitment against Turkish Eximbank, the companies which have unrepaid credits at the said banks shall pay them, together with the interests/profit shares, to the TIC Account of Turkish Eximbank at the EFT System for TRY credits, and to the correspondent accounts to be determined by Turkish Eximbank, for Foreign Currency credits, not later than their repayment dates.

## **20. CLOSING EXPORT, SERVICE AND SALES COMMITMENT**

Export commitments will be closed by the intermediary banks under the principles and methods as determined by Turkish Eximbank.

### **a) Principles for Closing the Export Commitments of Credits for Good Exports:**

Credit commitments will be closed in accordance with the provisions of Communiqué (Export 2017/4) or other legislation which will repeal and replace said legislation, circulars and instructions of TCMB, and this Implementation Principles, and the statement "FOB ..... part of this document is used to close the ..... Numbered ..... Turkish Eximbank Pre-Shipment Export Credit Commitment of the ..... Company at your bank" will be written on the documents counted in the credit commitment.

The penalties as defined in the Article 22 shall be applied to the credits whose commitments are not closed. Turkish Eximbank, which is authorized to request any kind of document and information and control transactions and actions, may also perform this control at the relevant branches of the intermediary bank.

In the cases of the revocation of the intermediary banks' authorities to perform banking transactions, (on the publication date of the relevant decision on Official Gazette) and/or their failure to fulfill their commitments against Turkish Eximbank, then one original and one reproduced copies of the relevant commitment closing documents shall be delivered by exporter directly to Turkish Eximbank not later than 3 months following the term defined in the Communiqué (Export 2017/4) for the confirmation that the export/sales commitments have been closed for the relevant credit. In this case, commitment closing procedure shall be concluded directly by Turkish Eximbank.

### **Export of the Good Imported Under Inward Processing Regime**

GBs submitted to Intermediary Bank, and relating to non-Turkey-origin export products (which Field 34 "Origin Country" writes a code other than "052-Turkey") but subjected to inward processing regime, whose Regime Field writes "3151-Reexport of the good subjected to Inward processing regime conditional exemption system" or "3152- Reexport of the good subjected to the inward processing regime other than those specified in Code 51" can be used for closing export commitment.

### **b) Principles for closing export commitment for SÖİK TRNC Credit:**

Credit commitments will be closed in accordance with the provisions of applicable legislation of TRNC and this Implementation Principles, and the statement "FOB ..... part of this document is used to close the ..... Numbered ..... Turkish Eximbank Pre-Shipment Export Credit Commitment of the ..... Company at your bank" will be written on the documents counted in the credit commitment.

For the exports realized in a different foreign currency than that is guaranteed/disbursed during credit application/disbursement process, then TRNC Central Bank cross exchange rates on the date of Customs Declaration will apply while linking them to the commitment accounts.

Conversion of the export amounts in TRY to the credit foreign currency shall be based on the relevant TRNC Central Bank currency sell rate on the date of Customs Declaration.

It is essential to close export commitment of the credit via actual export of the goods as committed in the relevant credit request form (by indicating at least the 4-digit HS Code). However, it is possible to have a different good than that is declared by the borrower during the credit application process to be counted in a export commitment, providing that it is not an export-restricted good of TRNC origin under laws and statutory decree and communiques.

The penalties as defined in the Article 22 shall be applied to the credits whose commitments are not closed. Turkish Eximbank, which is authorized to request any kind of document and information and control transactions and actions, may also perform this control at the relevant branches.

In the cases of the revocation of the intermediary banks' authorities to perform banking transactions, and/or their failure to fulfill their commitments against Turkish Eximbank, then one original and one reproduced copies of the relevant commitment closing documents shall be delivered by exporter directly to Turkish Eximbank not later than 3 months following the maximum credit term for the confirmation that the export commitment has been closed for the relevant credit. In this case, commitment closing procedure shall be concluded directly by Turkish Eximbank.

