

**TURKISH EXIMBANK INC.**  
**IMPLEMENTATION PRINCIPLES OF REDISCOUNT CREDIT**

**1. PURPOSE AND SUBJECT MATTER**

This Implementation Principles sets out the rules, conditions and follow-up procedures of the Rediscount Credit Program implemented by our Bank under the Turkish Central Bank (TCMB) "Export and Foreign Exchange Earning Services Rediscount Credit Implementation Instructions" in order to meet the pre-export financing needs of the manufactures of export-oriented goods, manufacturer-exporters, exporters, and companies engaged in the foreign exchange earning services, with the purpose of increasing their competitive power in the international markets, pursuant to Article 6 of Cabinet Decree No 2013/4286 on the Law 3332 which regulates the principles of foundation and activities of Turkish Eximbank.

Under this Implementation Principles, credit extension transactions shall be carried out in accordance with the decisions of Board of Directors or credit committees formed by Board of Directors by taking into account risk level of the borrower according to our Bank.

**2. DEFINITION AND SCOPE**

Rediscount Credits will be made available for good exports in order to;

- finance definite export/sales from Turkey and Turkish Free Zones to third countries against a qualified currency, of 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.

Rediscount Credits will be made available for export of foreign exchange earning services in order to finance:

- Foreign exchange earning service projects such as consulting, software and engineering services to be provided to the foreign entities,
- Health services to be provided, in exchange of a foreign currency, to the foreign nationals (including diplomatic missions and members), tourists, or Turkish citizens working at abroad while they are in our country, provided that the proceeds are collected from health and insurance institutions at abroad,
- Services sales against foreign exchange made by the tourism organizations and travel agencies during local and foreign tourism activities,
- International transportation services and activities via land, sea and air vehicles provided that the freight proceeds earned as a foreign currency are brought to the Turkey,
- The maintenance and repair services under the warranty, carried out on behalf of the companies residing in a foreign country; maintenance and repair, foreign flag ship, aircraft or trucks, and the sales of goods (excluding fuel and mineral oils) and services to them, provided that the relevant proceeds are collected in a foreign currency,

Under the program, the rediscount requests of the companies defined above, in regard to the bonds that will be issued by them as a debtor, or the good and/or foreign exchange earning services export on the terms of letter of credit, cash against documents, cash against goods, and

- which does have aval of one the banks which has non-cash limit at our Bank, or does not have aval but submitted along with a transferable performance bond,

- which has endorsement of factoring companies which has non-cash limit at our Bank

or

- which does have KGF aval, and

which are found eligible upon evaluation of TCMB, and they will be discounted via TCMB rediscount.

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

The matters not regulated in this Implementation Principles shall be governed by applicable provisions of Investment Incentive, Export, Tax, Duty and Charge Exclusion, Foreign Exchange, Banking and Free Zones legislation.

### **3. ELIGIBLE COMPANIES**

Turkey-resident;

- International Trade Capital Companies (DTSS),
- Sectoral Foreign Trade Companies (SDTŞ),
- Manufacturer-exporter
- Exporter
- Exporter and manufacturer of export-oriented goods (only final manufacturer)

are eligible to apply to the Rediscount Credit Program for good exports.

Turkish Free Zone-resident;

- Manufacturers which manufacture sales-oriented goods (final manufacturer),
  - Manufacturer-sellers which has capacity to sell the goods it manufactured,
  - Sellers which realize the sales of the goods of Turkish origin manufactured in the Free Zone, or purchased from Free Zone/Turkey, or those imported under Inward Processing Regime and used as a part of export good but not qualifying as Turkish-origin from Free Zones to other countries
- all which has the manufacturing and/or trading license;

are eligible to apply to the Rediscount Credits for selling goods from Turkish Free Zones to the 3rd countries.

Exporter/Seller qualification of the companies will be verified via Tax ID, and, for Free Zone-resident companies, trading license, and manufacturing qualification will be verified via Capacity Report, and, for Free Zone-resident companies, manufacturing license.

Turkey-resident;

- Tourism companies being holder of Tourism operation license, and travel agencies being holder of Group A travel agency operation license as determined by Ministry being a tour operator,
- Turkey-resident, international road transport companies, international sea transport companies being holder of sea worthiness certificate and private airlines being holder of operation license, holder of authorization permits such as B1, B2, C2, C3, L2, R2 or Transport Organizer, as issued by Ministry of Transportation and Infrastructure,
- Companies providing consulting, software and engineering services for foreign countries, which have technical consulting competence certificate, software development companies and engineering companies which have capacity report and activity certificate (as no technical consulting competence certificate is issued, consulting companies shall be required to have said services defined in the Article "purpose and subject" of their Articles of Association or in the Activity Certificate, which will also be confirmed by said companies),
- Companies which provide health-care services to foreign nationals against foreign currency and have license/operating permit or conformity certificate issued by Turkish Ministry of Health,
- Companies which provide maintenance and repair services under the warranty on behalf of the companies residing at abroad, or carry out maintenance/repair of the foreign flag ship, aircraft or trucks, provided that the proceeds are collected in a foreign currency, and have operating permit from Turkish Ministry of Transportation and Infrastructure for ship maintenance and repair, and for aircraft maintenance and repair activities, have non-sanitary workplace opening and operating license,
- Companies which sell goods (except for fuel and mineral oils) and services to foreign flag ships, aircrafts or trucks
- Companies which sell services from free zones to third countries, under the Free Zone Law No 3218 dated 6/6/1985, provided that said company has the relevant authorization documents and operating license, as listed above.

are eligible to apply to the Rediscount Credits for exporting foreign exchange earning services.

