



SCREENING CHAPTER 6 COMPANY LAW

AGENDA ITEM : SINGLE - MEMBER PRIVATE LIMITED LIABILITY COMPANIES

**Country Session : The Republic of Turkey
20 July 2006**



- **Related Turkish Legislation:**

- **Turkish Commercial Code (TCC) No. 6762 of 29.6.1956**
as last amended by Law No. 5274 of 9.12.2004



Single member companies under the current law

- Having less than five shareholders is a ground for dissolution of the company limited by shares (Art. 434 TCC).
- Having less than five “real” shareholders is a ground for demanding the dissolution of the company (for both companies limited by shares and companies with limited liability). However, if the shareholders, creditors or the Ministry of Industry and Trade do not raise such a claim, the company may continue to exist. (Arts. 435, 504 TCC)



Single - member companies under the Draft TCC

➤ Draft Turkish Commercial Code

(The Draft TCC was submitted to the Presidency of the Turkish Grand National Assembly (TGNA) by the Council of Ministers on 9.11.2005. Currently negotiations have been completed at the sub-commission of the Justice Commission of the TGNA. The Draft will be negotiated in the plenary session of the TGNA after reviewed by the Justice Commission).



Single - member companies under the Draft TCC

● Formation/Disclosure :

- Both companies limited by shares and companies with limited liability can be set up by a single member.
 - ◆ Exceptions may be introduced for special types of companies limited by shares, which are governed by special laws.
- If the number of members falls to one, the board of directors/managers must be informed. The board/managers must have this fact registered and announced. The name, domicile and nationality of the single member must also be registered and disclosed. Failure to register/disclose leads to the liability of the board/managers.
- Single member may be a natural or a legal person.
- A company may not acquire its own shares in a way which may result in its being the only member (Arts. 338,574 Draft TCC)



Single - member companies under the Draft TCC – 2

- **Self dealing:**

- Any contracts between the single member and the company must be written in order to be valid (Arts. 371, 629 Draft TCC)
 - ◆ This rule applies regardless of whether the company is being represented by the single member himself/herself.
 - ◆ Contracts which may be viewed as trivial or common under market conditions are excluded.



Single - member companies under the Draft TCC – 3

● Governance:

- Single member has the full competence of general assembly of shareholders/partners.
- Decisions taken by the single member in its capacity as general assembly of shareholders/partners must be written in order to be valid. (Arts. 408, 616 Draft TCC)
- The board of directors of a company limited by shares may be composed of one or more members, including the single shareholder. (Art. 359 Draft TCC)
- The managers of a company with limited liability may also include the single shareholder (Art. 623 Draft TCC)



THANK YOU FOR YOUR ATTENTION