**c) Principles for Closing Sales/Service Commitment under SÖİK SB Foreign Currency/SÖİK SB TRY:**

For the Free Zone-resident companies, their FOB sales commitment in the total amount of credit principal, interest, and intermediary bank commission must actually be fulfilled within the terms determined by Turkish Eximbank, and will only be closed upon submission of:

- User copy of "Free Zone Transaction Form" (Exit) certified by Free Zone and Customs Offices, showing that goods have been shipped from Free-Zone to a foreign country, Invoice issued to the name of buyer, and Customs Declaration (Transit) relating to said overseas shipping, **for the goods manufactured and exported by Manufacturer in the Free Zone (Manufacturer-exporter),**
- User copy of "Free Zone Transaction Form" (Intra-Zone Sales) certified by Free Zone Directorate, showing that goods are sold within the Free-Zone, and the invoice (manufacturer's invoice) enclosed thereof, User copy of "Free Zone Transaction Form" (Exit) certified by Free Zone and Customs Offices, showing that goods have been shipped from Free-Zone to a foreign country, Invoice issued to the name of buyer, and Customs Declaration (Transit) relating to said overseas shipping, **for the goods manufactured in Free Zone, and sold by an international trading company (Free Zone-resident intermediary exporter),**
- User copy of "Free Zone Transaction Form" (Entry) certified by Free Zone Directorate, showing that goods are entered the Free-Zone, and the invoice enclosed thereof, User copy of "Free Zone Transaction Form" (Exit) certified by Free Zone and Customs Offices, showing that goods have been shipped from Free-Zone to a foreign country, Invoice issued to the name of buyer, and Customs Declaration (Transit) relating to said overseas shipping, **for the goods purchased from Turkey and sold to a foreign country by an international trading company (Free Zone-resident intermediary exporter),**
- The user's copy of "Free Zone Transaction Form" (Exit) and the invoice issued to the name of the

buyer, approved by Free Zone and Customs Directorate, **for the services provided from Free Zone to the third countries.**

Also, no Customs Declaration (Transit) will be required for the shipping to be made from the Free Zone Docks directly to the foreign countries.

Shipment of the good to another country will effectively be realized once Free Zone Customs Enforcement Office affixes its seal on the SBIF. The date in the 14th field of SBIF shall be taken as the actual export date.

This date may not be a date prior to credit disbursement date, and later than the terms as determined by Turkish Eximbank.

The total amount of credit principal, interest, commission and expenses, over the foreign currency of the credit, or FOB export commitment of the credit for TRY credits will be annotated on the User Copy of SBIF, which is closed and linked to the credit sales commitment. For TRY credits, the amount of FOB sales commitment are determined by the converting the credit principal to the USD over the TCM currency buy rate effective on the credit disbursement date.

Transit Escort Document (T1), for which TIR Carnet or MRN number obtained, can be used to close the credit commitment of the Free Zone-resident companies, provided that a verification is obtained from:

- Relevant free zone customs directorate, if the good exits from free zone to the third countries (except for other Turkish free zones and Turkey),
  - Relevant exit customs directorate, if the good enters from a free zone and exits through another customs office,
- that the goods have been exported under said documents.

In closing of the sales commitments made available by the relevant branches of the intermediary banks; mandatory fields in the Commitment Closing Form issued and sent by Turkish Bank will be filled in and then signed and stamped, and enclosed with the list of the commitment closing documents counted under the Commitment Closing Transaction Form (Annex Form: TKF) prepared per transaction, which will then be sent to Turkish Eximbank via contact branches within the periods to be notified by Turkish Eximbank.

The statement "FOB ..... part of this document is used to close the ..... Numbered ..... Turkish Eximbank Pre-Shipment Export Credit Free Zone Foreign Currency Commitment of the ..... Company at your bank" as well as the foreign exchange rates used to close the commitments will be annotated and signed by authorized officers of relevant branches on the "User" Copy of SBIF counted in the sales commitment of the credit.

Copies of the SBIF, annotated as above, shall be retained in the credit file at the relevant branch.

For the sales realized in a different foreign currency than that is guaranteed/disbursed during credit application/disbursement process, then TCMB cross exchange rates on the date of SBIF will apply while linking them to the commitment accounts.

It is essential to close sales commitment of the credit via actual export of the goods as committed in the relevant credit request form.

#### **Sales-Conditioned Delivery**

If a manufacturer using the credit delivers the goods to a seller who has an Operating License relating to the sales activities, then submission of sales invoice issued to the name of seller, and seller firm's consent statement is required.

Also, the goods specified in the sales invoice issued by manufacturer and the SBIF must also one of those that are indicated in Capacity Report of the manufacturer.

It is essential to close sales commitment of the credit via actual sales of the goods as committed in the relevant credit request form.