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

Credit may not be made available for:

- Sales and deliveries counted as export,
- Foreign exchange earning services other than those listed in Article 2,
- 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 (except for the part of exports from Turkey to Free Zones which are re-exported to 3rd Countries),
- Exports under the international credits made available by Turkish Eximbank.

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 if necessary, such lists to be notified by Central Bank, and those companies directly or indirectly owned, partnered or controlled by the persons indicated in said lists.

No rediscount credit may be made available for the business activities with the companies and persons

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 if necessary, such lists to be notified by Central Bank, and with respect to the goods and services subject to said lists, and no credit undertaking may be closed using the documents related to such activities.

The letter of undertaking, provided in Annex-10 shall be obtained from the company in connection with the matters above.

## **5. CREDIT ELIGIBILITY CRITERIA**

If the credit are made available out of the TCMB resources, the following criteria shall apply;

- During the period of credit utilization, they must have no debts in arrears which are categorized by banks, financial leasing, factoring and financing companies, as Limited Recoverable Credit and Other Receivables, Doubtful Credits and Other Receivables, Credit and Other Receivables in the Form of Receivables and Losses to be Liquidated, according to the regulations of Banking Regulation and Supervision Agency,
- They must have no protests withdrawn within the last three years,
- They must have no debt enforcement proceedings and seizure instituted against them that materially affects its business operations,
- They must have not suspended their payments, or if sought concordat, then at least one year must have elapsed upon conclusion thereof,
- They must have no bankruptcy requested against them, or be not subject to the suspension of the bankruptcy.
- Company or its authorized representatives signed the bill must not subject to the prohibition of check drawing and check account opening,
- The credit requests of the companies which failed to close entire good and foreign exchange earning service commitment during commitment closing term for the second time in a given year shall be satisfied one year after the date on which it failed to fulfill for second time.

Credit may be recalled by TCMB prior to the repayment date due to the aforementioned reasons or such reasons that have arisen during implementation. In this respect, a difference interest may be requested/collected for the sums repaid by our Bank to TCMB prior to repayment date.

If the credit is made available out of the resources of our Bank, then general credit worthiness of the company will be determined by our Bank.

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

SME qualification and class of the company will be identified in accordance with up-to-date General Directorate Approval for identification of SME prepared under the applicable "Regulation on Definition, Qualifications and Classifications of Small and Medium Enterprises (SME)".

## **7. EXPENSE ITEMS CREDIT CAN BE USED**

Expenses items for which credit can be used include employee salary/wage payments, payment of the debts owed to the raw material and intermediate good suppliers, rent payments, tax payments and Social Security insurance premium payments

•  
Out of the expense items listed above, only payments, debts and expenses in Turkish Lira can be financed.

Control and responsibility shall remain with our Company, for as to whether the credits have been used in accordance with requirements/methods as determined by TCMB. In this respect, "Annex-11 Rediscount Credit Company Commitment" will be obtained from the company to the effect that "credit shall only be used for the payments, debts and expenses in Turkish Lira, as made for aforelisted expense items.

If it is found out that credits are not used for financing expenses in TRY, our Bank is responsible for reporting the matter to TCMB and imposing necessary penalties upon the company, and any penalties imposed by TCMB upon our Bank in this respect will be reimbursed from company under the relevant company's letter of commitment.

## **8. FOREIGN CURRENCY TYPE**

Any kind of contract, letter of credit, etc. document, if any, to be issued for the transactions under this Program shall be issued in a convertible foreign currency types as traded by TCMB. However, the bond defined in the Article 22, as being the basis of the credit disbursement, will be issued in US Dollar, EURO, GBP, or Japanese Yen. For this purpose, TCMB cross foreign exchange rate on the credit application date will be used. In the TCMB-funded TRY Rediscount Credits, bond will be issued in TRY.

The credits under the Program are categorized as RK-TRY and RK-Foreign Currency depending on the foreign currency type whose risk are monitored by our Bank.

In both of the RK-TRY and RK-FOREX Programs, Credit Disbursement is made in TRY.

## **9. CREDIT COMMITMENT**

It means the FOB export/sales proceeds, or foreign exchange earning service proceeds, as committed to be realized in the amount of the bond to be issued over a foreign currency within 24 hours following credit disbursement date.

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

Goods financed by the Rediscount credits, or the foreign exchange earning service export against the "Tax, Duty and Charge Exclusion Document" (VRHIB) issued by Turkish Ministry of Commerce shall be granted with tax, duty, charge exclusion under the Export Incentive Legislation and provisions of applicable Decrees and Communiques. The matters regarding the Resource Utilization Support Fund shall be handled subject to the applicable Decisions, Communiques and Circulars.

For the credits to be made available to Free Zone-resident companies, provisions of Expense Tax Law, Stamp Tax Law, Charges Law, and regulations relating to these Laws, and legislation relating to Resource Utilization Support Fund (KKDF) shall apply.

## **11. REPAYMENT TERM**

Under the Program, the bonds which will mature in 180 days at latest shall be submitted to the TCMB rediscount.

In addition, for the foreign currency credits to be used for exporting high technology industrial products, and export to new markets, and exporting foreign exchange earning services, the bonds which will mature in 360 days at latest can also be discounted out of the TCMB resource.

For the credits to be used for financing the foreign exchange earning services under VRHIB, bond maturity date may not exceed the repayment term of the document.

