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## PRIVATE PENSION SAVINGS AND INVESTMENT SYSTEM LAW

### SECTION ONE

#### Objective, Scope and Definitions

##### Objective and Scope

**Article 1-** The objective of this law is to arrange and audit the private pension system constituted based on voluntary participation and defined contribution as a complementary to the public social security system with the purpose to improve the level of welfare of individuals by providing additional income through diversion of their savings intended for pension to investment; to increase employment by generating long term resources to the economy, and to contribute to economic development.

The scope of this law covers arrangement of basis and procedures related to establishment, operation, management and auditing of pension companies; participation, separation and pension conditions of individuals regarding the system; establishment of pension mutual funds; collection and use of contributions in these funds; agency services; scope of the information to be disclosed to the public; and other issues related to private pension.

In cases which are not included in the provisions of this law; relevant provisions of capital market and insurance legislation and general provisions shall apply.

##### Definitions

**Article 2-** The following terms mentioned in this law shall have the following meanings;

- a) Ministry: The Ministry associated with the Agency,
- b) Agency: The Insurance and Private Pension Regulation and Supervision Agency,
- c) Board: The Insurance and Private Pension Regulation and Supervision Board,
- d) Participant: The real person that the company opens an individual pension account for and on behalf of pursuant to the pension contract,
- e) Contribution: The amount to be paid in accordance with the pension contract,
- f) Company: Pension company,
- g) Fund: Pension investment fund,
- h) Portfolio Manager: The portfolio management company deemed suitable by the Capital Markets Board and granted the portfolio management authorization certificate by the Capital Markets Board,
- i) Custodian: The custody organization deemed suitable by the Capital Markets Board where the assets in the pension mutual funds are reserved,
- j) Individual pension account: The account where the contributions paid on behalf and account of the participant as well as all returns related to these contributions are tracked on the basis of participants,
- k) Accumulation: The sum of the contributions in the private pension account and their returns,
- l) Private pension intermediaries: The persons who mediate the pension contracts of pension companies or who execute the same on behalf of pension companies.

### SECTION TWO

#### Private Pension Advisory Board

##### Structure and Duties

**Article 3-** Private Pension Advisory Board has been established to determine the private pension policies and to make recommendations on required measures to realize these policies.

Secretary services of the Private Pension Advisory Board are carried out by the Agency. Working principles and procedures of the Private Pension Advisory Board are arranged by the Agency by a regulation after obtaining the assent of the Private Pension Advisory Board.

### SECTION THREE

#### Pension Contract

##### Contract for Participation in the Pension System and Pension

**Article 4-** A pension contract is signed with the company to participate in the system. The pension contract is the contract which arranges the basis and procedures related to opening a private pension account by the company, to pay contributions to the given account, to divert the paid contributions to investments in

preferred funds, and payment of the accumulated sums in the given account to beneficiaries as well as other rights and liabilities of the parties under this scope. The pension contract might either be made as a private pension contract with the participant or as a group pension contract with an organization based on employment relation or on behalf of the participant. The basis and procedures related to the pension contract and to the issues which shall be included in the pension contract, shall be determined by the Agency after obtaining the opinion of the Capital Markets Board.

### **Rights and Liabilities of the Participant and the Company**

**Article 5-** Contributions to the private pension accounts, opened by the company on behalf of the participants, are made in accordance with the principals defined in the pension contract. Contributions by Turkish participants with no legal place of residence in Turkey and the participants under Article 28 of the Turkish Citizenship Law No. 5901, dated May 29, 2009, shall be paid in foreign currency. The company is liable to divert the contributions to investment on the second working day following its transfer to the company, the latest. The participant might distribute the contribution between more than one fund within the frame of the conditions defined in the pension contract. The participant might request transfer of his/her accumulation in the private pension account to another pension company. In case of such a request, the company shall be liable to fulfill the request and to transfer the information and documents related to the account together with the accumulation, within maximum ten working days following the receipt of the notification. In order to make a request for transfer to another company, the participant is required to have spent minimum one year in the company. The Agency is authorized to re-determine this period provided that it shall not exceed three years. The basis and procedure related to the transfer, transfer request and the period required to have stayed in the company shall be determined by the Agency after obtaining the opinion of the Capital Markets Board.

The company which does not duly perform the requirements for distribution, transfer and diversion to investment within periods as defined in this article, shall calculate the financial loss, if any, occurred in the participant's account, taking fund unit share price changes into consideration, and pays the mentioned sum to the participant's account. In cases where the participant does not have an account, the payment shall directly be made to the participant.

In cases where partial or complete contributions are paid by associations, foundations, public organizations with legal entity or by other organizations which are a party to the execution of group pension contract, to the accounts of their employees or members, these contributions and their returns shall separately be tracked in their private pension accounts; and right and liabilities related to utilization of the accumulations in these accounts shall be defined in the group pension contract within the basis and principles determined by the Agency. The entitlement period of the participant to these accumulations shall not under any conditions exceed seven years following the date of entry of the participant to the group pension contract.

### **Retirement and Retirement Options**

**Article 6-** The participant shall be entitled to retirement after fulfilling the age of fifty six provided that he/she shall have stayed in the system for minimum ten years following his/her entry to the system. The participant, who is entitled to retirement, might request for the accumulation in his/her private pension account to be paid according to a program, for its full payment at once, or for a salary to be assigned within the scope of an annuity contract to be signed. In case the participant requests for payment of the accumulations or makes an annuity contract with another company or life insurance company under the scope this article, the company shall pay the accumulations in the participant's account or transfer to another company within maximum ten working days following the receipt of the notification.

Annuities cover regular payments made to the insured or his/her beneficiaries for lifetime or for certain periods of time according to contributions paid in whole or in specific periods starting immediately or after a certain period of time in case the insured is alive. The retirement pension determined over the annuity contract might be paid in monthly, quarterly, semiannual or annual basis. It is obligatory to identify the type and scope of the risk and indemnity responsibility incurred by the relevant company, rights and liabilities of the parties, payment periods, contract periods and contract termination conditions and other related issues in annuity contracts, within the scope of the general conditions of the annuity.

If the participant dies within the pension contract period, the beneficiary may request to receive the accumulations in the individual pension account; if the participant becomes disabled within the same period, the participant may request to receive the accumulations in his/her individual pension account. If the participant requests to leave the system before becoming eligible for retirement, the company shall reimburse the participant all of the accumulations within 20 business days of receiving the notification. However, a

partial payment of up to half the amount of accumulations may be made to the participant without leaving the system in circumstances determined by the Agency, except for the amounts in the state contribution account. In this case, a payment can also be made from the state contribution account, provided that the amount does not exceed 25 percent of the partial payment. The principles and procedures regarding the transactions to be made as part of this paragraph, including the practices concerning state contributions, shall be determined by the Agency upon the approval of the Ministry.

