Field of Application of Corporate Governance Principles in the Turkish Company Law (Joint Stock Companies)

Associate Professor Dr. S. Anlam Altay,
Université de Galatasaray, Faculty of Law, Commercial Law Department

Abstract

Universal corporate governance principles were codified in Turkish law under Capital Markets Law, followed by Banking Law, and in 2012 by Corporate Law governing non-public joint stock and limited liability companies. Following its entry into force, setbacks were introduced. This presentation aims to holistically assess the introduction of corporate governance under Turkish Law. The first essential step towards adopting corporate governance was through UFRS standards. Imposing independent audit and transactional audit to all capital corporations was the second step. Third, Public Supervisory Board was established to supervise independent auditing. As a fourth step, the lawmaker adopted corporate governance as a manner of organization and functioning of the joint stock company bodies. The principles of equity, and true and fair view became fundamental constituents of the Law of Corporations. Principles of accountability and responsibility are reflected as fiduciary duties imposed on managers, and within rules governing liability of managers. Fifth, information society services are regulated. Consequently, each capital corporation shall establish a website containing specific information. These striking novelties in Turkish Law regarding corporate governance principles faced reactions regarding 1. Material costs for harmonization, 2. Probable effects of independent audit on company organization, and 3. Transparency. Such reactions resulted in the application of UFRS and independent audit, as well as information society services being reduced to specific companies. The purpose of this presentation is to determine the technical scope of application of Turkish corporate governance and assess the preferences in and the reactions to adapting corporate governance within a legal system.

Keywords: Corporate governance, financial reporting, audit, information society, liability of managers.