If maturity of the bond falls on a weekend or public holiday (including half business days as announced legally during a calendar year), then repayment date of credit will be the first next business day.

Credit may be recalled by TCMB or our Bank prior to the repayment date due to the reasons relating to the credit-worthiness of the company, or such reasons that have arisen during implementation.

## **12. INTEREST RATE**

Interest rate to be applied to the rediscount is determined and announced by our Bank.

USD LIBOR, EURIBOR, GBP LIBOR or TIBOR values to be used in the calculation of the interest rates in RK-FOREX Credit shall be determined by TCMB.

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

Our Bank is authorized to change the interest rate unilaterally.

## **13. COMPANY LIMIT**

Credit disbursement limit, on the basis of company, is:

- 350 Million US Dollar for companies engaged in the defense industry, and companies providing foreign exchange earning services,
- For SMEs;
  - > 250 Thousand US Dollars, for micro enterprises,
  - > 1 Million US Dollars, for small enterprises,
  - > 5 Million US Dollars, for medium enterprises,
- 100 Million USD for other companies (non-SME companies)

Said limits shall be doubled for companies with a net sales turnover of more than 5 billion Turkish Lira in the recent financial year, tripled for those with more than 15 billion Turkish Lira, and quadrupled for the those with more than 20 billion Turkish Lira.

At most 60 percent of these amounts may be made available for the credit applications with a repayment term of 121 days and over.

Company limit will be applied so that it will include the Post-Shipment Rediscount Credit transactions applied under the TCMB Export Rediscount Credit Implementation Instruction. Changes to this limit shall be announced by TCMB.

For the Rediscount Credits to be used for financing the foreign exchange earning services under VRHIB, amount of the credit may not exceed the amount of VRHIB.

The foreign-currency credits to be extended to Turkey-resident firms as part of the Program shall be subject to 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.

#### **14. APPLICATION METHOD**

Company shall submit credit application directly to our Bank along with the necessary information and documentation. In addition to these documents, information and documents to be requested for firm financial analysis and intelligence work are required to be submitted to our Bank.

For the credits to be made available under the VRHIB, the original copy of the VRHIB, issued by Turkish Ministry of Commerce for the foreign exchange earning service, as being subject of the credit, must be submitted to our Bank.

Our Bank reserves the right to request any additional information and document as it may find necessary depending on the specific conditions of the firm and the commitment relating to the credit request.

#### **15. APPROVAL**

Applications submitted to our Bank will be evaluated, and if found eligible, result will be notified to company via an Approval Form. The validity period of the Approval Form will be indicated in this form, and our Bank reserves the right to refuse Rediscount Credit if documents are submitted beyond said date.

#### **16. DISBURSEMENT**

For a credit application that is found eligible, credit will be released after the institution of the aforementioned guarantees, submission of the documents, and approval TCMB.

For the credits made available out of resources of our Bank, credit will be released after institution of the aforementioned guarantees, submission of the documents, and according to the resource availability at our Bank.

The amount to be made available will be calculated by discounting the amount of the bond issued in the credit amount to be made available over the interest rates applicable for the period from the payment date to the collection date.

For the credits to be made available to Free Zone-resident companies, and credits made available without VRHIB for financing the foreign exchange earning services, a Banking and Insurance Transaction Tax (BSMV) will be collected over the amount discounted.

In the cases where the credit and/or good/foreign exchange earning service commitments will be guaranteed with the blocked cash, the amount to be paid will be calculated by deducting blocked cash after discounting the value of bond in the amount of credit to be made available over the interest rate to be applied for the term from payment date to the collection date.

Turkish-equivalent of the RK-FOREX credits will be calculated, as of the credit disbursement date, over:

- the currency buy rate to be notified by TCMB to our Bank, if funded out of the TCMB resources,

- the currency buy rate to be published by our Bank, if funded out of the resources of our Bank.

TRY-equivalent of the credit will be transferred to the company's TRY IBAN account at the bank indicated in the credit request form.

Rediscount Credits funded, as a whole, or in part, out of resources of our Bank can also be transferred in the currency type of the credit to the account notified by the company.

If the credit is made available to a Free Zone-resident company, the credit can also be transferred in a foreign currency to the account notified by the company on the Customer Accounts Information Form (Annex Form: HBF).

Credit disbursement receipts will be sent to borrower in the same day.

## **17. REPAYMENT**

### **A) RK FOREIGN CURRENCY CREDIT**

Repayments of RK Foreign Currency Credits shall be made out of the export or foreign exchange earning service proceeds brought into the homeland in the period from credit disbursement date to repayment date.

If the repayments of RK Foreign Currency Credits have not been made out of the export or foreign exchange earning service proceeds in a due manner, said company becomes liable to sell the export or foreign exchange earning service proceeds which it will bring into the homeland in a foreign currency to TCMB through our Bank (Article 18 "Selling Export proceeds in Foreign Currency to TCMB of this Implementation Principles).

In this respect, Export Proceeds Acceptance Document (IBKB), provided in the Annex of Communiqué (2018-32/48) on the Decree (No 32) on Protection of Value of Turkish Money (About Export Proceeds) that the export proceeds are brought to the homeland, or, for the foreign exchange earning service proceeds, the bank receipt showing that the sales and/or delivery proceeds in a foreign currency earned from companies residing at abroad are credited to the account of the company.

