

BANKING LAW OF THE TURKISH REPUBLIC OF NORTHERN CYPRUS
(Law No. 62/2017)

Notification under Articles 32, 33, 34, 35, 36 and 37

Central Bank of the Turkish Republic of Northern Cyprus shall issue the following Notification based on the authority granted by Articles 32, 33, 34, 35, 36 and 37 of Banking Law of the Turkish Republic of Northern Cyprus No. 62/2017:

Short Title 1. This Notification may be cited as the "Notification on Deposits and Prescription".

PART ONE
General Provisions

Definitions 2. In this Notification, unless the context requires otherwise;

 "Bank" means the deposit banks, participation banks, development and investment banks established in the Turkish Republic of Northern Cyprus and operating under the Law, and the branch banks established abroad and operating in the Turkish Republic of Northern Cyprus by opening branches.

 "Custody Items and Receivables" means items such as safety deposit vaults, stocks, bonds, funds held in accounts opened in the name of customers for whom checkbooks have been issued (regardless of whether the checkbooks have been delivered), remittance fees, and other similar custody items and receivables held by banks.

 "Fund" means the Savings Deposit Insurance and Financial Stability Fund

 "Person" means the natural or legal persons.

 "Loan" means any transaction that is classified as a risk pursuant to Article 38(1) of the Law.

 "Deposit" means the monetary assets that are accepted to be repaid at any time or in a certain term, without any return or in return for a predetermined return, and not subject to securities.

 "Deposit Bank" means the establishments operating in accordance with the Law on the basis of accepting deposits and extending loans on their own behalf and account.

 "Central Bank" means the Central Bank of the Turkish Republic of Northern Cyprus.

 "Branch" means any kind of business such as stationary or mobile bureau, which constitutes a legally bound part of the banks and which partly or entirely performs the activities of these institutions, excluding units solely composed of electronic devices.

 "Law" means the Banking Law of the Turkish Republic of Northern Cyprus.

Aim

3. This Notification aims to regulate the rules, limits, reporting, accounting, announcements and notifications applicable from the acceptance of deposits, as well as the principles and procedures governing banks' obligations during the statute of limitations, including those related to custody items and receivables.

Scope

4. Banks operating in the Turkish Republic of Northern Cyprus are within the scope of the rules of this Notification.

PART TWO

Acceptance of Deposits

Acceptance of Deposits 4/2008

5. (1) Deposit banks shall not accept deposits on behalf of their customers without first verifying their identity. In addition to verifying identity, deposit banks are obliged to obtain copies of documents certifying their customers' addresses, maintain records in accordance with the "Notification on Accounting Systems and Document Storage", and, in all cases, fulfill the obligations stipulated in the "Law on the Prevention of Laundering Proceeds of Crime" and its related regulations.
- (2) Deposit banks are obliged to provide the account holder with a passbook in either printed or electronic form, according to their preference, or to demonstrate that the account holder declined to receive it. Passbooks must include the full name and title of the account holder, the bank seal, the signatures of two authorized bank representatives on the seal, the branch code and name where the account was opened, the account opening date, the account number, the account balance, and the currency. Time deposit account passbooks must include the interest rate to be applied according to the type of account and the maturity.
- (3) No loan or loan limit may be automatically assigned to a deposit account without the account holder's request and a separate loan agreement. In such accounts, the deposit balance and the loan account balance must be presented separately for the customer's information. For account types that include both deposit and loan limits, if the customer intends to withdraw from the loan limit in addition to the deposit, they must be informed and provide explicit approval before using the loan.

PART THREE

Monitoring of Deposits and Notification of Interest Rates

SECTION ONE

Types, Scope and Maturities of Deposits

Types and Scope of Deposits 6. The types and scope of deposits are defined as follows.

- (1) Savings Deposits: Deposits opened by natural persons under this name and not used for commercial transactions, except for the drawing of checks. For foreign currency accounts, the designation as a 'foreign currency deposit' or 'foreign currency deposit account' does not alter the account's classification as a savings deposit.
- (2) Commercial Deposits: Deposits held by commercial enterprises of natural persons, all types of companies or partnerships, government economic enterprises and their affiliated institutions and companies, commercial enterprises of local governments, revolving fund institutions, commercial enterprises established or participated in by foundations, associations, trade unions, unions, professional organizations, cooperatives, insurance companies, pension companies, and other non-bank financial sector entities.
- (3) Official Deposits: Deposits held by departments and institutions under the general budget, administrations with annexed budgets, local governments, courts, and prosecutor's offices.
- (4) Bank Deposits: Deposits opened by the Central Bank, banks, foreign banks, and international banking units within the scope of Article 12(3) of the Law on International Banking Units.
- (5) Other Deposits: All deposits other than Savings, Commercial, Official and Bank deposits.

41/2008

Maturities of Deposits 7. Deposits are classified and reported based on their maturities as follows.