The company which does not duly perform the requirements for transfer and payment within periods as defined in this article, shall calculate the financial loss, if any, occurred in the participant's account, taking fund unit share price changes into consideration, and pays the mentioned sum to the participant's account. In cases where the participant does not have an account, the payment shall directly be made to the participant.

If the amount to be made to the beneficiaries according to the provisions of pension contract or annuity contract, is not claimed by the beneficiaries within ten years following the due date of the payment; the mentioned sum shall be transferred to the Central Bank of the Turkish Republic to the order of the Agency with a chart to be designed including the names, surnames and earned money amount of the beneficiaries within six months after the beginning of the new year following the tenth year. These amounts deposited in the Central Bank of the Turkish Republic, if not claimed by their owners within two years, shall be registered as revenues to the Treasury.

The principles of practice related to pension plans as well as tariffs and technical principals related to annuity shall be determined freely. The Board, if deems necessary, might render the principles of practice and technical principals subject to the approval of the Agency. The basis and procedures related to researched to be made by the company and the Central Bank of the Turkish Republic to find the beneficiaries under the scope of this article; and to making use of the mentioned amount within ten years by the company and within two years by the Central Bank of the Turkish Republic, shall be determined by the Agency after obtaining the opinion of the Capital Markets Board.

The Agency is authorized to extend the operation periods defined in article and in this article for a period of six months; taking the term structure and pricing periods of the offered funds into consideration.

#### **Entrance Fee, Administration and Fund Management Expenses**

**Article 7-** The company might request for an entrance fee at the first entry of the participant in the system or in case he/she opens a new private pension account. The mentioned entrance fees might be paid in installments within maximum year apart from the contributions paid to the private pension account. Administration and fund management deductions might be made over the contribution, fund-assets or fund incomes. It is obligatory to clearly state all deductions to be made from private pension accounts and all entrance fees in the private pension contract, and in publications and advertisements. Amounts and rates for the entrance fee, administration and fund management expenses; and relevant basis and procedures shall be determined by the Agency after obtaining the opinion of the Capital Markets Board.

### **SECTION FOUR**

#### **Regulations Related to the Pension Company**

##### **Establishment Principles and Establishment Permit**

**Article 8-** The pension company means the company established in accordance with this law, and granted a license in the pension branch to be active in the private pension system created under this law. The company might be granted a license on life and personal accident branches in accordance with the provisions of Law on Insurance Control No 7397 dated 21.12.1959.

If the company is active in other branches except the pension branch, accounts related to each branch shall be kept separately.

The company establishment permit is granted by the Board. It is obligatory to include the term "pension" in the commercial title of the company to be established. Application shall be made to the Agency regarding the establishment permit.

The company to be established shall be;

- Established as a corporation,
- Its fields of activity shall be restricted to those defined in this law,
- Its capital shall not be less than twenty trillion TL, its paid capital shall be minimum ten trillion and the remaining part shall be committed to be paid within three years,

- d) Its share certificates shall be issued against cash and all shall be the name of the holder,
- e) Its main contract shall comply with the provisions of this law,
- f) Its business plan and feasibility reports shall be submitted,
- g) It founder shall,

1) not have a direct or indirect share of 10% or more in brokers, banks, insurance companies and other institutions active in capital markets subject to discharge,

2) its activities shall not be completely stopped or suspended continuously in relation with certain fields of activity or shall not be temporarily suspended for one month or more within the year before the application date,

3. not be bankrupt or not have declared concordat, and even if the periods defined in article 53 of the Turkish Penal Code have elapsed; shall not be charged for a period of five years or more for preconceived crimes or for crimes against governmental security or for crimes against the constitutional order and against functioning of this order, debt, corruption, bribery, theft, ramp, forgery, breach of faith, fraudulent bankruptcy, bid rigging, blocking or destroying the information system, destroying or changing data, misusing the bank or credit cards, laundering the property values arising out of crime, financing of terror, smuggling, evasion of taxes or unjustified interest,

4) shall have the financial power and reputation required for becoming a pension company.

Minimum %51 of the capital shall belong to legal entities with adequate knowledge and experience in financial markets and the legal entity founders as well as real persons with management and supervision authority shall bear the provisions required for founders except for the ones defined in paragraph 4, clause (g) sub-clause 4 of this article.

The capital amount required for establishment permit might be increased by the Agency provided that it shall not exceed the amounts and limits required by State Institute of Statistics Wholesale Price Index.

### **Operating License**

**Article 9-** The company, which is granted an operating license, is obligated to obtain an operating license in pension branch to become active. Pension branch operating license is granted by the Agency. Applications to be made to the Agency to obtain operating license requires;

- a) all plans to be made to provide services to minimum one thousand participants within two years,
- b) required arrangements to be made in business plan and system design,
- c) compliance shall be maintained with the physical venue, technical and administrative infrastructure and human resources.

The permit granted for the company shall automatically become invalid if the application to obtain pension branch operating license is not made within one year following the date of permit or the required documentation are not completed within required period.

The company which obtains operating license in pension branch is required to apply to the Capital Markets Board for establishment of a fund within maximum three months following the issuance date of the license. If the application for establishment of a fund is not made to the Capital Markets Board in time, and if the applications are rejected, the granted establishment permits and the operating license shall automatically become invalid.

The information and documentation which shall be required in applications for establishment permit and operating license as well as other basis and procedures shall be determined by the Agency after obtaining the opinion of the Capital Markets Board.

### **Usage of Concepts Related to Pension, Publicity, Advertisement and Information to be disclosed**

**Article 10-** The social security institutions established under the law and real ad legal entities which are covered under the scope of this law excluding the funds created under temporary article 20 of the Law No 506 dated 17.7.1964 and the foundations established under the Law No 903 dated 13.7.1967 and the amended Turkish Civil Code No 743 shall not use the concept and similar expressions including "Pension", "Pension Plan", "Pension Fund", and "Pension Investment Fund" to give the impression as if they are active in the fields regulated under this law.

Company and private pension intermediaries shall not make any statements contrary to facts which are misleading and deceptive against participants, third parties and institutions; and shall not include any such statements in their publicities, advertisements and brochures and all similar activities. The information to be

disclosed to participants or to public in the private pension system, disclosure terms and periods as well as basis and procedures related to publicities and advertisements shall be determined by the Agency after obtaining the opinion of the Capital Markets Board.