The amount of the foreign currency that must be sold to TCMB:

- is 110 percent of the credit amount, if the foreign currency is sold within the first two months after the credit repayment date,
- is 120 percent of the credit amount, if the foreign currency is sold in 3rd month after the credit repayment date,
- is 130 percent of the credit amount, if the foreign currency is sold in 4th month after the credit repayment date,
- is 140 percent of the credit amount, if the foreign currency is sold in 5th month after the credit repayment date,
- is 150 percent of the credit amount, if the foreign currency is sold in 6th month after the credit repayment date.

If a company does not sell the export proceeds in a foreign currency within said periods, their subsequent rediscount credit applications shall not be satisfied for one year after non-fulfillment date.

### **B) RK TRY CREDIT**

Company transfers the export proceeds in a foreign currency that corresponds to the credit amount to our Bank for selling them to TCMB via our Bank to fulfill the foreign currency sales commitment arising from RK TRY credit disbursement. Sales of said foreign currency will be made according to the principles defined in Article 18 (Selling Export proceeds in Foreign Currency to TCMB) of this Implementation Principles. Company will make repayment of said credit to our Bank within the credit repayment term.



If sales of the export proceeds in foreign currency that correspond to the credit amount does not take place within credit repayment term in accordance with the principles of this implementation principles, 250 base point penalty will be applied to said credit. Also, no rediscount credit will be made available to relevant company for one year after the credit repayment date.

### **C) PRINCIPLES BRINGING EXPORT PROCEEDS IN THE HOMELAND**

Exporters of the goods shall confirm that they have repaid the rediscount credit out of the export proceeds via IBKB issued pursuant to the provisions of Communiqué (2018/32-48) on the Decree (32) on the Protection of Value of Turkish Money and the Export Circular of 16 January 2020.

Companies providing foreign exchange earning services shall confirm that they have repaid the rediscount credit out of the foreign exchange earning service proceeds via a bank receipt showing that the foreign currency sales and/or delivery proceeds as received from companies residing at abroad are credited to the account of the relevant company.

The bank which issues IBKB or bank receipt shall also issue the company a letter confirming that the repayment of the rediscount credit relating to the IBKB or bank receipt has been made out of the export or foreign exchange earning service proceeds relating to the IBKB or bank receipt. No second letter may be issued to the same IBKB or bank receipt for the same purpose.

Manufacturer, or manufacturer-exporter which use rediscount credit against the Letter of Consent to be obtained from the exporter can submit IBKB relating to the export proceed earned by exporter issuing the letter of consent for the repayment of rediscount credit.

If the foreign currency unit of the export or foreign exchange earning service proceeds is different the foreign currency unit used to repay the rediscount credit, then rate of the repayment resource to cover the credit amount will be determined by using the TCMB cross exchange rate effective on the issuance date of the IBKB or bank receipt for relevant proceed.

If the repayment of rediscount credit does not take place in accordance with the rules defined in this Article, then our Bank submits a notification to the Directorate of Foreign Exchange Legislation and Credits on the credit repayment date.

For RK-TRY repayments in Turkish Lira, exchange rate to be used in the calculation of Turkish Lira equivalent of the credit include US Dollar, EURO, GBP or Japanese Yen sell rates as determined by our Bank at 11:00 AM on the transaction day.

Company will pay the amount of bond, subject of the credit, by notifying the bank/banks via which it will repay it to our Bank via fax

- not later than two business days prior to credit/bond repayment value date for repayment in TRY,
- equivalent to foreign currency, not later than three business days prior to credit/bond repayment value date for repayment in Foreign Currency,

will repay it on the credit/bond repayment date to,

- TIC Account No 0016 of Our Bank in EFT System, for repayments in Turkish Lira,
- Account at the Correspondent Bank, as notified by our Bank to the company for repayments in Foreign Currencies.

For early repayment of the credit, no interest collected via discounting at the credit disbursement stage will be refunded.

## **18. SELLING EXPORT PROCEEDS IN FOREIGN CURRENCY TO TCMB**

### **A) RK FOREIGN CURRENCY CREDIT**

If the company which will use the RK Currency Credit commits to sell the export proceed in foreign currency corresponding the credit amount to TCMB through our Bank during the credit repayment term, then zero interest rate will be applied by TCMB to the credit it will use. (Only commission of our Bank will be collected.)

For the credit made available in this context, if company does not fulfill its commitment to sell the export proceed in foreign currency, a penalty shall be applied to the credit, which will be the 1.5 times of the interest rate applied by TCMB (LIBOR/EURIBOR) effective on the credit disbursement date. (Commission of our Bank is excluded from the calculation of penalty.)

### **B) RK TRY CREDIT**

The company which will use RK TRY Credit is required to sell the export proceed in foreign currency corresponding to the credit amount to TCMB through our Bank before the repayments. In the calculation of the foreign currency-equivalent of the RK TRY credit, the currency sell rate to be calculated by Central Bank at 11:00 AM on the credit disbursement date will be used.

In addition, if the company;

- commits to sell an additional export proceeds in foreign currency of 1 times of the credit amount to TCMB through our Bank during the credit repayment term, then the credit will be applied with the sum of the commission rate of our Bank and the interest rate remaining after deducting 250 base point from the TCMB policy interest rate.
- commits to sell an additional export proceeds in foreign currency of 2 times of the credit amount to TCMB through our Bank during the credit repayment term, then the credit will be applied with the sum of the commission rate of our Bank and the interest rate remaining after deducting 500 base point from the TCMB policy interest rate.

