STREAMLINING CORPORATE GOVERNANCE: UPDATES TO THE TURKISH COMMERCIAL CODE

On 29 May 2024, several important changes to the Turkish Commercial Code ("**TCC**") have come into effect as part of an omnibus bill. These changes are poised to streamline corporate governance and compliance processes for businesses operating in Türkiye and include amendments to the election of the chairperson of the board of directors, share capital requirements, and appointment of representatives, all of which are designed to enhance operational efficiency and reduce bureaucratic red tape.

Election of the Chairperson

The recent amendments have brought a welcome change to the election process of the chairperson and vice-chairperson of the board of directors. Previously, the board of directors was required to nominate these positions annually despite directors typically being appointed for three years. The new provisions eliminate this annual requirement, allowing the terms of the chairperson and vice-chairperson to align with those of the board members. This change is expected to reduce the administrative burden associated with annual nominations and create a more stable governance structure.

Appointment of Representatives

The amendments have also simplified the appointment process for branch managers. Article 375, paragraph 1(d) of the TCC previously placed this responsibility solely on the board of directors, regulating this as a nondelegable authority. The revised provision now permits the delegation of these powers, enabling branch managers to be appointed or dismissed without direct involvement of the board of directors. This modification is anticipated to expedite the appointment process, although the precise formal and practical requirements are yet to be determined by trade registries.

Board of Directors' Meetings

In an effort to improve the decision-making process within companies, the amendments have introduced a new procedure for convening board meetings. Previously, the chairperson (or vice-chairperson in their absence) had the sole authority to summon the board of directors for a meeting. In certain cases, reluctance or failure by a chairperson to convene the board could hinder the board of directors' decision-making processes and the operations of the company. With the changes, if a chairperson fails to respond to a written request from the majority of board members to call a meeting within 30 days, other board members now have the authority to summon the board. This measure aims to prevent delays in decision-making processes that could affect company operations.

Share Capital Requirements

Following the Presidential Decree dated 25 November 2023, the minimum share capital requirements for establishing companies were significantly increased. Based on this change, which took effect on 1 January 2024, the minimum initial share capital requirement for joint stock companies was raised from TL 50,000 to TL 250,000, for limited liability companies from TL 10,000 to TL 50,000 and for non-public joint stock companies that have accepted the registered capital system from TL 100,000 to TL 500,000.

Although these changes took effect on 1 January 2024, there have been uncertainty whether the new share capital requirements would apply to existing companies whose share capital amounts below the new thresholds. The amendments have provided clarity for those companies, mandating an adjustment to their share capital to meet the new thresholds by 31 December 2026. Any company failing to comply with this requirement will be deemed to have dissolved and will be deregistered from trade registry. To facilitate this transition, general assembly meetings convened to resolve on such share capital increases will not require an attendance quorum, will only require simple majority to pass resolutions, and no privileges can be invoked to dissent these decisions.

These amendments are aimed at facilitating business operations and ensuring that corporate governance practices are more aligned with the needs of actual business practices.

CONTACTS

Itır Çiftçi
Managing Partner
Istanbul
T: +90 212339 0 077
E: itir.ciftci@ciftcilaw.com.tr

Umut Özdoğan
Senior Associate
Istanbul
T: +90902123390067
E: umut.ozdogan@ciftcilaw.com.tr

Ekin Öner
Associate
Istanbul
T: +90 212339 0 075
E: ekin.oner@ciftcilaw.com.tr

www.ciftcilaw.com.tr

Ciftci Attorney Partnership is registered with the Istanbul Bar.

Registered office: Kanyon Ofis Binası Kat 10, Büyükdere Cad. No. 185, 34394 Levent, Istanbul, Türkiye