

PROVIDING PAYMENT SERVICES IN TÜRKİYE

TÖDEB

The Payment and Electronic Money Institutions Association of Türkiye

CONDITIONS FOR PROVIDING PAYMENT SERVICES IN TÜRKİYE

There are several ways for licensed institutions residing abroad to provide payment services in Türkiye. These include obtaining an operating license in Türkiye, international cooperation and representation.

In this information note, the steps that institutions must fulfill in order to obtain an operating license, the conditions for the licensed institution residing abroad to establish a cooperation relationship with payment institutions residing in Türkiye (unless otherwise stated in this information note, the term payment institution will be used in the sense of payment and electronic money institution in accordance with its use in the legislation) and general regulations within the scope of representation relationship will be reviewed.

In this regard, first of all, it will be necessary to examine which services are considered as "*payment services*" within the scope of the Law No. 6493 on Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions ("**Law**"), which is the main regulation on payment services in Türkiye.



1- Payment Services

Although paragraph 1 of Article 12 of the Law lists which services are accepted as payment services, these services are listed below.

- a) All the transactions required for operating a payment account including the services enabling cash to be placed on and withdrawn from a payment account,
- b) Execution of payment transactions, including transfers of funds on a payment account with the user's payment service provider, direct debits, including one-off direct debits, payment transactions through a payment card or a similar device, credit transfers including standing orders,
- c) Issuing or acquiring payment instruments,
- d) Money remittance,
- e) Execution of payment transaction, where the consent of the payer to execute a payment transaction is given by means of any telecommunication, digital or IT device and the payment is made to the telecommunication, IT system or network operator, acting only as an intermediary between the payment service user and the supplier of the goods and services,
- f) Corresponding services enabling bill payments.
- g) At the request of the payment service user, the payment initiation service related to the payment account at another payment service provider.
- h) Upon approval of the payment service user, the online provision of consolidated information of one or more payment accounts held at payment service providers by payment service users.
- i) Other transactions and services reaching the level to be determined by the Central Bank of the Republic of Türkiye ("**Bank**") in terms of total size or impact in payments.

The above-mentioned services are types of payment services, and in order to perform electronic money issuance other than these, it is necessary to explicitly include this issue in the application and in the articles of association of the institution and to fulfill the conditions (primarily the capital requirement) required for institutions that will issue electronic money.



2- The Conditions That Institutions Must Fulfill in Applying for an Operating License

The conditions that institutions must have for the operating license to be obtained may vary according to the payment service it plans to provide. The conditions that payment institutions must fulfill are listed in paragraph 2 of Article 14 of the Law are briefly as follows:

- a) The institution must be established as a joint stock company in Türkiye,
- b) Those who have a share of ten percent or more in the capital and those who hold control must have the qualifications required for the founders of the bank in Law No. 5411,¹
- c) All shares shall be issued against cash and be fully registered in its name,
- d) The institutions paid-up capital, consisting of cash and free of all kinds of fictitious transactions, should not be less than one million Turkish Liras for the payment institutions, which provide the services stated in paragraph (1) (e) of Article 12 of this Law and not be less than two million Turkish Liras for other payment institutions²,
- e) It is required to have sound and prudent management, adequate personnel and technical equipment to perform the payment services business within the scope of the Law and establish necessary units for complaints and objections,
- f) The institution should take necessary measures for the continuity of the activities to be conducted within the scope of the Law, and for the security and confidentiality of the payment service user's funds and information,
- g) The institution shall have a transparent and clear partnership structure and organization chart that will not prevent supervision of the Bank,



¹ These qualifications are in accordance with Article 8 of Law No. 5411. It is regulated in the article and includes conditions such as the founders not being bankrupt, not declaring a concordat, and not having committed certain crimes specified in the Turkish Penal Code. It may be useful to examine the article of the law regarding all the qualifications sought.

² Recently, a draft of the amendment planned to be made to the Law was published, and in this draft, it was seen that the capital requirements of one million Turkish Liras were increased to ten million Turkish Liras, the capital requirements of two million Turkish Liras to twenty million Turkish Liras, and the capital requirements of five million Turkish Liras to fifty million Turkish Liras. In this context; Although the possibility of the text of the law becoming law in a different way from the draft should also be taken into consideration, in this context; It would be more accurate to make financial evaluations on these capital amounts in the company establishments to be made after the amendment of the law.

In addition to the above, the title of the company applying for an operating license must contain the phrases indicating that it is a payment institution or electronic money institution, and before the trade name containing these phrases is registered in the trade registry, the operating license application process must be initiated with the necessary documents before the Bank.