For the credits made available in this context, if the company does not fulfill its commitment to sell the export proceeds in foreign currency, a penalty shall be applied, which will be calculated by adding 500 base points to the discount rate benefited by virtue of the commitment. Also, no rediscount credit will be made available to relevant company for one year after the credit repayment date.

### **C) PRINCIPLES OF SELLING FOREIGN CURRENCY**

The foreign currency as committed to be sold to TCMB through our Bank must be sold at a time until the credit repayment date at the latest.

The confirmation that the foreign currency monies to be sold are actually the export proceeds shall be made by companies to intermediary companies via;

- For exporters of the goods; the IBKB issued pursuant to the provisions of Communiqué (2018/32-48) on the Decree (32) on the Protection of Value of Turkish Money and the Export Circular of 16 January 2020.

- For companies providing foreign exchange earning services; via a bank receipt showing that the foreign currency sales and/or delivery proceeds as received from companies residing at abroad are credited to the account of the relevant company.

In this respect, company can submit more than one IBKB.

Foreign currency monies transferred to our bank and identified to be export proceeds will be purchased by TCMB through our Bank over the currency buy rate to be calculated by TCMB at 11:00 AM on the transaction date, and transferred for selling to TCMB over the same exchange rate with one value day. Also, said transaction will be reported electronically by our Bank to the Directorate of Foreign Exchange Legislation and Credits.

For the sales transactions involving the export proceeds in foreign currency, in the foreign currency transfers sent by intermediary bank to its own correspondent; “/BNF/..... (Company Name) EXPORT PROCEEDS SALE TO CBRT-REDISCOUNT REF: /.....IBAN:/..... (IBAN details of the bank account of Intermediary Bank at the Central Bank)” will be written in the Field 22 of MT202, and “TCMBTR2A” in the Field 58 of MT202.

Foreign currency buying transactions will be made by TCMB until 5:00 PM during a business day. TRY Equivalent of the Foreign Currency Money will be sent to EFT center of the intermediary bank. For the transactions beyond 5:00 in a business day, buying will take place next day.

Costs relating to the transfers made by our Bank will be paid by TCMB in Turkish Lira over the currency buy rate to be calculated by TCMB at 11:00 in the payment day pursuant to the MT291 message sent by our Bank collectively monthly in the first week of the subsequent month.

## **19. COMMITMENT COMMISSION**

The credit amounts relating to the bonds not used by company, although approved by the TCMB, or refused by TCMB due to unfulfilled requirements as to the form, shall be cancelled, and, for the cancelled amount, the commitment commission at the rate of 0.1% of the Turkish Lira equivalent of said amount to be calculated over TCMB currency buy rate on the credit disbursement date, and BSMV to be calculated over said commitment commission will be paid to our Bank for transfer to TCMB accounts.

## **20. TERM EXTENSION AND FORCE MAJEURE**

Companies may not claim for a term extension by asserting that they could not conclude entire or a part of good or service export/sales due to reasons such as credit remaining short compared to the commitment, shortness of the term, inability to procure inputs or goods, domestic and foreign market difficulties, single-sided actions of the buyer, etc. except for the force majeure events.

The regulations of applicable Tax, Duty and Charge Exclusion Legislation shall apply to the force majeure events and confirmation of these events. Our Bank may redefine the interest rate to be applied on the credit for which it finds suitable to grant a term extension.

## **21. GUARANTEE AND DOCUMENTATION**

For credit applications that are found eligible by our Bank, guarantees listed below shall be constituted for 100% of the sum of the credit principal, interest and commitment risks (credit risk).

In the credits to be extended with KGF Equity Guarantee, amount of credit shall be determined by our Bank by taking into account the guarantee amount to be determined by KGF for the relevant company.

In calculation of the guarantee amount, the highest risk amount that may occur when company fails to fulfill the repayment and export/document commitment liabilities for each term of the credit shall be calculated, which will then be taken into account in the calculation of the guarantee.

The following guarantees may be instituted for the credit;

- The bond which is issued in the amount of the credit made available to the borrower company and bear aval/endorsement of a bank/factoring company which has a non-cash limit at our Bank, or the bond which bear aval of KGF under the Protocol signed between our Bank and KGF on the Equity guarantees (Annex: 4A),
- The bond issued in the credit amount to be made available to the company (Annex: 4A), and transferable foreign currency performance bond issued in the amount of the bond by a bank which has a non-cash limit at our Bank, with a validity term of at least 10 business day longer than that of the foreign currency credit repayment date (Annex: 5).
- The bond issued in the credit amount to be made available to the company (Annex: 4A) and Treasury-Backed KGF Guarantee - The credit to be extended and guarantee to be furnished must be in full compliance with the protocol signed between our Bank and KGF on the Treasury Guarantees, as valid on the date of credit disbursement.
- In-Kind and Personal Guarantees (Lien, Surety, etc.) - In the credits to extended in reliance upon Treasury-Backed KGF Guarantee, it is additionally required to obtain at least one personal or legal person guarantee. In addition, type and amount of the such additional in-kind and personal guarantee shall be determined by the relevant credit approval authority which extends the credit. No credit shall be extended in reliance upon in-kind and personal guarantees alone without Treasury-Backed KGF Guarantee.

To recover the penalties, collection, etc. costs to be imposed in case of unfulfillment of the good and service export/sales and other commitment obligations under the credits guaranteed with aval bond/letter of guarantee/performance bond, or KGF Equity Guarantee, following will be obtained as an additional guarantee, at the option of the company: blocked cash in the amount to be calculated in the rates defined in Annex-8 over the bond amount, or aval or endorsed bond or letter of guarantee/performance bond in the same amounts.

