



**BORSA
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LEASE CERTIFICATES

What is a lease certificate?

A lease certificate is a security issued by an asset lease company in order to finance the assets and the rights that are acquired or leased by asset lease company. It entitles its holders to acquire the revenues attained from such assets in proportion to their shares. In this definition, “right” refers to all and any rights backed by the lease certificate, and “asset” expresses all and any assets other than such rights.

An asset lease company is a capital markets institution incorporated as a joint stock company exclusively for the purpose of issuing lease certificates.

Lease certificates issued domestically by an asset lease company are monitored on right owner basis by the Central Securities Depository of Turkey in registered form and electronically.

Lease certificates may be issued through public offering, through private placement or sales to qualified investors only.

Types of Lease Certificates

Lease certificates issued by asset lease companies may be backed by either or some of the below:

- a) Ownership
- b) Management Contract
- c) Trade
- d) Partnership
- e) Work of art contract

Lease certificates backed by ownership are issued to ensure the financing of the rights and assets to be assigned by the asset lease company from the originator for being sublet to the originator or to third persons or to be managed on behalf of the asset lease company.

Lease certificates backed by management contract are issued in order to transfer to the asset lease company as required by the contract provisions, the proceeds generated from the managing of the assets or rights that belong to the originator, including the subletting thereof, for the benefit of the asset lease company.

A lease certificate backed by a trade is issued in the event that an asset or right is acquired by an asset lease company and sold, on deferred basis, to companies that meet certain criteria, in order to finance the acquisition of such asset or right.

A lease certificate backed by partnership is issued in order that the asset lease company becomes a partner of the joint venture.

A lease certificate backed by a contract on a work of art is issued in order to finance the creation of such work of art, to which the asset lease company is party as the owner of such work.

Issue and Trading of Lease Certificates

Following the enactment of the regulatory arrangements, lease certificates were issued by both the public and private sectors in Turkey.

Investors may buy the lease certificates issued for public offering through underwriting intermediary institutions.

Issued lease certificates are traded on Borsa İstanbul Debt Securities Market, offering liquidity for lease certificates in the secondary market. Investors may liquidate their lease certificates in part or in whole prior to the maturity, that is, trade such securities.

Legal Arrangements

Lease certificates issued by the Treasury Undersecretariat Asset Lease Joint Stock Company (HMKVŞ) are sold within the framework of article 7/a of the Law no. 4749 on the Law Regulating Public Finance and Debt Management, through the sales of public real estates to HMKVŞ.

Lease certificates issued by other institutions are regulated by the Capital Markets Board’s Lease Certificates Communiqué no. III-61.1 published in the Official Gazette no. 28670 dated June 7, 2013. This Communiqué allows companies to raise funds from the capital markets by issuing lease certificates.

Taxation of Lease Certificates on the Side of Investors

Revenues that real person resident and non-resident taxpayers generate from lease certificate trading and coupon payments are subject to a withholding of 10% on income tax. For investors that are real persons, this 10% withholding on income tax is the final tax and the revenue will not be included in the annual income tax statement.

Revenues that resident taxpayers generate from lease certificate trading and coupon payments are subject to a withholding of 0% on income tax. Revenues that are generated this way will be added to the company income statement. Revenues that non-resident taxpayer companies generate from lease certificate trading and coupon payments are subject to a withholding of 0% on income tax.