The penalties as defined in the Article 22 shall be applied to the credits whose sales commitments are not closed. Turkish Eximbank, which is authorized to request any kind of document and information and control transactions and actions, may also perform this control at the relevant branches.

In the cases of the revocation of the intermediary banks' authorities to perform banking transactions (on the date of publication of said Decision on Official Journal), and/or their failure to fulfill their commitments against Turkish Eximbank, then one original and one reproduced copies of the relevant commitment closing documents shall be delivered by exporter directly to Turkish Eximbank not later than 3 months following the maximum credit term for the confirmation that the export/sales commitment has been closed for the relevant credit. In this case, commitment closing procedure shall be concluded directly by Turkish Eximbank.

#### **d) Principles for Closing the SÖİK Foreign Exchange Earning Service Commitment:**

Period of benefiting from tax, duty and charge exclusion of the credits against VRHIB shall be that period of the tax, duty, charge exclusion document to be issued by the Ministry (including extensions).

For the credits against VRHIB, annotations on the VRHIB, following-up the process of document commitment closing by TCMB, and necessary actions as per the result notified by the TCMB shall be performed by the intermediary banks.

For the credits not disbursed against VRHIB, borrower company will request intermediary bank to close the commitment by sending the YMM or SMMM certified copy of the Foreign Exchange Earning Services Commitment Closing Form showing the list of the invoices issued in exchange for the services provided by the borrower company not later than 3 months following the commitment closing date, and the commitment closing process shall be concluded by the intermediary banks.

For credit commitment closing, if the invoices are issued in a currency unit than that of the credit disbursement, then TCMB cross exchange rates on the invoice date shall be applied.

For the credits to be made available in TRY, the amount of the commitment will be monitored in USD.

The penalties as defined in the Article 22 shall be applied to the credits whose credit commitments are not closed. Turkish Eximbank, which is authorized to request any kind of document and information and control transactions and actions, may also perform this control at the relevant branches.

In the cases of the revocation of the intermediary banks' authorities to perform banking transactions (on the date of publication of said Decision on Official Journal), and/or their failure to fulfill their commitments against Turkish Eximbank, then one original and one reproduced copies of the relevant commitment closing documents, and the YMM or SMMM certified copy of the Foreign Exchange Earning Services Commitment Closing Form showing the list of the invoices issued in exchange for the services provided by the borrower company, shall be delivered by exporter directly to Turkish Eximbank not later than 3 months following the maximum credit term for the confirmation that the export/sales commitment has been closed for the relevant credit. In this case, commitment closing procedure shall be concluded directly by Turkish Eximbank.

## **21. EXPORTS/SALES/SERVICES NOT COUNTED IN THE COMMITMENT ACCOUNTS**

**In the closing of the export commitment account;** The exports under the International Credit/Guarantee Programs of Turkish Eximbank, and the exports used in the closing of the commitment under other credit programs cannot be used.

**In the closing of the sales commitment account;** The exports under the International Credit/Guarantee Programs of Turkish Eximbank, Exports of the Turkey-resident companies made to the free zones on the condition of exporting to third countries under the Short-Term Export Credit Programs and counted in the commitments, and the sales of the Free Zone-resident companies to Turkey and other Turkish free zones may not be used in the closing of the SÖİK SB Foreign Currency/SÖİK SB TRY Credit export commitment.

In the closing of the foreign exchange earning service export commitment, the following cannot be used in the closing of the commitment account: - foreign currencies earned in exchange for the services provided beyond the VRHIB term, - foreign currencies earned in exchange for the services that are kept at abroad or foreign exchange deposit accounts, - service price invoice statements/foreign currencies from foreign exchange earning services not covered by the credit, - invoice statements/foreign currencies relating to the tourism services provided under the prohibited activities defined in Article 7 of Law No 1618, - invoice statements relating to services covered by the credit but realized beyond the credit term, - invoices issued by a tourism business operator to the tenant of that business in the credits used for the tourism activities (recorded in VRHIB).

## **22. PENALTIES IN CASE OF UNFULFILLMENT OF THE EXPORT/SALES/SERVICE COMMITMENT**

If it is found out that the export/sales of the goods and service subject to commitment are not realized, as a whole, or in part, within the terms defined in the applicable legislation and under other conditions;

(1) If any, the tax, expenses, commission, etc. amounts that were previously excluded for the credit and correspond to the rate of unfulfilled part of the credit commitment shall be collected, together with the penalties according to the applicable legislation. Also, a penalty of 20% of the total interest amount accrued for the relevant credit (as per the rate of unfulfillment) shall be collected from the intermediary bank, together with BSMV.