For the credits in a foreign currency to be made available to the DTSS and companies with a net sales proceeds of over 10 billion TRY in the last financial year, the credit approval authority (Board of Directors, Credit Committee, Head Office Credit Committee, Vice Presidency Credit Committee) will determine if guarantees will be obtained for the export commitment risk, and if to be obtained, the conditions of the guarantee on the basis of the company.

For the TRY credits to be used by DTSS and companies with a net sales proceeds of over 10 billion TRY in the last financial year, blocked cash at the rates defined in Annex-8, just like other companies, aval/endorsed bond or letter of guarantee/performance bond in the same amounts will be obtained to cover the export commitment risk.

For all TRY and foreign currency credits to be used by DTSS and companies with a net sales proceeds of over 10 billion TRY in the last financial year, blocked cash at the rates defined in Annex-8, just like other companies, aval/endorsed bond or letter of guarantee/performance bond in the same amounts will be obtained to cover commitment of selling currency to TCMB.

After closing the credit commitment, blocked cash will be returned to company, and aval/endorsed bond/letter of guarantee/performance bond will be returned to the bank.

If said costs exceed the blocked cash, or amount of aval/endorsed bond or letter of guarantee, then our Bank reserve right to demand the excess from our companies.

Term of the aval/endorsed bond or letter of guarantee to be issued in this context is required to be minimum 10 business days longer than credit repayment term, with the option to extend up to 27 months after credit disbursement date when and if necessary.

For RK-TRY Credits, exchange rate to be used in the calculation of Turkish Lira equivalent of the blocked cash include US Dollar, EURO, GBP or Japanese Yen sell rates as determined by our Bank at 11:00 AM on the blocked cash return day.

On the other hand, for the credits guaranteed by Government Backed KGF Guarantee, additional guarantees (such as guarantees by company partners/group companies, property liens, security lien, letter of guarantee, blocked cash, etc.) may be obtained, as determined by the relevant credit approval authority, in order to cover the additional risks not covered by the KGF Guarantees under the Protocol between our Bank and KGF on the Treasury Guarantees (commitment risk, currency selling commitment risk, contractual interests, default interests, etc.).

**Additionally to the primary guarantee**, General Credit Agreement (Annex Form: GKS) and Rediscount Credit Company Commitment (Annex-11) which are issued at least for the credit amount will be obtained for disbursement of the credit.

It will be possible to execute the General Credit Agreement before a notary public, as well as borrower's authorized representatives can sign it before officers of our Bank.

Identification of the real and legal persons (including foreign natural and legal persons) shall be made according to the "Regulation on Measures for Prevention of Laundering Proceeds of Crime and Terrorist Financing" published by MASAK. Annex: 4A, Annex: 5, Annex: 7 and Annex: 8 and Annex Form: GKS shall be issued after credit request of the company is approved by our Bank.

## **22. ISSUING BOND/TRANSFERABLE PERFORMANCE BOND/LETTER OF GUARANTEE**

Before the credit disbursement, companies which received the approval form shall submit our Bank, the bond which is issued for the credit principal amount over the foreign currency type as indicated in said form in favor of our Bank, as in the form provided in Annex: 4A, and bears the aval/endorsement of a bank/factoring company which has a non-cash limit at our Bank, and the bond for which aval is given by KFG for its issuer, or transferable foreign currency Performance Bond (Annex: 6) issued by a bank which has a non-cash limit at our Bank, and the non-aval bond issued by the company using the credit for the credit amount made available to it, as in the form provided in Annex: 4A (however does not contain bank avail).

Said bonds must bear the name of the authorized persons of company and Bank/KGF/Factoring Companies as well as their seals/stamps. The signatory circulars and authorization documents of the Bank/KFG Authorized Persons signing the aval/endorsed bond or letter of guarantee will also be submitted to our Bank along with the bond.

Also, the companies who did not choose blocked cash to guarantee their good and service export and sales commitment obligations are required to submit our Bank the aval/endorsed bond or letter of guarantees (Annex Form: TM), issued as described above, in the form provided in Annex: 4A.

## **23. CLOSING CREDIT COMMITMENT**

**The following principles shall apply to the closing of the export/sales commitments for credits used for the good exports:**

FOB export value will form the basis in the determination that the export/sales commitment is fulfilled. It is of essence that FOB export/sales commitment of the credit is closed within 24 months after the credit disbursement date.

Customs Declaration FOB amount will not be less than the sum of the credit principal, interests and, if any, costs and expenses.

For the closing of the commitment of the credit made available for financing of the high technology industrial product export, the type of the goods as indicated in the customs declaration must be a high technology industry good, and for closing the commitment of the credit made available for the exports to new markets, the export country as indicated in the customs declaration must be a new market as of the date of customs declaration. Non-New Market Countries List, and High Technology Industrial Goods List are provided in the TCMB Implementation Instruction.

The actual export date shall be taken as the registration date indicated in the "A" field of the Customs Declaration, or if more favorable for the company, closing date of the Customs Declaration as reached via VEDOP System. This date may not be a date prior to credit disbursement date, and later than the commitment closing date as defined in the legislation.

Only for the container export, container loading date shall also be taken as the actual export date. However, in this case, container loading date must be indicated explicitly on the relevant Customs Declaration.

