

**LAW ON THE CENTRAL BANK OF THE TURKISH REPUBLIC OF
NORTHERN CYPRUS**

Law No. 41/2001

Short Title	1. This Law shall be cited as the Law on the Central Bank of the Turkish Republic of Northern Cyprus.
Interpretation	<p>2. In this law, unless the context otherwise requires, “Council of Ministers” shall mean the Council of Ministers of the Turkish Republic of Northern Cyprus. “Prime Minister” shall mean the Prime Minister of the Turkish Republic of Northern Cyprus. “The Ministry” shall mean the Ministry in charge of Economic affairs. “Central Bank” shall mean the Central Bank of the Turkish Republic of Northern Cyprus. “Banks” shall mean the banks operating within the framework of the Banking Law. “Governor” shall mean the Governor of the Central Bank. “Deputy Governor” shall mean each of the Deputy Governors of the Central Bank. “Member” shall mean the members of the Board except for the Governor and the Deputy Governors. “Board” shall mean the Executive Board established in accordance with Article 10 of this Law.</p>
Formation and Title	3. A Bank with a public legal personality was established under the title of Central Bank of the Turkish Republic of Northern Cyprus, having the powers and duties determined in this Law.
Objective	4. The objective of the Central Banks in accordance with its objective, development plans and annual programs is to implement the monetary-credit policies and, regulate and supervise the banking system in order to help economic development.
Authority and Duties of the Central Bank	<p>5. (1) The Duties of the Central Bank shall be:</p> <ul style="list-style-type: none"> (A) To carry out all the necessary procedures to accomplish the main objective stated in Article 4 of this Law, regulation, and supervision of the monetary and banking system of the Turkish Republic of Northern Cyprus; (B) To carry out the procedures required by the Central Banks by taking the economic conditions into consideration; (C) To supervise the banks and other institutions established for granting loans; (D) To take regulatory measures regarding currency and foreign exchange markets in order to ensure stability in the financial system; (E) To monitor the financial markets; <p>and</p> <ul style="list-style-type: none"> (F) To establish payment settlement systems, to make regulations to ensure the uninterrupted operation

and control of the existing and future systems, and to identify the methods and tools to be used, including the electronic media for payments.

- (2) Without prejudice to the universality of the rules of the paragraph above, the authority of the Central Bank shall be:
- (A) To regulate money and credit volume;
 - (B) To regulate and manage the international reserves of the Turkish Republic of Northern Cyprus;
 - (C) To act as the financial and economic advisor of the government by providing opinion on the matters to be examined by the Council of Ministers on monetary and credit policy;
 - (D) To act as the financial agent of the Government in international financial and economic relations;
 - (E) To act as the banker of the Government, and the banker and financial agency of the required banks;
 - (F) To grant advance payments to the Savings Deposits Insurance Fund in accordance with the procedures and principles to be determined in case of exceptional circumstances, and in case the funds of the Savings Deposits Insurance Fund cannot meet the requirements,
 - (G) To seek information and collect statistical data from the banks and other financial institutions, and other establishments and organizations that are in charge of regulating and supervising these, with the aim of monitoring the financial markets;
 - (H) To prevent all sorts of transactions and applications that might jeopardize the rights of the depositors and the orderly and secure operating of the banks, and that might create significant damages to the economy, also, to make and implement all the necessary decisions and measures designed to ensure the effective operating of the loan system;
 - (I) To manage the gold and foreign exchange reserves of the country; and
 - (J) To grant loans to the banks as the ultimate authority for loans.
- (3) Central Bank shall be the financial and economic advisor, financial agent and treasurer of the government. The relationship between the Central Bank and the government shall be maintained through the Minister of Treasury.
- (4) Central Bank shall have the duty and authority to make and

	<p>implement regulations with respect to the duties and authorities entrusted to it by this Law and legislations, and to supervise, through the establishments and organizations that are subject to these regulations, whether there is compliance with all these regulations and whether the information supplied is accurate.</p> <p>(5) Central Bank shall independently carry out and exercise the duties and authorities assigned to it by this Law under its own responsibility.</p> <p>Central Bank shall participate in the Liquidation Committee as with the privilege of a creditor for the amount and interest to be credited to the bank, person or institution that it has traded while using the duties and authorities mentioned in this Law.</p>
Head Branch and Agencies	<p>6. (1) Head office and the main branch of the Central Bank is in Nicosia.</p> <p>(2) The Central Bank may appoint correspondents or agencies abroad or may cancel such an appointment.</p>
Memberships and Participations	<p>7. The Central Bank may become a member of the international financial, economic and professional organizations to which the Central Banks participate, and may participate in such organizations as a shareholder.</p>
Capital	<p>8. The nominal capital of the Central Bank shall be 20,000,000,000,000.-TRY (Twenty Trillion Turkish Liras), all of which belong to the Turkish Republic of Northern Cyprus. This capital can be increased upon the proposal of the Executive Board of the Central Bank and upon the decision of the Council of Ministers.</p>
Organization and Organs	<p>9. Organs of the Central Bank shall be:</p> <p>(1) Executive Board;</p> <p>(2) Governor;</p> <p>(3) Deputy Governor;</p> <p>Head Office and Administrative Organization of the Main Branch.</p>
Formation of the Executive Board	<p>10. The Board shall consist of a Governor and four members to be appointed as required by this Law. The Board shall designate an Acting Governor to act for the Governor in his absence.</p> <p>(2) Deputy Governors can participate in the Board meetings with no right to vote.</p>
Authority and Duties of the Executive Board	<p>11. The authorities and duties of the Board of the Central Bank shall be:</p> <p>(1) To determine the rediscount rates, discount rates, and interest rates as well as the fees and commissions to be applied by the Central Bank in its transactions;</p> <p>(2) To take regulatory measures in terms of type and amount on the investments of Central Bank and to</p>

