

New Crowdfunding Communiqué

December 2021



Dear Clients, Colleagues and Friends,

The Crowdfunding Communiqué No. III – 35/A.2 (the “**Communiqué**”) was published in the Official Gazette dated 27 October 2021 and the existing Communiqué on Equity-Based Crowdfunding was abolished. With the new Communiqué, equity-based and debt-based crowdfunding principles are regulated under the same legislation.

Accordingly, the main amendments both on equity-based and debt-based crowdfunding principles are as follows:

Debt-based Crowdfunding

The Communiqué introduced the debt-based crowdfunding as a new crowdfunding method under Turkish legislation and it is explicitly regulated that debt-based crowdfunding activities cannot be conducted based on loan or any other type of agreements other than sale of debt instruments.

The entrepreneurs which will raise funds through debt-based crowdfunding are required to prepare a credibility report and submit it for the evaluation of the investment committee of the platform. The relevant report will also be disclosed on the campaign website.

For a 12-month period, a venture company or entrepreneur can raise funds with a maximum of two campaigns on debt-based crowdfunding through platforms. Before the completion of the crowdfunding campaign, debt-based crowdfunding cannot be initiated by the same venture company or entrepreneur but it is possible to initiate a debt-based crowdfunding campaign within the continuation period of an equity-based campaign for a project. Once the targeted threshold is not exceeded within the scope of one of the campaigns, the other one needs to be terminated in line with the requirements of the Communiqué.

Funds collected through the debt-based crowdfunding can only be used for the respective project or for the working capital arising from the project. The revenues generated from the project funded through debt-based crowdfunding need to be used for the payments to be made to the investors. Instead of cash payments, share transfer has been recognized as an option for the fulfilment of repayment obligations under the respective debt instruments which will be based on the preference of the investors.

Entrepreneurs/Venture Capital Firms/Platforms

With the Communiqué, the definitions of entrepreneur and venture capital firm have been enhanced to include the real persons residing in Turkey and legal entities in the form of limited liability or joint stock companies seeking funding for their projects through crowdfunding on share-based and/or debt-based. However, limited liability companies to be considered as venture capital firm have to be transformed into a joint stock company before the transfer of the collected funds to the blocked account. The fund raiser venture capital firms are required to be engaged in technology or production activities as defined under the Communiqué.

The establishment of the platforms which act as intermediary institutions for crowdfunding activities are subject to the approval of the Capital Markets Board of Turkey (“**CMB**”) and they need to fulfill certain conditions such as establishing as a joint stock company with registered shares, having a share capital of 1,000,000 Turkish Liras at least and fully paid in cash and having a minimum of 3 members of the board of directors. Besides, platforms should exclusively perform intermediation activities for equity-based or debt-based crowdfundings and their shareholders need to satisfy the conditions set forth under the Communiqué.

Investment thresholds have been increased for non-qualified real person investors. Real persons who are not qualified investors are able to invest maximum 50,000 Turkish Liras in a calendar year through a share-based crowdfunding. However, this limit can be increased as 10 percent of the annual net income declared by the investor to the platform, provided that it does not exceed 200,000 Turkish Liras.

Equity-based Crowdfunding

Funds collected through an equity-based campaign can only be used to pay debts arising from the funded project. For each six-month period between the end of the campaign and the date when all funds are used, the status of the funds and their allocations and the status of the project should be reported. The compliance of the use of funds with the disclosed use of proceeds principles will be audited by the independent audit firm and the board of directors will be responsible for such compliance. The independent auditor will notify the CMB of incompliance. The threshold for the collection of funds corresponding to at least 10 percent of the targeted fund is reduced to 5 percent in order to consider the targeted fund amount as collected in fund requests exceeding 1,000,000 Turkish Liras. This amount will be provided by qualified investors throughout the campaign process.



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