### **Responsibilities of the Company and Private Pension Intermediaries**

**Article 11-** The Company is responsible;

- a) to acquire service from the banks in accordance with the principals to be determined by the Agency in relation with pension contracts,
- b) to ensure diversion of the accumulations collected under the scope of the pension contract to funds and to update private pension accounts and other relevant records,
- c) to ensure the portfolio managers to manage the portfolio in compliance with the general fund management strategy and decisions of the company,
- d) to allow their participant to access their private pension accounts and daily information,
- e) to provide information to participants on assets in the fund portfolio, fund's performance, and financial status on regular basis,
- f) to ensure the documents and charts requested by the Agency or the Capital Markets Board to be prepared in compliance with the basis and procedures to be determined by the private pension registry service,
- g) to maintain internal auditing of the company in accordance with the basis and procedures to be determined by the Agency, and of the fund in accordance with the basis and procedures to be determined by the Capital Markets Board,
- h) to take necessary measures for protection of records and assets to maintain continuity of private pension accounts and pension activities, and protection of fun assets,
- i) to avoid behaviors which might jeopardize rights and interests of the participants and operation of private pension system, to act in compliance with legislation and operation plan principals, to make suitable recommendations, to act in good faith, and to take necessary measures to provide private pension intermediaries to act in accordance with these principals.

The individual pension intermediaries are required to register with the Individual Pension Intermediaries Registry, which is kept by the Pension Monitoring Center in accordance with the principles set forth by the Agency. The Agency shall determine the qualifications and conditions required for the individual pension intermediaries in addition to their operations, any prohibited activities, registry entrance and removal status, and the procedures and principles on other matters.

Private pension intermediaries are responsible to;

- a) Act in compliance with occupational requirements, good faith rules, and legislation,
- b) To avoid from behaviors which might jeopardize the rights and interests of the participants and operation of the private pension system,
- c) To make suitable recommendations to the participant according to the age and expectations of the participant, taking also the long-term structure of the system and the tax regulations into consideration,
- d) to participate in complementary training programs related to occupational qualification.

Either sales authorization is temporarily cancelled or license is cancelled, of the private pension intermediary, who is discovered to act contrary to the provisions of this article by the Agency, depending on the severity of the action. The licenses of the private pension intermediaries, who lose the qualities and conditions required in intermediaries, are cancelled by the Agency. The registries of intermediaries, whose licenses are cancelled, are removed from the Private Pension Intermediaries Registry. **Company Organization and Organs**

**Article 12-** The Board of Directors of the company shall not constitute of less than five persons. Company general manager, and in his/her absence his/her attorney, are the natural members of the Board of Directors. The absolute majority of the members of the Board of Directors shall possess all conditions required for a general manager except for the professional experience duration. Members of the board of supervisors, general manager, deputy general managers and other managers equivalent to or higher than the general managers with respect to their authorities and duties, even if employed in other titles, shall possess the terms required in paragraph three of this article; shall have at least a bachelor's degree; and shall have job experience in insurance or business management fields. Minimum job experience period shall be eleven years for the general manager and seven years for other managers equivalent to or higher than the general managers with respect to their authorities and duties, even if employed in other titles.

The certifications of the persons, who shall be assigned as the general manager and deputy general managers, proving that they possess the terms required in this article, shall be notified to the Agency. Assignments of the mentioned people might be executed within ten working days following the date of receipt of notification unless any contrary opinion is notified by the Agency. The reasons for resignation of the



general manager and deputy general manager, who resign from their positions, shall be notified by the mentioned person to the Agency within ten working days following the date of resignation.

The persons who are sentenced for prison or heavy fine more than once for acting against the provisions of this article and the persons who act against clause (g), except for the ones covered in article 8, paragraph four, clause (g) sub-clause 4 of this law, shall not be assigned as a member of the Board of Directors, member of the Board of Supervisors, general manager, deputy general manager or an official with a 1<sup>st</sup> degree of signing authority in any company. The company is obligated to immediately remove the signing authority of such persons. Signing authority of the company managers and officials who are discovered to have violated the provisions of this law and other related legislation provisions and to have jeopardized the reliable operation of the company as a result of the audits, shall be temporarily removed upon Agency's request, following a claim for judicial proceedings in their names. Such persons shall not be employed in any company with a 1<sup>st</sup> degree of signing authority without permission of the Agency.

### **Main Contract Amendments; Share and Asset Transfer and Mergers**

**Article 13-** The Agency's assent shall be required for amendments in company main contracts. Any draft amendments which are not deemed suitable by the Agency shall not be negotiated in the general assembly. The registrar shall not register the main contract amendments in the Trade Registry without the Agency's assent.

The share transfers involving direct or indirect acquisition of the company capital representing 10% or more of the shares of the company, and share transfers involving the shares of any partner to exceed 10%, 20%, 33% or 50% of the company capital, and share transfers involving the shares of any partner dropping below the given rates shall be subject to the permission of the Agency. Acquiring a voting power and pledge of shares shall also be subject to this provision. The transfer of stocks granting member identification privilege to boards of directors and supervision or transfer of stocks with the right of usufruct shall be subject to the permission of the Agency regardless of the above given rates.

Transfer of the all active and passive shares of a company to another pension company or merger with one or more pension company/companies shall be subject to the permission of the Agency.

Direct or indirect handover of the capitals of legal entities, who own 10% or more of the company capital in accordance with the rates or principals defined in the second paragraph of this article, shall be subject to the permission of the Agency. The permission might be granted if the grantee partner possesses the required conditions in the founders. The provision of this paragraph shall apply until real persons or legal entities are reached in cases where the capital shares which determine the management and supervision of the legal entity partner belong to another legal entity.

Any registry operations performed contrary to the provisions of this article shall be invalid.

The basis and procedures related to acquisition and transfer of shares in the company; to transfer of the assets of the company, in case the company partners lose their qualifications, to utilization of the rights of the partner except the dividend right; to indirect shareholding; to merger of companies and other issues, shall be defined by the Agency after obtaining the opinion of the Capital Markets Board.

### **Reinforcing the Financial Structure and Improving the Company Practices**

**Article 14-** If the company is discovered to perform practices which might jeopardize rights and interests of the participants, not to perform its obligations arising out of the contracts, or the financial structure to be in a decline in a manner to jeopardize the rights and interests of the participants, the Board might request the company Board of Directors to;

- a) take necessary measures to improve business processes, technical infrastructure and practices of the company,
- b) increase the capital, pay the unpaid portion of the capital, and call for the partners to make payment to the credit of the capital or stop distribution of profit,
- c) partially or totally dispose associates or fixed assets or stop their disposal, not to acquire new associates and fixed assets,
- d) block the fixed assets in a bank to be designated and not to make any saving on these assets without permission,
- e) take necessary measures to improve financial structure of the company.

The company shall prepare the improvement plan and send it to the Agency within 10 working days at the

latest following notification of the requested measures.

In case of a failure to take measures required in the improvement plan in a timely manner or continuation of the conditions defined in the first paragraph of this article despite these measures or discovering that there is not any possibility to improve the financial structure of the company by practicing the stages defined in the first paragraph of this article the Board, shall be authorized to the following regarding the company;

- a) To make a new contract and to remove the authorization for extension,
- b) To dismiss all or a part of the members of the Board of Directors, to assign members to the Board of Directors by increasing the number of members,
- c) To transfer the funds and if available portfolios of other branches to other companies under the principals to be determined,
- d) To cancel the operating licenses,
- e) To request for their bankruptcy,
- f) To take necessary measures.