	<p>adjust the distribution of loan types in terms of sector and subject within the general loan volume;</p> <ul style="list-style-type: none"> (3) To determine the principles and conditions of the loans to be granted by the Central Bank, as well as the rediscount and advance payment limits; (4) To determine the issues indicated in Article 23 regarding the legal reserves; (5) To determine the issues indicated in Article 24 regarding the interest rates; (6) To examine the balance sheet, profit, and loss account of the Central Bank and to take decisions on these; (7) To make regulations regarding the administration, organization, and services of the Central Bank; (8) To purchase or lease immovable property in line with the requirements of the Central Bank and to sell immovable property owned by the Central Bank when deemed necessary; (9) To decide on the issues of compromise and cancelation regarding the amounts and assets exceeding the agreed terms; (10) To approve the annual budget and activity report of the Central Bank; (11) To appoint the personnel of the Central Bank and determine the signing authority of the personnel who would put the bank under obligation; (12) To determine other banking transactions and services that can be carried out by the Central Bank; (13) To make decisions on the issues to be submitted to the inspection and approval by the Governor; (14) To determine the terms and conditions for the issuance and acceptance of the credit cards; (15) To take the necessary measures for the supervision of the banks, to establish the principles and procedures to be followed in order to prevent the weakening of the financial institutions, and to identify and apply issues regarding the ratios to be applied and the other rates, in accordance with the Banking Law; (16) To make decisions within the framework of the authorities determined by the Banking Law.
Board Meetings	<p>12. The Board shall be convened by the Deputy Governor appointed by the Governor to act in the temporary absence of the Governor or in case of a temporary failure to perform his duties.</p> <ul style="list-style-type: none"> (2) The Board meetings shall be held at least once a month as many as times required for the execution of the duties. (3) The agenda of the Board meetings shall be determined by the Deputy Governor appointed by the Governor to act in the temporary absence of the Governor or in case of a temporary failure to perform his duties. <p>However, issues that other members want to</p>

	<p>discuss outside the agenda shall also be included in the agenda and discussed at the same meeting. Otherwise, it shall be decided to be included in the agenda of the next meeting.</p> <p>(4) The Board shall be convened with the participation of at least three members and shall make decisions by the vote of at least three members.</p> <p>(5) None of the actions or operations of the Board shall be deemed invalid as a result of the absence of any member of the Board.</p> <p>(6) The Governor, the Deputy Governors, and members cannot participate in the Board meetings that involve issues on the persons with whom they are related to (spouse, child, mother, father, sibling, grandchild and spouse's blood relatives and relatives by marriage of the same degree).</p> <p>(7) All the speeches made and decisions taken at the Board meetings shall be recorded in the minutes and signed by the participants. These minutes shall be confidential unless otherwise consented to by the Board.</p>
Appointment,	<p>13. (1) The Governor shall be appointed by the Prime Minister for five years upon the approval of the Council of Ministers. The Governor may be reappointed at the end of this period.</p>
Term of Office and Qualifications of the Governor	<p>(2) The person to be appointed as the Governor must hold a higher education degree and at least ten years of experience in the fields of banking, economy, finance, or accounting and at least five years of management experience in the aforementioned fields.</p> <p>(3) The Governor cannot engage in any disciplinary, official or private business outside the Bank unless based on a special Law. Furthermore, the Governor cannot deal with trade or commerce, nor can he become a shareholder in banks, cooperative banks, and companies. Duties in the charity associations and the foundations dealing with charity, social and educational affairs, as well as non-profit cooperative partnerships are outside the scope of this Article.</p>
Authorities and Duties of the Governor	<p>14. The authorities and duties of the Governor shall be:</p> <p>(1) To guide and manage the Central Bank as the highest executive officer.</p> <p>(2) To represent the Central Bank in the country and abroad.</p> <p>(3) To ensure that the provisions of this Law and Board decisions are enforced, and</p> <p>(4) To take appropriate measures in order to carry out the duties assigned to the Central Bank by this Law and make proposals to the Board about such matters, if necessary.</p>
Appointment, Term of Office	<p>15. (1) The Central Bank shall have two Deputy Governors appointed by the Prime Minister for a three-year period</p>

