



DIGITAL BANK ERA

The "Regulation on Operating Principles of Digital Banks and Service Model Banking" of the Banking Regulation and Supervision Agency ("BRSA") was published in the Turkish Official Gazette on 29 December 2021. The Regulation stipulates the procedures and principles regarding the activities of branchless banks that only provide services through electronic banking services distribution channels as well as the procedures of banking services provided to financial technology companies and other businesses as a service model.

Thus, as of 1 January 2022, fintechs, platforms and companies that fulfill the conditions stipulated in the legislation are able to carry out electronic banking activities with a digital bank license. Pursuant to this Regulation, digital banks are allowed to conduct all activities that credit institutions can perform, depending on whether they are deposit or participation banks, unless otherwise stated in the published regulation or related sub regulations.

What is Fintech?

Fintech creates an advanced banking system where traditional financial transactions can be made through technological hardware and software by combining the finance sector and the technology sector. Main purpose of Fintech is to ensure that financial transactions are performed faster and more practical. In virtue of Fintech, it is possible to execute many different banking transactions in a very short time without going to the branch.

Additional Conditions Required in the Establishment and Operating Permit of Digital Banks

The general conditions for the establishment and operating permit of digital banks are similar to the conditions for these banks as specified in the Regulation on Transactions Subject to Permission and Indirect Shareholding. In addition to these conditions,

the new regulation requires a minimum paid in capital. Pursuant to the provisions of the Regulation, the minimum paid in capital required for digital banks to obtain an operating license has been determined as 1 billion Turkish Liras.

In addition, except for the general directorate and the service units affiliated to the general directorate, digital banks are not allowed to be organized under any name such as correspondent, agency, representation office, to open a physical branch and to operate the service units affiliated to the general directorate out of its purpose as a physical branch. They cannot provide safe deposit boxes, escrow and custodian services except the ones that will be carried out in the digital environment. However, digital banks will be obliged to set up at least one physical office to handle customer complaints.

Unsecured Consumer Credit Limit

Pursuant to the Regulation, the total of unsecured cash consumer credits that digital banks provide to a customer cannot exceed four times of the monthly average net income of the relevant customer declared by customer and confirmed by digital banks, and in case the customer's average monthly net income cannot be determined, it cannot exceed 10,000 Turkish Liras.

Credit customers of digital banks can consist of financial consumers and Small and Medium Sized Enterprises (SMEs). Providing credit to other banks and foreign currency credit for businesses exceeding the size of SMEs will not constitute a breach of this regulation.

Current Status of Existing Banks

In case banks that have obtained an operating permit and provide services through their physical branches intend to provide services partially or completely through electronic banking services distribution

channels, a separate application will not be required pursuant to this newly introduced regulation. In this context, these banks may close their physical branches in accordance with a plan stipulated by the Banking Regulation and Supervision Agency.

For further information and inquiries please contact:

Att. Ata TORUN - ata.torun@hansu.av.tr

en.hansu.av.tr | +90 216 464 12 12

©Hansu Attorney Partnership

Hansu Attorney Partnership provides legal services to local and international clients, particularly in the areas of real estate, corporate, tax, energy and intellectual property law. This article is intended to present recent developments in Turkey and does not constitute legal or professional advice. Readers of this article should contact a lawyer to obtain advice with respect to any particular legal matter.