## **SECTION FIVE**

### **Regulations Related to the Pension Mutual Fund**

#### **Pension Mutual Fund and fund Internal Regulations**

**Article 15-** The fund is the asset constituted for operation of the contributions collected by the company under the scope of the pension contract and tracked by the participants in their private pension accounts based on risk distribution and fiduciary ownership principals. The funds do not have a legal entity. The fund shall not be used and established except for the purposes defined in this law.

The company is obligated to apply to the Capital Markets Board to establish a fund with the fund internal regulations, pension contract and other documentation to be determined by the Capital Markets Board. The basis and procedures related to the conditions required in applications for establishment permits shall be defined by the Capital Markets Board after obtaining the assent of the Agency.

The fund internal regulations is a joining contract, comprising of general operation terms, about preservation of the fund portfolio between the participant and the company and custodian and the portfolio manager in accordance with fiduciary ownership principals and management of the same fund portfolio in accordance with attorney agreement terms. The fund internal regulations deemed suitable by the Capital Markets Board shall be registered in the trade registry of the place where company head office is located within six working days following the date of the certificate of permission, and published in the Turkish Commercial Registry Gazette. The basis and procedures related to fund internal regulations shall be defined by the Capital Markets Board after obtaining the assent of the Agency.

### **Principals Related to Activation of the Fund**

**Article 16-** The company is obligated to apply the Capital Markets Board together with the documentation determined by the board, for registry of the participation documents, within six months following the date of fund establishment date. In case of a failure to apply to the Capital Markets Board within this period, fund internal regulations shall be deleted from the trade registry by the company and the documentation related to the mentioned deletion shall be submitted to the Capital Markets Board within six working days following the deletion. For registry application of the fund to be evaluated by the Capital Markets Board;

- a) Fund internal regulations shall be issued in the trade registry of the place where company head office is located, and published in the Turkish Commercial Registry Gazette,
- b) Adequate place, technical equipment and organization shall be provided; fund service unit and fund board shall be established; internal audit system shall be established; the personnel's relevant duties and responsibilities shall be identified; and necessary documentation on this issue shall be prepared
- c) Accounting registry and documentation system, and the technical infrastructure to provide proper work flow and communication shall be established,
- d) Human resources related to the funds shall be determined,
- e) Portfolio management contract shall be signed with minimum one portfolio manager,
- f) The company shall not have lost the establishment conditions required in this law.

The number of shares corresponding to the fund amount at minimum 1/20 of the paid capital of the company, separately for each of the three funds to be established, as deemed suitable and included in the fund internal regulations as a result of the evaluation to be performed by the Capital Markets Board, shall be included in

the Capital Markets Board registry; and fund portfolios shall be constituted primarily with the amounts corresponding to these shares. If the shares to be given against the contributions collected from the participants exceed the shares corresponding to the amount required in the fund internal regulations; an application shall be made to the Capital Markets Board to increase the number of new shares and to include the increased shares in the Board registry.

A registration fee shall be taken by the Capital Markets Board, after taking the assent of the Agency, by the last working day of three month periods, provided that it shall not exceed 5/100.000 of the fund net asset value; and it shall be collected within ten working days following the three month periods.

Number of shares in the fund belonging to the company and participants, amount of the fund, operation principals and basis of the fund, organization structure, accounting, documentation and order of record, informing the participants and all basis and principals related to these issues shall be defined by the Capital Markets Board after obtaining the assent of the Agency.

#### **Principals Related to Fund Assets, Fund Portfolio and Preservation of Fund Assets**

**Article 17-** Fund assets shall not be used for any purpose except for the company to perform its obligations and meet its responsibilities arising out of this law, the Capital Market Law No 2499 dated 28.7.1981, pension contract, fund internal regulations and relevant legislation. Fund assets can't be pledged, provided as a guarantee except for the operations performed in relation with the portfolio, hypothecated by third parties and included in the bankruptcy estate.

Among the fund shares in the private pension account; the accumulation amount corresponding to the product of the number of months for which the participants is included in the system and the amount of minimum wage, and the part of the annual income insurance payments, paid to the pensionaries retired in the private pension system under the scope of article 6 of this law, corresponding to monthly payments up to the minimum wage except for the subsistence money can't be pledged, hypothecated, and included in the bankruptcy estate. The amount of gross minimum wage valid on the date of pledge, hypothecate or bankruptcy shall be taken into consideration in practicing the provisions defined in this paragraph. According to the relevant provisions of the Turkish Code of Obligations No. 6098 dated January 11, 2011, in transfers of individual pension contracts or the receivables arising from these contracts, the use of the rights specified in Articles 5 and 6 and other principles and procedures regarding the relevant practice shall be determined by the Agency.

The company is obligated to establish minimum three funds in different portfolio structures consisting of money and capital market tools of the types defined by the Capital Markets Board, precious metals or other investment tools defined by the Capital Markets Board. The principals related to fund establishment, companies to offer funds of other companies to their participants, and fund portfolio restrictions as well as the basis and procedures regarding evaluation of the assets in the fund portfolio, shall be defined by the Capital Markets Board after obtaining the assent of the Agency.

The Capital Markets Board might allow fund purchase and sale to be carried out over foreign exchanges, daily buying-selling rates of which are announced by the Central Bank of the Turkish Republic.

For evaluation of permit applications under this scope, views of the Agency and the Central Bank of the Turkish Republic shall be taken.

The assets in the fund portfolio shall be preserved by the custodian. The number of shares owned by the participants indicating their contribution in the fund shall be tracked by the custodian on participant basis allowing the participants to access.

#### **Management of Fund Portfolio**

**Article 18-** The fund portfolio shall be managed by portfolio managers. Portfolio managers are liable to manage to portfolio in accordance with the provisions of this law, the Capital Market Law No 249, fund internal regulations, pension contract and the related legislation. The principals related to the portfolio management service to be taken, shall be defined by the portfolio management contract to be signed between the company and the portfolio managers. The portfolio management contracts shall comply with minimum requirements defined by the Capital Markets Board.

In cases where the portfolio managers do not take care and prudence, act against principals of the Capital Markets Board related to portfolio management, and their financial structures weaken, the company might terminate the portfolio management contract and sign portfolio management contract with other portfolio



managers as deemed suitable by the Capital Markets Board. In case of existence of the above defined issues, the Capital Markets Board might also request for replacement of the portfolio managers. The basis and procedures related to the portfolio management contract shall be defined by the Capital Markets Board after obtaining the assent of the Agency.