<p>and Qualifications of the Deputy Governors</p>	<p>with the approval of the Council of Ministers. Deputy Governors may be reappointed at the end of this period.</p> <p>(2) The person to be appointed as the Deputy Governor must hold a higher education degree and at least ten years of experience in the fields of banking, economy, finance, or accounting and at least five years of management experience in the aforementioned fields.</p> <p>(3) The Deputy Governors cannot engage in any disciplinary, official or private business outside the Bank unless based on a special Law. Furthermore, the Deputy Governors cannot deal with trade or commerce, nor can they become a shareholder in banks, cooperative banks, and companies. Duties in the charity associations and the foundations dealing with charity, social and educational affairs, as well as non-profit cooperative partnerships shall be outside the scope of this Article.</p>
<p>Authorities and Duties of the Deputy Governors</p>	<p>16. (1) Deputy Governors shall be authorized and responsible for the execution of the parts to be assigned to them in the distribution of duties to be made by the Governor.</p> <p>(2) In the absence of the Governor, the Deputy Governor appointed by him shall use the authorities of the Governor.</p>
<p>Appointment, Term of Office and Qualifications of the Members</p>	<p>17. (1) The members shall be appointed by the Council of Ministers.</p> <p>(2) The person to be appointed as a Member must hold a higher education degree and at least ten years of experience in the fields of banking, economy, finance, and accounting.</p> <p>(3) Members shall be appointed for a four-year term. Each year, the one-fourth of the members except the Governor shall be replaced. Members may be reappointed at the end of their term of office.</p> <p>(4) In the event that the membership of any person ends before the completion of the term of office, The Council of Ministers shall appoint a person who has the qualifications set forth in paragraph (2) of this Article as a member for the remaining part of the term of office of such person who is no longer to be a member of the Board.</p>
<p>Persons Who Cannot Be Appointed to the Board</p>	<p>18. Persons specified in the following paragraphs cannot be appointed to the Board:</p> <p>(1) Ministers, Parliament Members, Mayors, Municipal Council members.</p> <p>(2) Persons actively working in the Security Forces, the Police Organization, the Religious Affairs Department, the local administrations, Ministries and organizations affiliated to the Ministries.</p> <p>(3) Persons working as directors or employees in any financial establishment, including cooperatives in the</p>

	<p>Turkish Republic of Northern Cyprus, and those who possess a certain amount of shares that enable them to have control over this establishment.</p> <p>(4) Bankrupts and those who have been convicted of bribery, theft, falsum, fraud, corruption, rape, fraudulent bankruptcy, and other such infamous crimes, even if they have been pardoned.</p>
<p>Termination of the Board Membership</p>	<p>19. Board Membership shall be terminated in the following cases:</p> <p>(1) Death,</p> <p>(2) Written resignation,</p> <p>(3) Failing to attend three consecutive meetings of the Board, without permission and excuse.</p> <p>(4) In the event that any of the instances indicated in Article 18 of the Law occurs.</p>
<p>Salaries</p>	<p>20. The salaries of the Governor, Deputy Governors, and members shall be determined by the Council of Ministers. In conformity with the method of their appointment and irrespective of whether or not there is a contradictory provision in any other law, these persons may be employed on a contractual basis.</p>
<p>Administrative Organization of the Bank Chapter 123 10/1959 34/1959 9/1960 42/1996</p>	<p>21. (1) The personnel of the Central Bank shall comply with the working hours to be determined by the Board of Central Bank on the days except those included in the Bank Holiday Law, in order to comply with the financial markets in the Turkish Republic of Northern Cyprus, Turkey, and the European Union.</p> <p>(2) The personnel of the Bank shall have the right to strike on the condition that giving information to the Board for three business days in advance, regardless of the rules under the Collective Labour Agreement, Strike and Referendum Law. However, the personnel may use this right subject to the conditions of continuous service with a core staff, after taking the necessary precautions not to interfere with the following transactions of the bank;</p> <p>(A) Discount and advance payment transactions;</p> <p>(B) Joint storage operations;</p> <p>(C) Deposit accounts, security and transfer transactions;</p> <p>(D) Cash point transactions;</p> <p>(E) Operations regarding the supervision of the banks and other institutions established for granting loans;</p> <p>(F) Clearinghouse operations;</p> <p>(G) Risk Centre operations;</p> <p>(H) Open market operations;</p> <p>(I) Operations related to the functioning of the money market (Interbank market);</p>

	<p>(J) Transactions related to the required reserves;</p> <p>(K) Foreign exchange transactions;</p> <p>(L) Transactions related to the correspondent banks and;</p> <p>(M) Accounting process for all these transactions and operations related to the issuance of the bank's status.</p> <p>(3) The administrative organs of the Central Bank shall be regulated by law.</p>
Regulation of Loans	<p>22. (1) The Central Bank shall regulate the volume, quality, nature and supply conditions of loans and meet the general need for liquidity within the loan system in a way that will help to achieve economic objectives and aims within the framework of development plans and related annual programs. When deemed necessary, the Central Bank shall have the authority to supervise the use of these loans by the relevant banks in accordance with their purpose through its inspectors.</p> <p>(2) The Central Bank can make regulatory decisions in terms of quality and quantity on the investments of banks in line with the goals of a stable economy and a satisfactory growth rate and shall regulate the distribution of various types of loans within the overall loan volume by sectors and subjects.</p> <p>(3) In case of mistrust and uncertainty in some banks and in case of acceleration of deposit withdrawals, the Central Bank may directly extend loans to those banks with mistrust and uncertainty, limited to twice their equity, provided that appropriate collateral is obtained. According to this provision, the Central Bank shall be the privileged creditor for the loan amount and interest, in case of the liquidation of the banks to which the loans are granted.</p>
Legal Reserves	<p>23. (1) The lowest rate of general liquidity requirement to be kept by banks in return for their liabilities shall be determined by the Central Bank. The procedures and principles of the contents and calculation of the disposable assets referred to in this paragraph shall be prepared by a notification issued by the Central Bank and shall be announced in the Official Gazette.</p> <p>(2) The rate of legal reserves to be calculated on the basis of the liabilities of the banks and other financial institutions deemed appropriate by the Central Bank and to be established in an account opened in the Bank, shall be determined by the Central Bank.</p> <p>(3) The principles and conditions of implementation, including the liabilities subject to statutory</p>

