

**NEW VENUE IN THE CAPITAL MARKETS LAW:  
DEBT INSTRUMENT OWNERS'S BOARD**

Law No. 7222 on the Amendment of the Banking Law and Certain Laws ("**Amendment Law**") published in the Official Gazette dated February 25, 2020 and numbered 31050 introduced and implemented significant and several amendments to the Turkish Capital Market Law ("**Capital Market Law**") No. 6362.

**The Amendment Law has introduced "Debt Instrument Owners' Board" as a new venue.**

Upon entry of the Article 28 of the Amendment Law into force, certain arrangements such as the debt instrument owners' board are envisaged by adding Article 31/A following the 31<sup>st</sup> Article of the Capital Market Law. Accordingly, as per the Article 31/A paragraph (1), the debt instrument owners' board will be formed by the holders of the issuer's outstanding debt instruments. Each tranche of the holders of issuer's outstanding debt instruments would compose a separate board of the debt instrument owners.

In other words, an opportunity is granted to the holders of the outstanding debt instruments that are offered by issuers or applicants that have applied to the Capital Market Board ("**Board**") for the issuance of such debt instruments or those legal entities whose debt instruments are deemed to have been offered to the public ("**Issuers**") for acting collectively to adapt the changed conditions and agreeing collectively with the issuers on the changes with respect to the terms and conditions of debt instruments.

**The procedures and principles regarding the operation of the debt instruments owners' board shall be determined in the prospectus or issue document and be convened for the meeting by the board of directors.**

Pursuant to Article 31/A paragraph (2) added to the Capital Market Law; the procedures and principles regarding convening of the debt instruments' owners board by the issuers' board of directors or debt instrument owners along with the decision taking procedure of such boards must be stipulated under the prospectus or issue document related the issuance of debt instruments.

**A special quorum has been determined for decision taking in the debt instruments owners' board and the decision adopted by such quorum will be binding upon all owners of the relevant debt instruments.**

Pursuant to Article 31/A paragraph (3) added to the Capital Market Law with the Amendment Law; unless a higher quorum is set by the Board or in the prospectus and/or issue document, the requested decision quorum is as follows:

- (i) *affirmative votes of each tranche of debt instrument owners holding at least half of the relevant debt instruments' total nominal value*

OR

(ii) *for the board that is formed by the owners of all issuer's outstanding debt instruments, affirmative votes of all debt instrument owners holding at least half of the relevant debt instruments' total nominal value.*

In this respect, a higher quorum may be stipulated in the prospectus or issue document. Respectively, the circumstances requiring qualified majority will be determined by the Board.

**The decisions to be taken by the board of debt instrument owners with the qualified majority to be stipulated by the Board will also be binding upon all owners of the relevant debt instrument.** This will enable the debt instrument owner who has rejected the restructuring proposal to be bound with the restructuring decision in case of an event of default.

The Amendment Law also rules that a representative can be appointed to represent the owners of the relevant debt instruments.

**Functionality of Restructuring Has Been Empowered in Case of An Event of Default in The Repayment of The Relevant Debt Instrument.**

According to the Article 31/A paragraph (5) added to the Capital Market Law with the Amendment Law; if the issuer and investor has agreed on changing the terms and conditions of debt instruments and reconciled about the reconstruction in case of an event of default in the repayment of the relevant debt instrument, all ongoing execution proceedings, interim injunctions and interim seizures shall not be carried out as of the date of an agreement.

Therefore, an attempt is made to establish a reasonable balance among issuers and investors, which is stipulated with the intention of providing the applicability of the restructuring conditions agreed by the parties that all ongoing execution proceedings, interim injunctions, and interim seizures shall not be carried out as of the date of an agreement, if the parties have agreed on amending the terms and conditions of debt instruments.

**Secondary legislation regarding the implementation remains with the Board.**

On the other hand, pursuant to the Article 31/A paragraph (6) added to the Capital Market Law, the Board is authorized to determine the procedures and principles within the scope of this Article. It is expected from the Board to establish the secondary legislation with regard to the venture of "debt instrument owners' board".

Best Regards,  
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