

# WORLD TRADE ORGANIZATION

RESTRICTED

**GATS/SC/88/Suppl.1**

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**Trade in Services**

## **TURKEY**

### **Schedule of Specific Commitments**

#### **Supplement 1**

(This is authentic in English only)

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This text replaces the Financial Services section contained in pages 19 to 31 of document GATS/SC/88.



## TURKEY - SCHEDULE OF SPECIFIC COMMITMENTS

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector		Limitations on market access	Limitations on national treatment	Additional commitments
7. FINANCIAL SERVICES				
1. Turkey undertakes commitments on Financial Services in accordance with the provisions of the "Understanding on Commitments in Financial Services" (the Understanding).				
2. The market access commitments in respect of modes (1) and (2) apply only to the transactions indicated in paragraphs 3 and 4 of the market access section of the Understanding respectively.				
3. The admission to the market of new financial services or products may be subject to the existence of, and consistency with, a regulatory framework aimed at achieving the objectives indicated in Article 2.1 of the Financial Services Annex.				
Measures applicable to all sectors in financial services				
<u>Banking</u>	Establishment of a bank which has to be in the form of a joint-stock company and opening of the first branch of a foreign bank require authorization from the Council of Ministers.  Foreign banks wishing to establish branches or representative offices must not be prohibited from performing banking operations in their country of origin or in the countries where they operate.  According to the Banks Act, lending limits for the branches of foreign banks are based on branch capital rather than worldwide capital.			

Modes of supply: (1)		Cross-border supply (2)	Consumption abroad (3)	Commercial presence (4)	Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments		
<u>Insurance</u>	<p>The establishment of domestic or foreign banks as well as the first branch of a non-resident bank are subject to the same amount of minimum capital requirement. Acquisition or transfer of the shares representing a ratio equal or higher than 5, 20, 33 and 50 per cent of the capital is subject to the authorization of the Undersecretariat of Treasury.</p> <p>In order to be established in Turkey, insurance and reinsurance companies have to be founded in the form of a joint-stock or a mutual company. Foreign insurance and reinsurance companies may open a branch as well. Establishment of insurance and reinsurance companies or opening of a branch of a foreign insurance or a reinsurance company is subject to prior permission of the Ministry of State. Following the establishment, operation licence from Undersecretariat of Treasury must be obtained in order to start insurance or reinsurance business.</p>	<p>Branch managers of foreign insurance and reinsurance companies must reside in Turkey.</p> <p>Foreign commercial presence or presence of foreign natural persons regarding services auxiliary to insurance is permitted only for consultancy and risk management services.</p>			

## TURKEY (continued)

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
	<p>A foreign insurance or reinsurance company wishing to open a branch in Turkey must not be prohibited from operating in its country of origin or in the other countries where it operates.</p> <p>Establishment is subject to a minimum paid-in capital requirement as well.</p> <p>Acquisition or transfer of shares representing 10, 20, 33, 50 per cent or higher of the capital is subject to the authorization of Undersecretariat of Treasury.</p> <p>Engaging of natural persons in brokerage business or establishment of an insurance and reinsurance broker company or opening of a branch of a foreign insurance and reinsurance broker company in Turkey is subject to prior permission and obtaining operation licence from Undersecretariat of Treasury. Such a firm must be founded in the form of a joint-stock or a limited liability company, and must possess the required minimum paid-in capital.</p>		

**TURKEY (continued)**

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
<u>Securities market</u>	Insurance and reinsurance intermediaries have to reside in Turkey.	Establishment of branches and representative offices of foreign non-bank intermediary institutions is not permitted.		
	<p>For the establishment of capital market institutions the permission of the Capital Market Board is required. If banks or insurance companies apply to the Board to form a mutual fund, the opinion of the Undersecretariat of Treasury has to be obtained to finalize the applications. Establishment of branches and agencies by non-bank intermediary institutions established in Turkey also requires the Board's permission.</p> <p>Intermediary institutions and investment corporations can only be established in the form of a joint-stock company.</p> <p>Additionally, operations of all capital market institutions are subject to the permission of the Board. While giving such permission, the Board issues "Authorization Certificates" for the activities to be carried out by each institution.</p>			

**TURKEY (continued)**

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
<u>Non-bank financial institutions</u>  A. <u>Financial leasing companies</u>	<p>Financial leasing companies can only be established in the form of a joint-stock company.</p> <p>Establishment of and opening a branch of a leasing company as well as opening a branch of a foreign leasing company are required prior permission of the Ministry of State to which the Undersecretariat of Treasury is attached.</p>	<p>The minimum paid-in capital required for opening a branch by a foreign leasing company is more than that of establishing a company.</p>		
	<p>A minimum paid-in capital is required for the establishment of a leasing company and for the opening a branch by a foreign leasing company.</p> <p>Foreign financial leasing companies may open branches in Turkey provided that they are authorized to deal in financial leasing in their home country or in the countries where they operate.</p>			