	<p>provisions and the time to deposit the statutory provisions and the interest to be paid when necessary, shall be determined by the Central Bank.</p> <p>(4) The Central Bank shall accrue default interest on those who establish incompletely or do not establish the general liquid assets and legal provisions in accordance with the principles and conditions to be determined in terms of the unpaid part on the basis of general liquid assets and legal provision. The default interest rate to be applied and their principles shall be determined by the Central Bank. The Central Bank may terminate the acceptance of the rediscounts of the bonds of the banks which have not established liquid assets and legal reserves within the given time period despite the warnings, and/or may abolish the authority of accepting deposits for a definite or an indefinite period of time in case of recurrence.</p> <p>(5) The Central Bank shall immediately return the legal provisions for the reduced deposit without waiting for the issuance of deposit tables, in the case of an extraordinary withdrawal from a bank. The legal reserves deposits of the banks with liquidity problems within the Central Bank shall be returned by the decision of the Central Bank Board.</p> <p>(6) The current legal provisions of the banks deposited in the Central Bank of the Republic of Cyprus before 20.07.1974 shall be taken into account in calculating the legal provisions mentioned in this Article at a rate of 1 CYP = 36 TRY (One Cypriot Pound equals to Thirty-Six Turkish Lira). Legal reserves collected in the Greek Cypriot Central Bank are at the Government Foreign Exchange Position; upon their release and returns 36 TRY (Thirty-six Turkish Lira) per each Cypriot Pound shall be set off for the liabilities of the relevant banks with respect to the legal reserves that have to be deposited to the Central Bank of the Turkish Republic of Northern Cyprus and the difference between the official exchange rate on the return date and the exchange rate of 1 CYP = 36 TRY (One Cypriot Pound is equal to thirty-six Turkish Lira) shall be deposited to the Treasury Account.</p>
Interest Rates	<p>24. In the acceptance of all kinds of Turkish Lira and foreign exchange deposits, the Central Bank shall be authorized to determine the highest interest rates to charge and to be charged in all kinds of loan transactions of banks and other institutions established to extend loans, the nature of the other benefits to be</p>

	<p>provided and the costs to be collected and their highest rates, and maturity on deposits and the partial or complete release of interests and the effective dates. These issues shall enter into force from the date of the publication of decisions taken by the Central Bank in the Official Gazette. Other matters related to the interest rates to be determined and the current interest rates shall also be applicable to all debit and credit relationships other than the Banks.</p>
Treasurership and Other Duties	<p>25. (1) The Central Bank shall be the treasurer of the Government. As such, the Bank shall carry out all kinds of domestic and international collections and payments of the Government, all Treasury transactions and all kinds of domestic and international money transfers and money orders.</p> <p>(2) The Council of Ministers may decide that the funds of specific organizations it shall determine must be deposited with the Central Bank. The interest rate set forth by the Central Bank shall be applied to such accounts.</p> <p>(3) The Central Bank may be assigned to carry out the financial services of the Government domestic borrowing bills.</p>
Clearing House	<p>26. The Central Bank shall supervise the interbank clearing house transactions, which may be carried out at its branches.</p>
Special Audit	<p>27. The Prime Minister may have the operations and accounts of the Central Bank audited and may request any kind of information from the Central Bank.</p>
Authority to Request Information and Supervision	<p>28. (1) All banks operating within the borders of the Turkish Republic of Northern Cyprus are obliged to submit annual balances and profit and loss accounts as well as the reports of the administrative council and the supervisors to the Central Bank within four months starting from the end of the year</p> <p>(2) The Central Bank may request all kinds of information about deposits, loans, foreign exchange and other transactions from the banks and shall carry out other supervisions assigned to the Central Bank in accordance with the Banking Law and take the necessary precautions and/or initiate investigations.</p> <p>(3) Banks are obliged to provide the information that the Central Bank may request in accordance with paragraph (2), within the time specified by the Central Bank.</p> <p>(4) The Central Bank shall monitor, examine and supervise</p>

	<p>the financial situation of banks. It shall take the necessary precautions and/or initiate investigations regarding the issues determined.</p> <p>(5) Central Bank may cooperate with the public institutions and organizations, the Ministry, the State Planning Organization, the statistical information authorities of other countries and international organizations in the collection of statistical information. The Central Bank shall have the authority to directly request and collect all statistical information about the financial system and other statistical information required for the monitoring of developments in the economy and balance of payments from banks, other financial institutions and officials. Those who are required to provide information shall be obliged to provide this information correctly according to the procedures and principles determined by the Central Bank. The Central Bank shall have the authority to inquire and inspect whether the information is correct and to request additional information and documents. The Central Bank may publish the statistical information it deems necessary.</p> <p>However, the Central Bank cannot publish, disclose or provide to any public or private authority the collected statistical information which is of personal and private nature. Such information cannot be used outside the statistical purposes and shall not be used as a means of proof.</p>
<p>Supervision of Banks</p> <p>19/1963 29/1970 12/1972 2/1973 17/1973 37/1977 27/1980 12/1987 42/1987 25/1991 39/1995 38/1997 12/1983 46/1990 22/1996</p>	<p>29. (1) Central Bank shall supervise the conformity of the transactions of banks and other institutions established for granting loans to the provisions of this Law, the Banking Law, the Stamp Law, the Money and Foreign Exchange Law, the Foreign Trade (Regulation and Inspection) Law and the applicable laws and the rules of other relevant laws, the Regulations, the Legislations, the Decisions, the Notifications and the Mandates; it shall take necessary precautions and/or initiate investigations.</p> <p>(2) Banks and organizations to be supervised are obliged to provide all necessary information and documents to the officials on time and in full.</p>
<p>Risk Collection and Risk Centre</p>	<p>30. (1) The Central Bank shall establish a Risk Centre in order to collect the risk situations of the customers of the banks and of the other institutions established to grant loans, operating in the territory of the Turkish Republic of Northern Cyprus.</p>