#### **Fund Combination and Transfer**

**Article 19-** The funds belonging to the same company might be combined by the Capital Markets Board upon the request of the company or directly. The fund can only be combined with another pension investment fund. The basis and procedures related to the mentioned combination shall be defined by the Capital Markets Board after obtaining the assent of the Agency.

The fund shall be established permanently. The Capital Markets Board might transfer the fund asset to another company by obtaining the assent of the Agency in case;

- a) the company makes a termination notice one year in advance,
- b) the company loses its conditions related to fund establishment,
- c) the company is taken under the scope of article 14 of this law due to a weakening in the financial structure of the company.

The basis and procedures related to transfer shall be defined by the Capital Markets Board after obtaining the assent of the Agency.

### **SECTION SIX**

#### **Inspections and Independent External Inspections**

##### **Inspections**

**Article 20-** The pension activities of the company carried out under the scope of this law are subject to inspections of the Agency. Calculations and operations of the company related to its funds, portfolio managers and custodians are subject to the inspections of the Capital Markets Board. The reports related to inspections shall be evaluated and concluded by either the Agency or the Capital Markets Board according to their subjects.

#### **Pension Monitoring Center**

##### **ARTICLE 20/A-**

The Agency may commission as the Pension Monitoring Center a legal person established pursuant to the individual law provisions to ensure the safe and effective operation of the individual pension system; to develop the infrastructure for the supervision and auditing of the operations of companies and individual pension intermediaries to protect the participants' rights and interests; to build infrastructure for monitoring by the the Capital Markets Board of the operations of portfolio management companies related to pension mutual funds, and to submit the relevant reports; to keep information about the individual pension accounts, pension plans, transaction consolidation, and the participants; to inform the public and participants; to produce statistics; to perform transactions regarding the individual pension intermediaries' records and the individual pension intermediary exam; and to fulfill other duties regarding life insurances and other insurance branches. The issues to be included in the main contract of the pension monitoring center shall be defined by the Agency; and amendments to be made in this main contract shall be subject to the asset of the Agency. The pension companies; if deemed suitable by the Agency insurance companies active in life insurance branch and other institutions and organizations might be a partner to the pension monitoring center. Pension monitoring center shall be subject to inspections of the Agency. The companies, institutions, organizations, and persons under the scope of this law, transfer the requested information and documentation to the pension monitoring center to ensure execution of the duties in accordance with this law. Operation basis and procedures of the pension monitoring center shall be defined by the Agency.

##### **Independent External Inspections**

**Article 21-** It is obligatory for the year-end financial statements of the company to be inspected by independent audit companies. Accounting and operations of funds are additionally subject to independent external inspection for minimum once per year.

## SECTION SEVEN

### Penal Conditions

#### Administrative sanctions

**Article 22-** The following penal sanctions might be applied for real and legal entities subject to this law with the decision of the Agency or the Capital Markets Board, by defining the reasons, according to this law;

- a) article 4, arrangement of a pension contract contrary to this article shall be charged for three thousand Turkish Liras,
- b) article 5, any contradiction to the transfer liability in this article shall be charged for two thousand Turkish Liras,
- c) article 5, any contradiction to the distribution and diversion to investment liability in this article shall be charged for two thousand Turkish Liras,
- d) article 6, any contradiction to the payment or transfer liability in this article shall be charged for two thousand Turkish Liras,
- e) article 6, putting the contracts into practice without performing the confirmation liability in this article shall be charged for three thousand Turkish Liras,
- f) article 7, any contradiction to informing liability in this article regarding the expenses or fees to be paid by the participant shall be charged for two thousand Turkish Liras,
- g) article 10, paragraph 1, usage of identified concepts in contradiction to the provisions in this article, shall be charged for seven thousand and five hundred Turkish Liras,
- h) article 10, paragraph 2, carrying out publicity and advertisement activities in contradiction to the provisions in this article, shall be charged for fifteen thousand Turkish Liras,
- i) article 10, paragraph 2, contradiction to the liability to inform participants in this paragraph, shall be charged for two thousand Turkish Liras,
- j) article 11, paragraph 1 and 3, failure to perform the liabilities in these paragraphs, shall be charged for three thousand Turkish Liras,
- k) article 11, paragraph 2, carrying out intermediary activities or providing intermediary services in contradiction to the provisions in this article, shall be charged for six thousand Turkish Liras,
- l) article 12, paragraph 1, recruiting persons who do not possess the qualities defined in this paragraph, shall be charged for fifteen thousand Turkish Liras,
- m) article 12, paragraph 2, failure to perform informing liability defined in this paragraph, shall be charged for three thousand Turkish Liras,
- n) article 12, paragraph 3, recruiting the defined persons in prohibited tasks in contradiction to the provisions of this paragraph, shall be charged for fifteen thousand Turkish Liras,
- o) article 13, paragraph 1, registration of the main contract in contradiction to the provisions of this paragraph, shall be charged for fifteen thousand Turkish Liras,
- p) article 13, paragraph 3, transfer of assets or combination of these with another company in contradiction to the provisions of this paragraph, shall be charged for fifteen thousand Turkish Liras,
- r) article 21, failure to perform the independent inspection liability defined in this article, shall be charged for three thousand Turkish Liras,
- s) Failure to comply with the decisions of the Ministry, the Agency and the Capital Markets Board, with the regulations and directives, and with other arrangements (in cases where there is not any determined penalty in the above paragraphs, insurance legislation and capital market legislation) shall be charged for two thousand Turkish Liras.

Justification of related institutions or persons shall be taken prior to application of the above defined penal sanctions. Failure to provide a justification within one month, following the date of notification of the letter requesting for justification, shall be deemed as a disclaimer from the right of justification.

In case of a repetition of the activities which require penal sanctions, the penal sanction shall be doubled and shall be tripled in consequent repetitions. If the activity subject to penal sanction is not repeated within two years following the date of such penal sanction, previous penal sanctions shall not be taken into consideration.

For the ones who commit the crime defined in Article 23 paragraph 1 of this law, if a delay is inconvenient, work places of the mentioned persons shall be shut down temporarily upon the Agency's request; advertisements shall be removed or withdrawn, in addition to legal proceedings.

#### Penal responsibility

**Article 23-** Real persons and employees of legal entities carrying out pension activities or naming the companies defined in this law in their commercial titles and all documentation and publicities and advertisements as well as public announcements, or using the words and idioms in a manner to imply that they are carrying out the activities defined in this law in contradiction to the provisions of article 10 without obtaining required permits in accordance with this law shall be sentenced for prison for a period between

three to five years and charged for administrative penal sanction between three hundred days and two thousand days. Besides, it shall be prevented to carry out these activities.