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
<p>B. <u>Factoring and consumer credit companies</u></p> <p>C. <u>Authorized institutions (foreign exchange dealers)</u></p>	<p>Factoring companies and consumer credit companies must be established in the form of a joint-stock company.</p> <p>For the establishment of these companies, prior permission of the Undersecretariat of Treasury must be obtained and minimum paid-in capital is required.</p> <p>In order to engage in activities as an authorized institution, the permission of the Undersecretariat of Treasury must be obtained.</p> <p>Authorized institutions must be incorporated in the form of a joint-stock company. Establishment of an authorized institution and opening a branch of foreign legal entities performing similar activities necessitates a minimum capital requirement which is an equal amount for both residents and non-residents.</p>		



**TURKEY (continued)**

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
D. <u>Precious metals exchange</u>	<p>Precious metals intermediaries (banks, authorized institutions, precious metals intermediary institutions and the branches which shall be established in Turkey of similar institutions abroad) can only operate in Istanbul Gold Exchange. In order to engage in activities as precious metals intermediaries, the permission of the Undersecretariat of Treasury must be obtained.</p> <p>Precious metals intermediary institutions must be incorporated in the form of a joint-stock company.</p>		

Modes of supply: (1)		Cross-border supply (2)	Consumption abroad (3)	Commercial presence (4)	Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments		
A. <u>Insurance and insurance related services</u>					
(a) Direct insurance					
(i) Non-life	<p>(1), (2) Unbound except:</p> <p>(a) The hull insurance of aircraft, helicopters and ships which are purchased through a foreign loan or leased through a financial leasing contract from abroad, provided that the insurance period is limited to the term of the credit or leasing contract.</p> <p>(b) Marine liability insurance.</p> <p>(c) Transportation insurance of imported and exported goods.</p> <p>(d) Individual accident, sickness and motor vehicle insurance during any travel abroad.</p>	(1), (2) None			

**TURKEY (continued)**

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
(ii) Life	(3) None	(3) Compulsory traffic insurance of publicly owned motor vehicles can only be done by those insurance companies whose majority of paid-in capital belongs to Turkish citizens.	
	(4) None	(4) None	
	(1), (2) None	(1), (2) None	
	(3) None	(3) A certain per cent of paid insurance premium is deducted from gross wages and corporate income in order to determine real individual and corporate taxable income. However, this deduction is not made for premiums paid to branches of foreign insurance companies.	
	(4) None	(4) None	

Modes of supply: (1)		Cross-border supply (2)	Consumption abroad (3)	Commercial presence (4)	Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments		
(b) Reinsurance and retrocession	(1), (2) Non-life insurance premiums, after holding the retention, are subject to a certain per cent compulsory ceding to Milli Reinsurance Co. If the total retention ratio of the insurance company reaches to 75 per cent, compulsory ceding is cancelled.	(1), (2) None			
(c) Insurance intermediation	(3) None	(3) None			
	(4) None	(4) None			
	(1), (2) Unbound for dependent intermediaries (agencies, producers). Dependent intermediaries can act only on behalf of insurance companies authorized to operate in Turkey.	(1), (2) None			
	(3) Insurance and reinsurance brokers and fully authorized agencies can only engage in insurance related business.	(3) None			
	(4) Unbound except administrative and technical personnel.	(4) None			

**TURKEY (continued)**

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
(d) Services auxiliary to insurance	(1), (2) None except adjusters.  (3) None  (4) None except adjusters.	(1), (2) Adjusters have to be Turkish citizens.  (3) None  (4) Adjusters have to be Turkish citizens.	
B. <u>Banking and other financial services</u>			
(e) Acceptance of deposit	(1), (2) None  (3) No real person or legal entity other than those authorized under the Banks Act or under specific laws may accept deposits.  (4) None	(1), (2) None  (3) None  (4) None	

Modes of supply: (1)		Cross-border supply (2)	Consumption abroad (3)	Commercial presence (4)	Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments		
(f) Lending of all types					
(i) Consumer credit	(1), (2) None	(1), (2) None			
	(3) Banks and consumer credit companies may lend consumer credits.	(3) None			
	(4) None	(4) None			
(ii) Factoring	(1), (2) None	(1), (2) None			
	(3) Banks and factoring companies can engage in factoring activities.	(3) None			
	(4) None	(4) None			
(iii) Mortgage credit and financing of commercial transactions	(1), (2) None	(1), (2) None			
	(3) Banks can engage in trading of these activities.	(3) None			
	(4) None	(4) None			