	<p>(2) Banks and other institutions established for the purpose of granting loans are obliged to provide all the information the Central Bank requires on risk situations within the period to be specified according to the instructions of the Central Bank and in accordance with the formulas.</p> <p>(3) All transactions and records of the Risk Centre shall be confidential. However, the Central Bank may inform the relevant banks and other institutions established for granting loans on the risk situations of their customers or those who request loans.</p>
Acceptance of Short Term Bills and Certificates for Rediscount and Advance Payment	<p>31. (1) Central Bank may accept the following bills and certificates for rediscount, provided that they bear at least three signatures:</p> <p>(A) Commercial notes of natural or legal persons dealing with tourism, education, industry, mining, and agriculture, provided that there are maximum nine months until their term expires;</p> <p>(B) Other persons' commercial notes and certificates to be deposited by the banks, provided that there are maximum four months until their term expires;</p> <p>(C) The bills to be deposited by the banks in order to meet the loan requirements of craftsmen and cooperatives provided that there is a maximum of nine months until their term expires.</p> <p>(2) The Central Bank may find two signatures adequate as an exception, provided that the second signature belongs to the bank which has requested the rediscount.</p> <p>(3) The Central Bank may also provide advance payments for the bills to be rediscounted in accordance with paragraph (1).</p>
Highest Amount of Bills Accepted For Rediscount or Advance	<p>32. (1) Central Bank cannot accept bills and certificates to rediscount that include a sum exceeding 10% of the total of the paid-up capital and the reserves and it shall not accept them as a security deposit.</p> <p>(2) If the total of more than one bill bearing the same signatures exceeds the amount specified in paragraph (1) above, the higher amount shall not be accepted to rediscounts or security deposits.</p>
Advance Payment for Bills	<p>33. Central Bank may give advance payments to the banks at a rate of 80% (eighty percent) of their nominal value with maturity of up to one hundred twenty days, for the bills which are accepted as solid by the Government securities and the Board. However, it shall not give advance for the bills exported by them.</p>
Short Term Advance to the Treasury	<p>34. Central Bank opens a short-term advance payments account to the treasury. The balance of the advance account shall not exceed 5% (five percent) of the total of the current year general budget</p>

	<p>allocations and 20% (twenty percent) of the Central Bank balance sheet liabilities which are the total resources used by the Treasury through the Central Bank under any circumstances. The interest rate to be applied to this advance account shall be decided between the Ministry of Treasury Affairs and the Central Bank taking into consideration the market conditions, not to be lower than the interest rate applicable to the legal provisions.</p>
<p>Gold and Foreign Currency Transactions</p>	<p>35. The Central Bank shall be authorized to carry out the following transactions:</p> <ol style="list-style-type: none"> (1) Buying and selling gold in coins and ingots and exporting-importing gold. (2) Buying and selling all types of foreign currency, such as term and demand and, giving advance in exchange for foreign currency and gold. (3) Granting mail credit to the banks. (4) Obtaining any kind of reciprocal or non-reciprocal advance payments and loans in Turkish Lira and foreign exchange from foreign countries. (5) Making repurchase transactions. (6) Central Bank can carry out open market operations in order to regulate the money supply and the liquidity of the economy. Procedures and principles regarding the open market operations shall be determined by the Board. Open market operations cannot be carried out for the Treasury, public administration and institutions or other institutions and organizations with credit aid purposes. The Central Bank can take regulatory measures related to the functioning of the money market.
<p>Limits Related to the Transactions of the Central Bank</p>	<p>36. (1) According to the 31st, 33rd, 34th and 35th articles of this Law, the sum of the transactions that the Central Bank can carry out cannot exceed 70% of the total of the paid-up capitals, legal reserves, and various funds and deposits.</p> <p>(2) The Board shall determine the maximum amount of loans to be granted by the Central Bank and limits according to loan types, economic targets, credit requirements of the market, and the liquidity of the banking system and the portfolio composition of the Central Bank.</p>
<p>Transactions That Cannot Be Carried Out by the Central Bank</p>	<p>37. The transactions that cannot be carried out by the Central Bank shall be:</p> <ol style="list-style-type: none"> (1) Granting unrequited loans and advance payments except for the transactions expressly authorized by this Law, (2) Being a guarantor and giving any guarantees by any means. (3) Renewing the existing bills in its portfolio (4) Accepting the bills and certificates related to the purchase of immovable property, or paying advances for such bills and certificates. (5) Apart from the matters specified in this Law, engaging