In closing of the export commitments relating to the credit, mandatory fields in the Customs Declaration Information Form (Annex Form: GBBF) issued by our Bank and sent to the borrower shall first be filled in and then signed and stamped by the signatory authorities of the company, enclosed with the company originals of relevant GB, and then submitted to our Bank not later than 3 months after the end of the term given to close commitment of the credit, for being counted in the commitment accounts. If said documents are available at the TCMB for any reasons, company will also provide the TCBM file reference numbers, along with the photocopies of these documents.

For the exports realized in a different foreign currency than that is guaranteed/disbursed during credit application/disbursement process, then TCBM cross exchange rates on the date of GB 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 TCMB currency sell rate on the GB date.

It is essential to close export commitment of the credit via actual export of the goods as committed in the relevant request form (by indicating the 8-digit HS Code).

(Hazelnut export is mandatorily required to close the export commitments pertaining to the credits extended hazelnut crushing and processing facility, as proven with Capacity Report/Industry Register Document, against hazelnut export commitment.)

**For the rediscount credits made available to Turkish Free Zone-resident companies;**

For the Free Zone-resident companies, the shipment of a good to another country takes place once Free Zone Customs Enforcement Directorate affixed its seal on the SBIF, and actual export date will be the date in the 14th field of the SBIF.

For closing the sales commitment of the credit, following documents will be submitted;

- a) 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),
- b) 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),
- c) 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),
- d) Companies engaging in the foreign exchange earning activities, which used the credit, shall submit 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 with respect to the services provided from free zone to the third countries.

If required, the accuracy of the relevant documents and information shall be confirmed from the relevant Free Zone Directorate.

As no Customs Declaration (Transit) is issued for the shipments from Free Zone Docks directly to third countries, accordingly no customs declaration will be submitted for these shipments.

**GROUP COMPANY**

The export and foreign exchange earning service, as performed by the group companies which fall in the definition of "Group company" as provided for in the Communiqué on Tax, Duty and Charge Exemptions in Export, Transit Trade, Sales and Deliveries Counted As Export" can be used in the closing of the export commitment of the companies using export rediscount credit, provided that said group relation exists on the both credit disbursement date and date of fulfillment of the export commitment.

## **FREE ZONE**

The following documents are required for the Turkey-resident companies to have their exports from Turkish Free Zones counted in the export commitment of relevant credit;

- Free Zone Transaction Form, Customs Declaration and relevant invoices, regarding the entry to the Free Zone,
- Free Zone Transaction Form which confirms that firm residing in Free Zone (outside Turkey) sells to the third party,
- Declaration of the Company, certified by relevant Free Zone Directorate, to the effect that the relevant goods are manufactured in the Free Zone.

A note to the effect that "it is counted in the export credit commitment" will be inserted on the customs declaration (original) and user original copy of the Free Zone Transaction Form, among these documents.

If the good sold to a free zone are used as a machine/equipment, registered fixtures, or a part of them, in the Free Zone-resident facilities, it is possible to close the export commitment via said sales, provided that it is certified.

Necessary documents to have said sales counted in the export commitment are as follows;

- Free Zone Transaction Form Certified by Free Zone Directorates,
- Initial Status Document,
- Customs Declaration,
- Minute jointly issued by and between Free Zone Customs Directorate and Free Zone Directorate

## **SALES MADE TO THOSE NOT RESIDING IN TURKEY**

The sales that are made under the "Permit for VAT Export Exception to Sales to Non-Resident Aliens via Special Invoice" (Exclusion Permit) obtained from relevant tax offices and "Permit Document" issued under exclusion granted to non-resident alien passengers can be counted in the credit export commitments provided that the relevant invoices are certified by the Exporters' Associations<sup>1</sup> and authorized Exit Customs Directorates<sup>2</sup>.

For the sales realized in the form of Special Invoice and Passenger Accompanied Baggage, it will be mandatory to submit Currency Purchase Document, and a note relating to export commitment will be inserted on both documents.

## **PREPAID FOREIGN CURRENCY**

It is possible to have exports based on prepaid foreign currency or "red clause" letter of credit counted in the credit commitment by inserting required notes on the company copy of the GB, providing that it is realized after the credit disbursement date.

## **FREIGHT**

Provided that export transport is carried out by a local company and this is proven by the relevant freight invoice, CF export proceeds shall also be counted in the credit commitment. However, as the transport is a service export, freight monies are brought to Turkey and purchased by the exporter must be certified with a Currency Purchase Document, and the foreign currency amount corresponding to the freight must be annotated on said document.

---

<sup>1</sup> Before submission to the relevant exit customs or after certification by the customs, it must also be certified by General Secretaries of the Exporters' Associations. 16

<sup>2</sup> Authorized exit customs directorates include all exit doors in the İstanbul, İzmir, Antalya, Samsun, Trabzon, Edirne (Kapıkule), Kırklareli (Dereköy) and Artvin (Sarp) as well as Çorlu Airport Customs Directorate, and no certified invoices will be accepted by customs other than these.



**EXPORT-CONDITIONED DELIVERY**

If the borrower is a manufacturer, manufacturer-exporter, sales invoice issued to the name of exporter at the stage of export-conditioned delivery, and the exporter's statement will be required, and the amount to be counted in the commitment will never exceed the amount of foreign currency that corresponds to the invoiced amount.

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

**Inward Processing Permit (DIIB)**

In case of foreign currency credit disbursement as a foreign currency for financing the import under Inward Processing Permit, the copy of the DIIB, certified by, or letter written by the relevant Regional Directorate of the Ministry of Economy in order to prevent duplicate use of the GB counted in the export commitment of the DIIB.