Note: 1. For payment institutions that provide only the services specified in subparagraph (g) of the services specified in the Article, the issuance of shares in cash from the above-mentioned obligations stipulated in the Law, the fact that all of them are registered and the minimum capital obligation will not be required during the application for an operating license to the Bank.



While the conditions mentioned above are the basic conditions set forth in the Law, the authorization process consists of the registration to the Trade Registry, investigative examination and final approval stages. During the application process, other obligations set forth in the Regulation on Payment Services and Electronic Money Issuance and Payment Service Providers ("**Regulation**") and the Communiqué on Information Systems of Payment and Electronic Money Institutions and Data Sharing Services of Payment Service Providers in the Field of Payment Services ("**Communiqué**") must also be complied with. Examples of these obligations include certain additional financial obligations stipulated by the Regulation and the requirement for information systems to be established in Türkiye stipulated by the Communiqué. We would also like to point out that the finalization of the application process may differ for each application.



3- Providing payment services in cooperation with a payment institution in Türkiye

Within the scope of the Article 19 of the Regulation, it is possible for licensed institutions residing abroad to provide payment services by cooperating with payment institutions residing in Türkiye as explained below, provided that they obtain permission from the Bank if necessary.

For some collaborations, which have been introduced as an exception to Article 19, a permission is not required from the Bank. In this scope, permission is not required for collaborations that do not establish a direct or indirect customer relationship between the customer of the payment institution in Türkiye and the licensed institution abroad. We would like to remind you that, under the specified condition, you can provide all payment services that you can offer in Türkiye under the Law without the need to obtain an operating license. You can also access the organizations that you can cooperate with in Türkiye from the link below. (<https://todeb.org.tr/sayfa/birlik-uyeleri/39/>)

Cooperation within the scope of Article 19 of the Regulation is in the form of providing payment services to customers residing in Türkiye together with an institution holding an operation license in Türkiye and limited only to payment services where at least one of the sender or recipient is abroad.

For cooperations that require permission from the Bank, the licensed institution residing abroad must apply for a license with the Bank, and the licensed institution residing abroad must submit the following documents to the Bank:

- a) A copy of the agreement showing the rights and obligations of the parties with detailed explanations regarding the cooperation to be made,
- b) The fields of activity specified in the articles of association of the licensed institution residing abroad to be cooperated with, the institutional structure, the institutional structure in and outside the country where it is established, the activities planned to be carried out in Türkiye within the scope of the cooperation, the possible business models to be created in relation to these activities and the services to be provided by these methods, within the framework of these services, the contribution to be provided to the payments ecosystem and the benefits to be provided to the customers, the qualifications of the office and personnel to be established in Türkiye in order to carry out these activities, the relevant units to be included in the institutional structure, the structures to be established for the customers residing in Türkiye to communicate their problems and to solve these problems, and the activity program and business plan, which includes detailed information on the marketing strategy to be followed for Türkiye,
- c) The samples of the decision taken from the authorized bodies of the licensed institution residing abroad to be cooperated with, regarding the activity in Türkiye within the scope of this article,
- d) A copy of the license for the licensed institution residing abroad to be cooperated with for the provision of payment services or electronic money issuance in the country in which it is established, or the document obtained from the competent supervisory authority stating that it is not prohibited from operating in the country of establishment or that there is no restriction on its activities,
- e) The consolidated independent audit report of the licensed institution residing abroad to be cooperated with for the last year and, if any, the report prepared by the rating companies and containing the predicted rating,
- f) The document obtained from the competent supervisory authority stating that the licensed institution residing abroad to be cooperated is in compliance with the international regulations on the prevention of laundering proceeds of crime and financing of terrorism, and that no criminal action has been taken in this area in the country where it is established,

In addition to the above-mentioned documents, the licensed organization abroad must also be able to document the license/license provided by the relevant authorities of the country where its headquarters is located.

If the Bank considers that the activities within the scope of the Law to be offered within the framework of cooperation within the scope of the evaluations to be made will contribute to the payments ecosystem and benefit the customers, and if it decides that the licensed institution residing abroad is competent to carry out these activities, it will give permission to the licensed institution residing abroad to carry out the cooperation.

Within the scope of the law, the licensed organization abroad will not be able to be the visible face of the service alone against the customer, and will not be able to use its own brands and logos in its documents, announcements and advertisements or public statements in a way that creates the impression that it has obtained an operating license in Türkiye, and will not be able to establish a website in a way that targets customers residing in the country.

Regarding the services offered within the framework of the cooperation to be made in this context, both the organization that is licensed abroad and has an operating license in Türkiye, that is, both parties of the cooperation, will continue to be responsible for the customers residing in Türkiye.



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