	<p>in any business or trade on its own name or account, participating in other companies or institutions, purchasing shares or accepting them as advance payment,</p> <p>(6) Acquiring immovable property except its own requirement, and</p> <p>(7) Accepting deposits from real or legal persons other than the banks.</p> <p>Nevertheless, Bank personnel shall be outside the scope of this article.</p>
Issues to Be Announced and Instruction Authority	<p>38. (1) All general measures to be taken by the Central Bank in accordance with this Law shall be published in the Official Gazette in the form and procedure to be determined by the Central Bank together with the effective dates.</p> <p>(2) Central Bank can send written instructions to the banks and other institutions established for the purpose of granting loans regarding all kinds of duties envisaged in the law and the principles and procedures to be applied.</p> <p>(3) Central Bank shall publish a statement indicating the account status every 15 (fifteen) days and announce it in the Official Gazette.</p>
Accounting Period	<p>39. The accounting period of the Central Bank shall be one calendar year.</p>
Balance Sheet and Report	<p>40. Central Bank shall publish the annual balance sheet and the profit- loss account and activity report audited by the Audit Office in the Official Gazette within three months at the latest.</p>
Balance Sheet and Profit-Loss Account	<p>41. Central Bank shall publish the annual balance sheet and the profit- loss account and activity report audited by the Audit Office in the Official Gazette within three months at the latest.</p>
Report	<p>42. Governor of the Central Bank shall report to the Council of Ministers in April and October of each year on the activities of the Central Bank and the monetary and credit policy implemented and to be implemented. The Central Bank shall inform the Turkish Republic of Northern Cyprus Assembly, Economy, Finance, Budget, and Planning Committee twice a year regarding its activities.</p>
Bank's Bulletin	<p>43. Central Bank shall issue a bulletin at the end of quarterly periods. These bulletins shall include statistical information as well as the Central Bank's monetary and credit policy objectives. In the event that the specified targets are not reached or are unlikely to be reached within the announced time frame, the Central Bank shall inform the public in written on the reasons regarding the issue and precautions to be taken.</p>

Use of Profit	44. The annual profit of the Central Bank shall be added to the paid capital up to the nominal capital. After reaching the Nominal Capital, 25% (twenty-five percent) of the profit shall be taken as reserve and transferred to the treasury. In the event of loss, the losses of the Central Bank shall be covered by the Government Budget.
Liquidation	45. If the Central Bank goes into liquidation, the assets shall be transferred to the Treasury.
Exemption from Tax, Duty and Charge 19/1963 29/1970 12/1972 2/1973 17/1973 37/1977 27/1980 12/1987 42/1987 25/1991 39/1995	46. The Central Bank shall be exempt from: (1) Profits generated by banking transactions and corporation tax, (2) All kinds of taxes, duties, and charges of gold in the form of coins and ingots to be imported, and (3) The stamp tax, which must be paid in accordance with the Stamp Law.
Official Document	47. All kinds of documents, records, books, and bills of the Central Bank and the account statements based on these shall be considered official documents.
Implementation of the Criminal Code Chapter 154 3/1962 43/1963 15/1972 20/1974 31/1975 6/1983 22/1989 64/1989 11/1997	48. The Governor of the Central Bank, Deputy Governors and Board members, and other members of the Central Bank shall be considered as Public Officers in the implementation of the Criminal Code.
Circulation Obligation of the Legal Tender Turkish Lira	49. In the Turkish Republic of Northern Cyprus, Turkish Lira is the currency, its circulation is compulsory and it has unlimited power of payment.
Property of the Central Bank Regarded As the Property of the Treasury	50. All movable and immovable properties and values of the Central Bank of the Turkish Republic of Northern Cyprus shall be considered treasury goods and shall be treated accordingly.
Authority to Issue Notifications	51. (1) The Board of the Bank shall have the authority to issue notifications in the following matters:

	<p>(A) Administration, organization, and services of the Central Bank parallel to the applications indicated in the 3rd paragraph of Article 21 of this Law;</p> <p>(B) Discount and advance payment transactions;</p> <p>(C) Communication, archives and destruction operations;</p> <p>(D) Joint storage operations;</p> <p>(E) Interest Difference Fund transactions;</p> <p>(F) Deposit accounts, security, and transfer transactions;</p> <p>(G) Cash point transactions;</p> <p>(H) Operations regarding the supervision of the banks and other institutions established for granting loans;</p> <p>(I) Clearing House operations;</p> <p>(J) Risk Centre operations;</p> <p>(I) Purchase-sale and tendering of the Central Bank of the Turkish Republic of Northern Cyprus, and</p> <p>(K) Making regulations in line with the powers laid down by the Banking Law.</p> <p>(2) The notifications to be issued pursuant to the first paragraph shall become effective upon publication in the Official Gazette.</p>
<p>Crimes and Punishments Related to Turkish Lira</p>	<p>52. Persons preventing the circulation of Turkish Lira banknotes, do not accept free circulation and unlimited solvency, deliberately destroy or demolish banknotes, issue counterfeit banknotes and/or put them in circulation and/or help them to be put in circulation shall be charged with a criminal offense and in case of conviction, they shall be fined up to 100 (hundred) times the minimum wage or 7 (seven) years prison sentence or both.</p>
<p>Non-Compliance with the Interest Rates and Effective Dates</p>	<p>53. The members actively managing the affairs of the banks which do not comply with the rate, limit and effective date determined pursuant to Article 24 of this Law, shall be charged with a criminal offense according to the task and its description and the degree of participation in the act, and in case of conviction, they shall be fined up to 100 (hundred) times the minimum wage or 7 (seven) years prison sentence or both.</p>
<p>Non-Compliance with the Loan Conditions</p>	<p>54. If it is identified that the loans specified in Article 31 of this Law are not extended in accordance with their purpose by the banks, the sum of 50% (fifty percent) of the amount of the loans extended and interests shall be collected from the accounts of the banks with the Central Bank.</p>
<p>Nonconformity in Transactions and Failing to Provide the Required</p>	<p>55. Banks and other institutions established to extend loans and their member corporations that do not provide the information and documents specified on the 28th, 29th and 30th Articles of this Law on time and in a complete manner or that are determined not to</p>