If chairman and members of the Board of Directors and members who have authority for signature of the company, chairman and members of the Board of Directors and members who have authority for signature of the portfolio management company embezzle the money or other assets of the company which are entrusted to themselves or under their preservation, inspection and responsibility due to their position; the punishment to be charged according to the Turkish Penal Code in relation with embezzlement shall be increased at a rate of 1/5.

The real persons or the officials of legal entities who do not provide the information and documentation requested by authorities and inspection officials as defined in this law or prevent inspection officials to perform their duties; shall be sentenced for prison between one and three years, and charged for administrative penal sanction for minimum one hundred days.

The punishment to be charged to the signatories of any documents in relation to any statements arranged or issued by real persons or legal entities subject to this law, contrary to facts addressing the authorities and inspection officials, courts and other state agencies defined in this law; shall be increased as much.

The persons who intentionally cause any issue which might damage the reputation or wealth of institutions subject to this law or spread unfounded news shall be sentenced for prison between one to three years. In case this deed is performed via press or media, the punishment shall be increased as half.

The ones, who spread unfounded news via mentioned tools in a manner which might causing hesitation in the public regarding reliability of these institutions subject to this law and cause negative impact on financial structures of these institutions even if their names are not expressed, shall be charged for penal sanctions between four hundred to three thousand days.

The ones who are responsible in execution and inspection of execution of this law, shall not disclose the secrets they get to know during their duties related to the real and legal entities active under the scope of this law, their associates and institutions as well as the participant to anybody except the authorized persons in accordance with this law and private laws; and use them for their own good. This liability endures after relief of these persons from their duties. The persons who fail to comply with this liability shall be punished according to Turkish Criminal Code article 239.

Members and other officials of the institutions subject to this law shall not disclose the secrets they get to know regarding the institutions subject to this law or persons in relation with pension contract due to their roles and duties to anybody except the authorities expressly authorized by law. This liability endures after relief of these persons from their duties. The persons who fail to comply with this liability shall be punished according to Turkish Criminal Code article 239.

If the persons defined in 6<sup>th</sup> and 7<sup>th</sup> paragraphs of this article disclose the secrets they get to know to provide benefit for themselves or for others, the punishment to be given to them in accordance with Turkish Criminal Code article 239 shall be increased as half.

#### **Investigation and prosecution method**

**Article 24-** Investigation and prosecution in relation with the crimes mentioned in this law are subject to a written application to Chief Public Prosecutor's Office by the Agency or the Capital Markets Board according to their subjects. This application is a condition for judgment. If the public prosecutors decide that there is no need for prosecution, the Agency or the Capital Markets Board shall be authorized for rejection to the decisions declared to them according to the Code of Criminal Procedure. If the Agency or the Capital Markets Board apply in public cases opened as a result of investigations in accordance with this paragraph, shall be deemed as participants at the time of the application.

#### **Privacy of General Conditions**

**Article 25-** If the actions which constitute a crime in accordance with this law, require punishment according to other laws as well, the offenders shall be subject to the article of the law which require the heaviest punishment.

### **SECTION EIGHT**

#### **Other Provisions**

#### **Regulations**

**Article 26-** The issues to be defined by the Board, the Agency and the Capital Markets Board according to this Law are arranged by regulations. The regulations to be issued under the scope of this law shall be issued within maximum six months following the publication of the law.

#### **State contribution**

#### **ADDITIONAL ARTICLE 1-**

The amount that equals 30 percent of the contributions made to the individual pension account on behalf of participants who are Turkish citizens and participants within the scope of Article 28 of the Law No. 5901, with the exception of those paid by the employer, shall be calculated as state contributions by the Pension Monitoring Center based on the information provided to it by companies. The President is authorized to reduce this rate by up to 10 percent for contributions made in foreign currency. The state contributions shall be paid to the Pension Monitoring Center to be transferred through the companies to participants' accounts from the allowance entered into the Ministry's budget. The total contributions that are paid by a participant within a calendar year that is the basis for calculating the state contribution shall not exceed the total that corresponds with the calculation period of the gross minimum wage that was valid on the date when the period for calculating the relevant calendar year ended. For contributions exceeding the aforementioned limit, the state contribution may be calculated and paid in the calendar years following the year of the relevant contribution payment upon the approval of the Ministry within the frame of the procedures and principles determined by the Agency. No transfer shall be made into other budget items from this allowance. State contributions shall be monitored separately from the contribution payments.

The participants become vested for the following after the date this article enters into effect:

- a) 15 percent of the amount in the state contribution account for those who stay in the system for at least three years,
- b) 35 percent of the amount in the state contribution account for those who stay in the system for at least six years,
- c) 60 percent of the amount in the state contribution account for those who stay in the system for at least 10 years. The pension contract shall be the basis for calculating these periods.

The ones who are entitled to pension and the ones, who leave the system due to death or disability, deserve all the amount of state contribution, if any. The state contributions of the deserved amounts are paid to the participant in case the participant leaves the system or is entitled to pension.

The undeserved amounts, if any, related to the state contributions in the account for the participants who leave the system except any death or disability are registered to the general budget as revenue. The Pension Monitoring Center shall notify the relevant tax office about the amounts that have not been paid or paid incomplete to be collected pursuant to the provisions of Law No. 6183 along with the interest calculated based on the default interest rate set forth in Article 51 of the Law on the Procedure for Collection of Public Receivables No. 6183 dated July 21, 1953. Collected amounts shall be recorded as general budget income and the collection information shall be sent to the Ministry by tax office. The Agency shall establish the procedures and principles on the calculation, payment to the relevant account or beneficiaries, investment and periods to complete the payment and investment procedures, of state contributions, and other procedures to complete pursuant to this article upon the approval of the Ministry.

The provisions of Article 6 shall apply with regard to the statute of limitation for the part of the amounts in the state contribution accounts not claimed by the beneficiaries.

The companies shall be responsible for the accurate calculation of the contributions that are the basis for the participants' state contributions. The Pension Monitoring Center shall notify the relevant tax office associated with the company about the amounts that have been paid unduly to be collected pursuant to the provisions of Law No. 6183 along with the interest calculated based on the default interest rate set forth in Article 51 of the same law. Collected amounts shall be recorded as general budget income and the collection information shall be sent to the Ministry by the tax office.

State contributions can't be pledged, hypothecated, and included in the bankruptcy estate.

Pursuant to this article, interest shall not be claimed from the Pension Monitoring Center or companies for payment of the state contribution by the Ministry to the Pension Monitoring Center by the Pension Monitoring Center to companies or by the companies to participants' accounts, or reimbursement of unvested amounts by the companies during the maximum two-business-day period set forth by the Agency. The Ministry or the Agency shall not pay a fee to the Pension Monitoring Center for the transactions performed by the latter.