(2) BSMV to be calculated over the collected interest/profit share and BSMV to be paid by Turkish Eximbank according to the Expense Taxes Law shall be collected from the intermediary bank, together with the default penalty.

(3) The liabilities under the Resource Utilization Support Fund, if any, shall be fulfilled by the intermediary banks under the applicable provisions of the legislation.

(4) For the companies using the TRNC Pre-Shipment TRY Export Credit, other financial liabilities and penalties that were previously excluded but may be re-imposed under TRNC legislation due to the complete or partial fulfillment of the export commitment shall be paid by intermediary banks under the relevant decisions of TRNC.

(5) If the companies using SÖİK YÖB TRY credit cannot prove that the goods subject to the commitment are actually manufactured in the YÖB, then the interest difference between discounted interest rate and SÖİK TRY interest rate shall separately be collected.

Turkish Eximbank reserves right to evaluate the new credit applications of the companies which has not closed their export commitment accounts within the terms as defined in this Implementation Principles.

### **23. PENALTIES TO BE IMPOSED UPON INTERMEDIARY BANKS IN CASE OF IRREGULAR OR UNINTENDED CREDIT USES**

(1) If the credit is not paid by the intermediary banks to the company within the period defined in the Article 17, which case is verified via a written confirmation from the company,

(2) If the credit collected from the company is not repaid to Turkish Eximbank within the period defined in Article 19,

(3) If the credit is not repaid by intermediate banks to Turkish Eximbanks on the credit repayment date under the Implementation Principles

then, a penalty interest/profit share to be calculated 1.2 times of the credit contractual interest rate, and the highest current interest/profit share rate effective on the credit repayment date on the credit program basis, whichever is the highest, shall be applied, together with the taxes and funds, for the period between repayment date, as defined in the aforementioned articles, and the actual repayment date.

Under no circumstance may penalty interest/profit share, and BSMV amounts, collected by Turkish Eximbank from intermediary banks under this Article be reimbursed from the credit user company.

Also, the credit limits of the intermediary banks who are found out to have involved in the aforementioned practice, or used the credit for the purposes other than that defined in Article 1 of the Implementation Principles, or have not complied with the provisions of Article 6 shall be cancelled by Turkish Eximbank temporarily or permanently.

### **24. PROVIDING INFORMATION**

All information and documentation relating to the credit made available by intermediary bank to the company, and balance of this credit, and foreign currencies earned via the export covered by the credit and all other matters shall be provided in full by intermediate bank to Turkish Eximbank upon request.

The matters not regulated in the Articles of this Implementation Principles that govern the relationship between intermediary bank and Turkish Eximbank shall be governed by the provisions of Code of Obligations regarding the agency and commission, providing that it is consistent with nature of the transactions.

If any kind of notification and actions such as creating a system entry for the application files prepared according to the principles and procedures of this Implementation Principles, repayment notification, and export commitment closing notification, etc. are performed via Internet Banking, then intermediary banks are obliged to retain information and documents of the transactions that they made over Internet Banking and submit them to Turkish Eximbank, whenever requested.



## **25. EFFECTIVNESS**

These Principles apply to the credits to be disbursed as of 08.10.2021 pursuant to the General Directorate Approval No E-89940035-100-45292 of 08.10.2021.

### **ANNEXES:**

Request Form (Goods Export)	ANNEX 1/A
Request Form (Service Export)	ANNEX 1/B
Company Information Form	ANNEX 2
Company Commitment	ANNEX 3
Letter of Consent (For Export Credits)	ANNEX 4/A
Letter of Consent (For Tourism Credits)	ANNEX 4/B
Investment-Priority Regions Statement Form	ANNEX 5
Repayment Notification Form	ANNEX 6
Company Confirmation	ANNEX 7
Intermediary Bank Borrower Current Account Undertaking	ANNEX 8
Fax Agreement	ANNEX 9
Electronic Banking Agreement	ANNEX 10
Investment-Priority Regions List	ANNEX 11

### **ANNEX FORMS:**

List of Goods	ML
Commitment Closing Transaction Form	TKF
Foreign Exchange Earning Services Commitment Closing Form	DKH-TKF