<p>Information and Documents in Audit</p>	<p>comply with the rules set forth in Articles 28, 29 and 30 of this law shall be charged with a criminal offense and in the case of their convictions, these banks and institutions shall be fined up to 100 (one hundred) times the minimum wage, members of these banks and institutions, in case of their convictions shall be fined up to 100 (one hundred) times the minimum wage or 7 (seven) years prison sentence or both penalties according to their relevance to the task and the degree of participation in the act.</p>
<p>Confidentiality Obligation</p>	<p>56. Members of the Central Bank are obliged to respect the confidentiality of the secrets of the Central Bank and the persons and institutions that have relations with the Central Bank due to their title and duties, and they shall be obliged not to disclose these secrets in any way except the authorities authorized by law. This obligation also shall continue in case of resigning from the Central Bank. Members of the Central Bank acting in contradiction to this paragraph shall be charged with a criminal offense and in case of conviction, they shall be sentenced to a fine of up to 4.000.000.000 TRY (Four Billion Turkish Liras) and up to three years prison sentence. The members of the Central Bank, who disclose the secrets for their own benefit and for the benefit of others, can be sentenced to a fine up to 10,000,000,000 TRY (Ten Billion Turkish Liras) and up to five years prison sentence.</p>
<p>Unfounded Publication and News Making</p>	<p>57. Those who are found to deliberately cause a damage to the reputation of the Central Bank or damage to its reputation or its assets or those who disseminate false news in this way shall be charged with a criminal offense and shall be sentenced to a fine of up to 15,000,000,000 TRY (Fifteen Billion Turkish Liras) or up to five years prison sentence or both.</p>
<p>Abrogation 35/1987 44/1992 56/1994 38/1998 49/2000</p>	<p>58. From the date this Law enters into force, the Law on the Central Bank of the Turkish Republic of Northern Cyprus shall be repealed. However, these non-contradictory rules of these regulations enacted pursuant to the Central Bank Law abrogated until the enactment of the regulations envisaged in this Law shall remain in force.</p>
<p>Vested Rights 35/1987 44/1992 56/1994 38/1998 49/2000</p>	<p>59. All the purchases, leases, bank transactions, and all personnel appointments and their conditions carried out under the Law on the Central Bank of the Turkish Republic of Northern Cyprus, which are abolished by this Law and the Regulations issued on the basis thereof, shall be deemed to have been carried out in accordance with this Law.</p>
<p>Establishment of the Pension Fund of the Central Bank of the Turkish Republic</p>	<p>60. (1) A fund under the name of "Pension Fund of the Central Bank of the Turkish Republic of Northern Cyprus" shall be established within the Central Bank in order to provide retirement benefits to the personnel of the Central Bank, who is entitled to benefit from retirement</p>

<p>of Northern Cyprus 57/1987 29/1990 31/1997</p>	<p>fund in accordance with Article 15 of the Organization Law of Central Bank of the Turkish Republic of Northern Cyprus.</p>
<p>26/1977 9/1979 18/1980 26/1982 54/1982 14/1983 22/1983 20/1985 3/1986 14/1987 38/1987 4/1990 50/1990 35/1997 23/1998 36/2000 29/2001</p>	<p>(2) The sources of the Pension Fund of the Central Bank of the Turkish Republic of Northern Cyprus shall be:</p> <p>(A) Interest share deductions from the rightholders to be paid to the Pension Fund of the Central Bank of the Turkish Republic of Northern Cyprus pursuant to the rules of the Pensions Law;</p> <p>(B) Contribution of the Central Bank to the Pension Fund of the Central Bank of the Turkish Republic of Northern Cyprus;</p> <p>(C) Income from the operation of the funds collected in the Pension Fund of the Central Bank of the Turkish Republic of Northern Cyprus;</p> <p>(Ç) Other compensation, bonuses and/or benefits the beneficiary received for any reason, which is required to be deposited in the Pension Fund of the Central Bank of the Turkish Republic of Northern Cyprus by the beneficiary in accordance with the Pensions Law so that the beneficiary is considered to be entitled.</p> <p>(3) Funds from the Central Bank of the Turkish Republic of Northern Cyprus Pension Fund can only be expended for the purpose of giving pension benefits to those who are entitled to benefit from the Pension pursuant to the Pensions Law.</p> <p>(4) (A) The Pension Fund of the Central Bank of the Turkish Republic of Northern Cyprus shall be operated by the Executive Board established in accordance with Article 10 of this Law.</p> <p>(B) The Executive Board may operate the money collected in the Pension Fund of the Central Bank of the Turkish Republic of Northern Cyprus in order to make a profit in accordance with the principles of profitability.</p>
<p>Establishment of the Personnel Health Benefit Fund of the Central Bank of the Turkish Republic of Northern Cyprus</p>	<p>61. (1) Regardless of whether there is a rule to the contrary in another Law, a Fund under the name of "Personnel Health Benefit Fund of the Central Bank of the Turkish Republic of Northern Cyprus" shall be established within the Central Bank in order to cover some or all of the expenses of the personnel of the Central Bank caused by clinic examination, surgical intervention, treatment in freelance doctors and clinics in the TRNC.</p> <p>(2) The sources of the Personnel Health Benefit Fund shall be as follows:</p> <p>(A) 1% (one percent) deduction made each month from the gross wages of the Central Bank personnel,</p> <p>(B) The contribution of the Central Bank for each fiscal year, which is two times the total amount deducted from the personnel, in accordance with paragraph (A) above, and</p> <p>(C) Income derived from the investment of the money collected in the Personnel Health Benefit Fund.</p>

(3) The following shall benefit from the fund in accordance with the national criteria:

(A) Central Bank personnel, who are actively employed and retired due to age limit, their unemployed spouse, their children who are not 18 years old, their children between the ages 18-24 who are studying higher education or children who are physically and mentally disabled and their unmarried and unemployed children;

(B) Children of the Central Bank personnel who do not exceed the age of 24 and who are studying abroad at universities.