**EXPORT OF THE ITEM IMPORTED AS PART OF THE INWARD PROCESSING REGIME**

GBs submitted to our 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.

**The following principle shall apply to the closing of the commitments of the credits made available for financing the foreign exchange earning services and activities:**

Foreign exchange earning service commitment must be realized within 24 months after credit disbursement date.

a) For the credits made available under VRHIB, commitment closing transaction will be performed by branch of Central Bank and notified to the banks.

b) For the credits not made available under VRHIB, commitment closing transaction will be performed by our Bank.

Company which used the credit will submit our Bank the YMM or SMMM certified copy of the Commitment Closing Form (Annex Form: TKF), which shows the list of the invoices issued under the foreign exchange earning services realized within 24 months after the credit disbursement date, as well as the Currency Buying Documents not later than 3 months after the credit repayment date, and requests closing of the commitment. The statement "Used in the credit commitment" will be annotated on the Currency Buying Document and Approved invoice list.

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. In case of partial or complete unfulfillment of the commitment, then penalties defined in this Implementation Principles shall apply.

In case of doubts, the invoices indicated in the YMM or SMMM-certified lists may be requested.

The commitment must be required to be closed by TCMB/Turkish Eximbank in order for returning all guarantees available at our Bank and instituted in favor of the company.

Our Bank reserves right to evaluate the new credit applications of the companies which have not closed their good/service export/sales commitment accounts within the terms as defined in this Implementation Principles.

## **24. EXPORT/FOREIGN EXCHANGE EARNING SERVICE PROCEEDS NOT COUNTED IN THE COMMITMENT ACCOUNTS**

Exports under our Bank's International Credit/Guarantee Programs and exports/sales/services financed under other export credit programs may not be used in the closing of the good and service export/sales commitments under RK-FOREX and RK-TRY Credit.

For Rediscount Credits with or without document for financing the foreign exchange earning services;

- Service proceeds in foreign currency obtained beyond the VRHIB term,
- Service proceeds in foreign currency kept at abroad, or foreign currency deposit accounts,
- Service proceeds invoice statements/foreign currencies from activities for which the credit is made available,
- Invoice statements/foreign currencies relating to the tourism services provided by the credit user company in the prohibited activities as defined in Article 7 of Law No 1618.
- Invoice statements relating to the services as provided beyond the credit term, and invoices issued by a tourism business operator to the tenant of that business in the credits used for the tourism activities

may not be used in closing the commitment account.

Also, documents relating to the business activities with the companies and persons 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 if necessary, such lists to be notified by Central Bank, and with respect to the goods and services subject to said lists may be closed using the documents related to such activities.

## **25. PENALTIES TO BE IMPOSED IN CASE OF UNFULFILLMENT OF THE CREDIT OBLIGATIONS**

In the cases where the bond amount is recalled on the maturity date, or the credit is recalled before its repayment date, but not paid by the issuer on the required payment date, then default occurs, and default continues until the bond amount is collected from the company, or aval giving/endorsing bank/factoring company/KGF.

Also, if the commitment resulting from the credit is not closed at the end of its term, and the defined amount has not been paid within the term to be given with a notice to the credit customer, then default also occurs.

For the credits made available for financing the export of high technology industrial goods, or exports to new markets, if the credit export commitment are not closed with the high technology industrial goods or exports to new markets, then the penalty as defined in the TCMB Implementation Instruction shall be calculated. Said penalty must be paid by credit customer to Turkish Eximbank, together with the BSMV within the period notified to it.

## **26. DEFAULTS/NON-PAYMENT**

**For the credits made available out of the TCMB resources;** if company defaults, default interest to be calculated over the rate defined in TCMB Export and Foreign exchange earning services Rediscount Credits Implementation Instruction (TCMB Implementation Instruction), together with tax and relevant funds will be collected.

For the credits made available out of the resources of our Bank (including the TRY credits, and the credits that return to resources of our Bank after term extension); if company defaults, default interest, to be calculated over 1.2 times of the contractual interest rate shall be collected, together with taxes and relevant funds.

## **27. PARTIAL/COMPLETE NON-FULFILLMENT OF THE EXPORT COMMITMENT**

In case of partial/complete non-fulfillment of the export commitment

- For the part of the credits made available out of the TCMB resource; the amount calculated by adding the necessary taxes and funds to the amount calculated over the rate defined in TCMB Implementation Instruction,
  - For the part made available out of the resources of our Bank, 20% of the total interest amount collected in the term funded by our Bank, and, if any, previously excluded tax, cost, commission, etc. and related default penalties;
- will be collected.

## **28. EFFECTIVESS**

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**

### **Application Forms**

Credit Request Form	Annex: 1 A/B
Letter of Consent	Annex: 2 A/B
Blocked Cash Company Statement	Annex: 3

### **Guarantees**

Bond Form	Annex: 4 A/B
Transferable Performance Bond	Annex: 5
Transferable Performance Bond Validity Extension Letter	Annex: 6
Letter of Guarantee	TM
Bill to Order	Annex: 7
Block Rates	Annex: 8

### **Agreements**

General Credit Agreement	GKS
--------------------------	-----

### **Other Documents**

Customs Declaration Information Form	GBBF
Commitment Closing Form	TKF
Goods List	ML

Customer Accounts Information Form  
Penalty Undertaking Letter  
Rediscount Credit Company Commitment  
High Technology Industrial Goods and New Market Commitment

MHBF  
Annex: 10  
Annex: 11  
Annex: 12