- (1) Demand Deposits: Deposits that can be withdrawn, in whole or in part, at any time by the account holder without the bank's permission, that do not have any notice or maturity conditions, and whose interest accruals are made at the end of the year or upon account closure.
- (2) Deposits with Notice: Deposits that can be withdrawn by giving a written notice seven days before the date of withdrawal.
- (3) Time Deposits: Deposits that may be withdrawn in accordance with the maturity and conditions agreed upon between the depositors and the bank, with interest accruing at the end of the specified maturity period. Time deposits are classified based on their maturity periods as follows:
 - (A) Up to 1 month (inclusive of 1 month)
 - (B) Up to 3 months (inclusive of 3 months)
 - (C) Up to 6 months inclusive of 6 months)
 - (D) Up to 1 year
 - (E) 1 year and longer (1-month, 3-month, 6-month, and annual interest

SECTION TWO

Notification and Announcement

Notification and Announcement

8. (1) The maximum interest rates to be applied to deposits by deposit banks shall be notified to the Central Bank prior to implementation, and in any case, in the format and within the timeframes specified by the Central Bank.
(2) Deposit banks, provided they do not exceed the maximum interest rates notified to the Central Bank, shall announce the interest rates applicable to deposits by maturity and currency at all branches in a manner visible to the public, and shall simultaneously publish these rates on their websites.
(3) Banks are obliged to inform their customers of the prohibition set forth in Article 34 of the Law by means of public announcements displayed prominently in their branches and by simultaneously publishing the same on their websites, in the section where deposit interest rates and/or product and/or service classifications subject to charges are disclosed. Information regarding deposits covered by the Fund's insurance shall be made available in all branches and on the websites of deposit banks in a manner clearly visible to customers.

PART FOUR

Prescription

Prescription

9. (1) Among all types of custody items and receivables held by banks, those which are not claimed within ten years from the date of the last transaction, request, or written instruction by the rightful owner, including any interest accrued up to the expiration of the limitation period, shall be deemed prescribed.
(2) Banks are obliged to notify the beneficiaries of all types of deposits and receivables that have become prescribed within a calendar year, and whose amounts exceed 10% of the monthly minimum wage in effect as of December of the preceding year, that their accounts will be transferred to the Central Bank unless they submit a claim. This notification shall be made by registered letter with return receipt to the beneficiary's current address within fifteen days following the expiration of the prescription period. The Turkish Lira equivalents of deposits, custody items, and receivables denominated in foreign currencies shall be calculated using the applicable

foreign exchange buying rate of the Central Bank on the date the prescription period expires.

- (3) Regardless of the amount, lists of all types of prescribed deposits, custody items, and receivables held by the bank shall be made available for customer inquiry via a query screen on the bank's website, from the beginning of January until the fifteenth of June of the calendar year following the expiration of the prescription period.
- (4) All types of deposits, custody items, and receivables that have become subject to prescription and are not claimed by their rightful owners or heirs by the fifteenth day of June shall be transferred by banks to the Central Bank by the end of June, together with their accrued interest and profit shares, and accompanied by duly completed copies of the tables to be issued by the Central Bank. Contracts for time deposits shall remain valid until the prescribed deposits are transferred to the Central Bank, notwithstanding the expiration of the prescription period. Time deposits may not be converted into demand deposits, nor may their interest rates be reduced, on the grounds that they have reached their prescription date.
- (5) Among the deposits, custody items, and receivables transferred to the Central Bank, those that do not exceed 10% of the monthly minimum wage in effect as of December, together with their accrued interest and dividends, shall be transferred by the Central Bank to the Fund at the end of June and recorded as income by the Fund. Among the deposits, custody items, and receivables transferred to the Central Bank, those that do not exceed 10% of the monthly minimum wage in effect as of December, together with their accrued interest and dividends, shall be transferred by the Central Bank to the Fund at the end of June and recorded as income by the Fund.
- (6) Pursuant to paragraph (5) of this Article, deposits, custody items, and receivables that are not claimed by their rightful owners or heirs within one year from the date of publication in the Official Gazette shall be transferred to the Fund by the Central Bank and recorded as income by the Fund.
- (7) The prescription period for assets held in safe deposit vaults shall commence from the date of the last rental fee payment or the last access to the safe deposit vault, whichever is later.
- (8) For accounts opened solely in the name of minors, the prescription period shall commence on the date the individual reaches the age of majority.

(9) For accounts that are blocked and/or restricted by the competent authorities, the prescription period shall be suspended as of the date the block or restriction is imposed. The prescription period shall resume from the date the account is unblocked. In order for the periods to be suspended, documentary evidence obtained from the competent authorities must be provided.

PART FIVE

Provisions on Non-Compliance

Non-Compliance 10. (1) Banks are obliged to classify all types of deposits in their custody in accordance with the provisions of this Notification and to account for them in line with the Uniform Chart of Accounts set forth in the 'Notification on Accounting Systems and Document Retention' and its prospectus, based on their actual characteristics. If errors in classification or accounting are identified during examinations, the amounts related to such transactions shall be retrospectively corrected.

48/1977 (2) Banks are obliged to establish a system that enables the reporting of prescribed accounts at any time.
(3) In the event that, during examinations, it is determined that deposits, custody items, and receivables subject to the prescription period under this Notification have not been transferred to the Central Bank by the bank, have been transferred late, and/or have been transferred incompletely, the amounts that should have been transferred as of the relevant period shall, without prejudice to any applicable administrative and/or penal provisions, be treated as 'public receivables' in accordance with the Law on the Procedure for the Collection of Public Receivables.

Penalty Rules 11. The provisions of this Notification shall be interpreted in conjunction with the provisions of the Law authorizing the issuance of the Notification, and the relevant penalty rules of the Law shall be applied to those who violate the rules of this Notification.

PART SIX

Final Provisions

Repeal 12. As of the effective date of this Notification, the Notification issued under Article OG 40. 19(2) of Law 39/2001 shall be repealed, without prejudice to any actions taken 15.04.2002 in accordance with that Article.

Effective Date 13. This Notification shall become effective as of November 1, 2019.