(4) The Personnel Health Benefit Fund shall be managed by the "Personnel Health Benefit Fund Administrative Board" consisting of the following three members. Administrative Board of the Personnel Health Benefit Fund shall set the payment criteria.

(A) One Vice Chairman (Chairman)

(B) Two persons(members) to be determined by the personnel of the Central Bank from among themselves,

(5) Administrative Board of the Personnel Health Benefit Fund shall,

(A) Set the payment criteria.

(B) Provide the proper use and operation of the Fund's resources for its purposes, and transfer the issues with hesitation in payments to the Central Bank's Board of Directors.

(C) Prepare the balance sheet of the previous year and the related report and submit it to the Board of the Central Bank, until the end of January every year.

(6) Payments shall be made by the Accounting Department of the Administrative Board with the approval of the Personnel Health Benefit Fund Administrative Board.

(7) The scope of the Personnel Health Benefits Fund shall consist of expenditures to be made for clinic visits, medicines, x-rays, analysis, delivery, dentistry, eye and all kinds of surgical interventions.

(A) 80% of clinic and treatment costs,

(B) All expenses incurred during operative surgeries shall be covered by the Fund.

(8) Terms and conditions of use of the Personnel Health Fund shall be as follows:

(A) In order to benefit from the fund, the health expenditures to be made must be assessed in accordance with the applicable tax laws and other financial legislation.

(B) Clinic costs shall be determined by the Administrative Board of the Personnel Health Benefit Fund based on the treatment and surgery costs determined and published by the Council of Ministers for private clinics and doctor's offices, provided that it does not exceed the limits. The referral paper of the specialist doctor shall be

	<p>sought so that x-ray and analysis fees can be paid from the Fund. However, this shall not be required for general examinations that can be carried out once a year.</p> <p>(C) Dental care and treatment shall be paid according to the criteria set by the Executive Board of the Personnel Health Benefits Fund and these criteria may be rearranged from time to time.</p> <p>(D) As to the price of frames and glasses of the glasses, the price of frames shall be determined ever four years and the price of glasses shall be determined not more than once a year by the Administrative Board of the Personnel Health Benefits Fund.</p> <p>(9) If the personnel of the Central Bank is insured by private health insurance, 1% (one percent) deduction shall be made from monthly gross wages of the personnel included in the insurance. The remaining bonus shall be paid by the Central Bank. In this case, the scope and criteria of health expenditures shall be regulated by agreement with the relevant insurance company.</p>
Temporary Article Status of the Deputy Governors on Duty	1. The provisions of paragraph (1) of Article 15 of this Law shall also apply to the Deputy Governors who are still in office, and they shall not be dismissed before their term of office ends.
Temporary Article Members to be Dismissed from the Board	2. The members who will be dismissed from the Executive Board at the end of the first, second and third years from the date of entry into force of this Law shall be determined by drawing lots
Temporary Article Reduction of the Advance Payment Amounts Currently Provided to the Treasury	3. A new advance payment shall not be made in any way until the amount of short-term advance payment extended to the treasury is reduced to the amount indicated in the 34th Article.
Temporary Article Liquidation of Loans Granted to Public Institutions	4. Liquidation of loan balances extended to public institutions and establishments with or without economic activity as of the date of entry into force of this Law shall be determined within the framework of the protocol to be signed between the Prime Ministry and the Central Bank.
Temporary Article Payment of the Exchange Differences and Interests	5. Due to the short term advance payments extended to the Treasury by the Central Bank, exchange rates and interest rates as of 31.12.1999 shall be capitalized in a separate account and shall be liquidated within 10 (ten) years from 2001 with appropriations to be budgeted at 1/10 (one-tenth) each year. The amounts to be

	capitalized and other procedures and principles related to liquidation shall be decided by the Ministry and the Central Bank.
Temporary Article Interest Difference Fund	<p>6. (1) For the purpose of making it easier to implement preferential interest rates for the sectors and subjects foreseen by the Central Bank to be implemented until 31.12.2002, the Central Bank shall establish the Interest Difference Fund.</p> <p>(2) The sources of the Interest Difference Fund shall be:</p> <p>(A) The allowances to be added to the government budget for this purpose,</p> <p>(B) A specific allowance to be set aside from the Central Bank's budget in exchange for the interests of treasury funds within the Central Bank, and</p> <p>(C) Amounts to be determined by the Council of Ministers, not exceeding five points at the maximum legal interest rate to be applied on any kind of cash loans to be provided by the Bank and other institutions established with the purpose of extending loans.</p> <p>(3) The Interest Difference Fund shall be made available by the Council of Ministers with the proposal of the Ministry of Economic Affairs in order to strengthen and recover the economy and to cover the interest differences of the controlled loans.</p>
Temporary Article Priority Offsetting of the Debts of the Treasury to the Central Bank	7. In accordance with Article 44 of this Law, while transferring 75% (seventy-five percent) of its profits to the Treasury, the Central Bank shall primarily set off Treasury's debts to the Central Bank.
Temporary Article Closing the Forward Accounts	8. Forward deposit accounts opened by the Central Bank prior to the date on which this Law enters into force shall be closed at the date of maturity by the Central Bank.
Executive Authority	(10) This Law shall be executed by the Council of Ministers.
Entry into Force	(11) This Law shall enter into force from the date of its publication in the Official Gazette.

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REPUBLIC OF NORTHERN CYPRUS**

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