**TURKEY (continued)**

Modes of supply: (1)		Cross-border supply (2)	Consumption abroad (3)	Commercial presence (4)	Presence of natural persons
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments		
(g) Financial leasing	(1), (2) Leasing contracts related to cross-border leasing transactions must be permitted by the Undersecretariat of Treasury.	(1), (2) Regarding cross-border leasing transactions, the annual rent may not be less than the Turkish Lira equivalent of US\$25,000.			
	(3) Financial leasing companies can engage in financial leasing transactions.	(3) None			
	(4) None	(4) None			
	(1), (2) None	(1), (2) None			
(h) All payment and money transmission services	(3) Transfers of foreign exchange abroad must be carried out through the banking system.	(3) None			
	(4) None	(4) None			
(i) Guarantees and commitments	(1), (2) None except that performance bonds with the transactions specified in the State Tender Law must be obtained from a bank operating in Turkey.	(1), (2) None			
	(3) None	(3) None			
	(4) None	(4) None			

**TURKEY (continued)**

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
(j) Trading for own account or for account of customer				
(i) Money market instruments	(1), (2) None	(1), (2) None		
	(3) Capital Market Institutions* can engage in trading of money market instruments.	(3) None		
	(4) None	(4) None		
(ii) Foreign exchange	(1), (2) None	(1), (2) None		
	(3) Banks and authorized institutions can engage in foreign exchange trading	(3) None		
	(4) None	(4) None		
(iii) Derivative products	(1), (2) None	(1), (2) None		
	(3) Banks can engage in trading of these activities.	(3) None		
	(4) None	(4) None		

\*According to the Capital Market Law, capital market institutions are specified as follows:

- (a) Banks and non-bank intermediary institutions.
- (b) Investment Corporations.
- (c) Mutual Funds.
- (d) Other capital market institutions permitted to operate in the capital market such as clearing and custodial houses, rating and auditing institutions, etc.



## TURKEY (continued)

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
(iv) Exchange rate and interest rate instruments	<p>(1), (2) None</p> <p>(3) Banks can engage in trading of these instruments. Capital Market institutions other than banks, authorized to act as intermediaries for the contracts regarding financial indicators, capital market instruments, commodities and precious metals, can also engage in trading of these instruments.</p> <p>(4) None</p>	<p>(1), (2) None</p> <p>(3) None</p> <p>(4) None</p>	

**TURKEY (continued)**

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons				
Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments	
(v) Transferable securities	(1), (2) None	(1), (2) None		
	(3) The Capital Market Institutions can engage in trading of transferable securities.	(3) None		
	(4) None	(4) None		
(vi) Other negotiable instruments and financial assets, including bullion	(1), (2) None	(1), (2) None		
	(3) The capital market institutions can engage in trading of these instruments and assets. However, precious metals intermediaries can engage in trading of bullion.	(3) None		
	(4) None	(4) None		
(k) Underwriting and placement	(1), (2) None	(1), (2) None		
	(3) Banks and non-bank intermediary institutions can provide underwriting and placement services for the securities to be issued after being registered by the Capital Market Board.	(3) None		
	(4) None	(4) None		
(l) Money broking	(1), (2), (3). (4) See headnote (3) on Financial Services.			

**TURKEY (continued)**

Modes of supply: (1) Cross-border supply (2) Consumption abroad (3) Commercial presence (4) Presence of natural persons

Sector or subsector	Limitations on market access	Limitations on national treatment	Additional commitments
(m) Asset management portfolio management	(1), (2) None	(1), (2) None	
(i) Collective investment management	(3) Banks and intermediary institutions can provide these services. (4) None (1), (2) None (3) Mutual funds and investment corporations can engage in collective investment management. (4) The majority of the members of the board of directors of an investment corporation must have Turkish nationality.	(3) None (4) None (1), (2) None (3) None (4) None	
(ii) Pension fund management	(1), (2), (3), (4) See headnote (3) on Financial Services.		
(iii) Custodial, depository and trust services	(1), (2) None (3) Banks and non-bank intermediary institutions operating in capital market can provide custodial services for their customers' securities, until their buying-selling orders are realized.	(1), (2) None (3) None	
	(4) None	(4) None	

**TURKEY (continued)**

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Modes of supply: (1)		Cross-border supply (2)	Consumption abroad (3)	Commercial presence (4)	Presence of natural persons
Sector or subsector		Limitations on market access	Limitations on national treatment	Additional commitments	
(n) Settlement and clearing services		(1), (2) None (3) Only the clearing house established within the Stock Exchange of Istanbul provides these services. (4) None	(1), (2) None (3) None (4) None		
(o) Provision and transfer of financial information		(1), (2) None (3) None (4) None	(1), (2) None (3) None (4) None		
(p) Advisory, intermediation and other auxiliary services		(1), (2) None (3) Intermediation and intermediary services can be provided by banks and intermediary institutions. (4) None	(1), (2) None (3) None (4) None		