With regard to the early payment of the state contribution, because the contribution was calculated on a date earlier than the contribution had been transferred in cash to the company accounts, the Pension Monitoring Center shall apply an interest fee based on the default interest rate set forth in Article 51 of Law No. 6183 for the period between the due date and the actual payment date of the state contribution by the Ministry. The Pension Monitoring Center shall notify the company about the need regarding the payment of that calculated amount along with the the interest calculated based on the default interest rate set forth in Article 51 of Law No. 6183 within the period from the date that the Ministry must make the payment to the date that the company made the payment to the relevant tax office, and notify the the tax office associated with the company about the need to conduct necessary proceedings investigations as per the provisions of Law No. 6183.

Within the frame of this article, payments made by pension companies to the Ministry's account determined to be overpayments or improper payments pursuant to the procedures and principles determined in the relevant legislation shall be paid to the Pension Monitoring Center to be transferred to the relevant accounts of pension companies from the allowance entered into the Ministry's budget. No interest shall be paid for overpayments.

#### **Automatic enrollment of employees into a pension plan**

**ADDITIONAL ARTICLE 2-** Turkish nationals, or among the people fall under Article 28 of Turkish Nationality Law No. 5901 dated May 29, 2009 and have not attained the age of 45 ; those who were employed pursuant to Article 4, Clause 1, Paragraphs (a) and (c) of Social Insurance and General Health Insurance Law No. 5510 dated May 31, 2006; and those who were employed as a participant of the provident funds established pursuant to Provisional Article 20 of Social Security Law No. 506 dated July 17, 1964, shall be entered into the pension plan with a pension contract drawn up by the employer pursuant to the provisions of this Law. Employees over 45 years of age may be included in the aforementioned plans upon request. The employee may only be included by the employer to a pension plan provided by a company approved by the Agency to develop a pension plan for automatic participation. The President shall be authorized to determine the businesses to be included in the pension plan and the employees, as well as the implementation principles as per this law.

Contributions shall equal three percent of the employee's earnings based on the premium determined as per Article 80 of Law No. 5510. For employees that participate in the provident funds established pursuant to Article 20 of Law No. 506, the amount shall equal three percent of the earnings, which is the basis for calculating the amounts paid under names as contributions, premium and other names by the employees to their provident funds. The President shall be authorized to increase this amount by up to double or decrease by up to one-hundredth, or set a fixed limit for contributions. The employer shall transfer this amount to the company on the following working day after the employee's payday at the latest pursuant to the provisions of this law. If the employer fails to transfer the contribution on time as per this article, it shall be liable for the employees' financial losses in the accumulations, if any, in accordance with the calculation method in Article 5. The employee may request that the employer make a higher deduction than the amount stated in the pension contract regarding automatic participation.

The employee may withdraw from the contract within two (2) months after being notified of enrollment in the plan. The President is authorized to extend this period up to three (3) times. In case of withdrawal, paid contributions, if any, along with investment earnings in the account, shall be reimbursed to the employee within 10 working days. The company shall be responsible for fund management to maintain the value of paid contributions during this period. Employees that do not use the right of withdrawal in the grace period may request suspension of contribution payments in circumstances set forth by the Agency.

Pursuant to the procedures and principles in additional Article 1, additional state contributions shall be provided based on the contributions paid into the individual pension account on behalf of the employee. In the event that the employee does not use the right of opt out in the grace period as per this article, a 1,000 Turkish lira additional contribution shall be provided, subject to the state contribution vesting and payment conditions in additional Article 1, as a one time contribution upon entry to the system. The President shall be authorized to increase or decrease this amount by half. In the event of using the right of retirement, a state contribution that equals 5 percent of the accumulations shall be made to the employee who prefers to receive the accumulations in a period of at least 10 years pursuant to the annuity contract. The company shall be responsible for following up and collecting employee contributions as per the provisions of this article. The Agency may decide to put this responsibility on an organization tasked for this purpose upon the approval of the Ministry. Banks, the Social Security Institution, provident funds within the scope of Provisional Article 20 of Law No. 506, and the associated organizations and other relevant organizations shall provide the



information required to follow up on and collect employee contributions and to calculate the state contributions to the Pension Monitoring Center and the organizations tasked with follow-up and collection as per this article upon the approval of the Ministry within the frame of the procedures and principles determined by the Agency. The Pension Monitoring Center and the organization authorized as per this article may share this information with companies. Personal information may be shared between organizations without having to obtain the owner's express consent, and this information sharing shall not constitute a breach of the provisions of the legislation on the protection of personal information.

As part of the pension plans provided as per this article, the companies shall not make any deductions other than the fund management fee pursuant to Article 7. Employee contributions are a privileged receivable that serves as a receivable for the employee in terms of execution and bankruptcy procedures within the scope of Execution and Bankruptcy Law No. 2004 dated June 9, 1932, to which the employer is party. The Ministry of Labor and Social Security shall oversee the employers' liabilities within the scope of this article. The Ministry of Labor and Social Security shall impose an administrative fine of 100 Turkish lira for each breach of the employers' liabilities and the regulations put in place as per this article.

Upon the approval of the Ministry, the Board, within the principles it will determine, shall be authorized to decide on the calculation of state contributions provided within the scope of this law as a pledge for the relevant parties to manage in the account, the accruing of interest for the pledged amounts, the payment of the pledged amounts with interest in consideration of the vesting conditions specified in Provisional Article 1, and shall also be authorized to determine the procedures and principles regarding the accruing of interest for state contributions provided within the scope of this law, the revaluation of the additional state contribution of 1,000 Turkish lira by year, and the return of the additional state contribution in the maximum limit. The notifications that will be made in accordance with this law may be sent via electronic communication tools upon the approval of the Ministry within the frame of the procedures and principles determined by the Agency.

The Agency shall determine an employee's participation in a pension plan through the employer, the criteria that the employer will take into consideration when deciding on the company and plan, the funds to invest the contributions into, the contract that the employer will enter into with the company, the right of withdrawal in the grace period, the entering of an employee into a pension plan by the employer when the employee's workplace changes, the transfer of the accumulation in the event of a workplace change, the making of a payment into the relevant pension plan upon request by the employee whose work relations have ended or have been suspended or if the employee is leaving the system, the payment of the state contributions, and other procedures and principles on the implementation of this article upon the approval of the Ministry.

**Temporary Article 1-** The provisions of the current which are not contrary to this law shall be applied until the regulations and directives under this law become effective:

The insurance companies active in life branch which are entitled to sign make new policies prior to publication of this law, shall be transformed into pension companies provided that they will apply within five following the publication of this law and by executing the conditions defined in article 8 of the law. In order to grant license to the mentioned companies in pension branch, the provisions defined in article 9 of this law shall be executed, and adequate securities shall be provided to execute the legal liabilities related to branches except pension branch. Besides, sick insurance portfolio of these companies shall be transferred within two years following the granting of pension license provides that all rights and liabilities of the insured shall be protected. The basis and procedures related to transition of life insurance companies from the state of "insurance company" to the state of "pension company", the requirements to grant operating license to these companies, portfolio transfer liabilities and other issues shall be defined by the Agency.

Under the scope of paragraph 2 of this article, the companies which are transformed into pension companies and the ones which shall be founder partners to those pension companies which shall be established from companies that are active in life insurance branch while entitled to sign make new policies with a share of 10%, if their insured participants with permanent life insurance request and if they possess the required conditions, shall transfer the accumulation of their insured participants to private pension system including all rights and liabilities. Transfer of mentioned liabilities shall be free from all taxes, duties and charges; and system entrance fee shall not be taken from the participants who signed pension contract and expense deductions shall not be applied, provided that transfer shall be realized within five years following the effectiveness of this law.

If required statements are included in life insurance tariffs approved according to law no 7397 and in charts, publicities, advertisements and brochures related to these prior to publication of this law; it is obligatory to change the mentioned statements within one year following the publications of this law. If deemed necessary, this period might be extended by the Agency provided that it shall not exceed one year. If mentioned changes are not performed, not any new contracts can be made in relation with these tariffs and the charts, publicities, advertisements and brochures related to these can't be used.

Domestic and overseas accumulations and pledged amounts (including those created as a result of regular payments made until the transfer date according to the plan principles) within the scope of the pension commitment plans that were present by April 16, 2012 in an association, provident fund, a legal professional organization or a similar organization or a group or employer that makes a pension commitment to its members or employees, provided that the decision is made by their authorized bodies, can be transferred partially or in full to the individual pension system by December 31, 2017. For transfers made from pension commitment plans carried out according to defined contribution basis, decision of authorized organs of the institution might not be required.

The amounts transferred to private pension system in accordance with the 5<sup>th</sup> paragraph are exempt from income tax. If the participant takes out of the system the transferred accumulations for a reason other than disability or death within three years of the transfer date, a 3.75-percent income tax shall be deducted from the exempt amount, except for the planned withdrawal amounts approved by the Agency. The basis and procedures related to the period to be gained by the members transferring their accounts, and the age when the ones who have earned pensionary according to social security system and their foundation voucher will deserve pensionary after the transfer shall be defined by the Agency.

If the amounts transferred to private pension system are not registered as expenses by income and corporate tax payers, this shall be taken into consideration when determining the income of the year of transfer.

The income which shall arise from the sales of real estate and share to execute the transfer defined in paragraph 5 shall be exempt from the corporate tax corresponding to the amount transferred under this scope.

The operations carried out under the scope of paragraph 5, shall be exempt from all duties, stamp tax, banking and insurance taxes. This exemption shall be limited to the amount to be transferred.

The participants, who have made pension contracts under the scope of this article, shall not be subject to any deduction related to the transfer.

The amounts transferred under this scope shall be subject to taxation under the private pension requirements of Income Tax Law No 193 dated 31/12.1960 following the transfer. The Agency shall be authorized to define the basis and procedures related to the period to be earned in the private pension system as a result of the mentioned transfer.

Actuarial inspections of associations, foundations, funds and public occupational organization with legal entity or other companies which provide pension commitment to their members or employees shall be carried out by the Agency.<sup>1</sup>

**PROVISIONAL ARTICLE 2-** Employees who have not attained the age of 45 on the effective date of the law that creates this article, and employees who have not attained the age of 45 as of the effective date of this law and work as a participant of the prudent fund established as per Article 20 of Law No. 506 shall be automatically included in the pension plan pursuant to the provisions of additional Article 2.

**PROVISIONAL ARTICLE 3-** With regard to the early payment of the state contributions because the contribution was calculated at a date earlier than the contribution had been transferred in cash to the company accounts during the time between January 1, 2013 and the effective date of this law, the Pension Monitoring Center shall apply an interest fee based on the default interest rate set forth in Article 51 of Law No. 6183 for the period between the due date and the actual payment date of the state contribution by the Agency. The

Pension Monitoring Center shall notify the company about the need regarding the payment of that calculated amount along with the the interest calculated based on the default interest rate set forth in Article 51 of Law No. 6183 within the period from the date that the Agency must make the payment to the date that the company made the payment to the relevant tax office, and notify the the tax office associated with the company about the need to conduct necessary proceedings as per the provisions of Law No. 6183

The reimbursements that were made during the time between January 1, 2013 and the effective date of this law with regard to early paid state contributions shall remain valid.

**PROVISIONAL ARTICLE 4 –** Domestic and overseas accumulations and pledged amounts (including those created as a result of regular payments made until the transfer date according to the plan principles) within the scope of the pension commitment plans that were present by January 1, 2021 in associations, foundations or funds, professional legal entities and other commercial companies making pension commitments to their members or employees, except for those within the scope of Provisional Article 20 of the Social Insurance Act No. 506, can be transferred partially or in full to the individual pension system by December 31, 2023, provided that the decision is made by their authorized bodies.

The decision of the authorized body specified in Paragraph 1 may not be required in the transfer of non-benefit accumulations and pledged amounts in pension commitment plans.

The amounts transferred into the individual pension system as per Paragraph 1 shall be exempt from income tax. Accordingly, transferring members cannot leave the system for a reason other than disability or death within three (3) years of the transfer date. The Agency shall establish the procedures and principles on the period of time to gain in the system for the members who make transfers and on the pension qualifying age after the transfer for the members who have earned the right of retirement as part of the social security system or the settlement deed they are subject to.

If the income and corporate tax payers did not record as expenses the amounts transferred into the individual pension system, the amount shall be taken into consideration when establishing income in the transfer year.

A corporate tax exemption shall apply to the amount that corresponds to the transferred portion of the earnings from property or participation stock sale that was made to perform the transfer stated in Paragraph 1.

The transactions made as per Paragraph 1, the paperwork, and the money received shall be exempt from all charges, stamp duty, and banking and insurance transactions tax, respectively. The exemption shall apply with a limit on the transferred amount.

No deduction, including an entrance fee, shall be taken for the transfer from participants who have entered into a pension contract as per this article.

The transferred amounts shall be subject to tax pursuant to the individual pension system provisions of Income Tax Law No. 193. The Agency shall be authorized to establish the procedures and principles on the transfer and the period of time to become vested in the individual pension system as per this article.

**PROVISIONAL ARTICLE 5 –** Pursuant to Provisional Article 1, excluding the contribution payments made in foreign currency, an amount equal to 25 percent of the contributions subject to state contribution for payments transferred to company accounts before the effective date of this article, and an amount equal to 30 percent of the contributions subject to state contribution for payments transferred to company accounts after the effective date of this article shall continue to be calculated as state contributions without any amendments to individual pension contracts.

#### **Effectiveness**

**Article 27-** This law becomes effective six months after its publication.

#### **Implementation**

**Article 28-** Ministerial Cabinet implements the provisions of this law.