



# **Turkish Capital Markets Challenges and Opportunities**

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Chairman, Capital Markets Board of Turkey  
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# Turkish Economy – Main Indicators

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Population	73 million
GDP	USD 750 billion (2010E)
GDP Per Capita	USD 10,400 (2010E)
Inflation Rate	6.5% (CPI - 2009)
GDP Growth Rate	11 % in the first six months of 2010
Foreign Direct Investment	USD 7.9 billion (2009)
Number of Companies with Foreign Capital	23,700 (2009)

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# Turkish Economy – Main Indicators

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## Real GDP Growth Rate Estimates for Turkey (%) - 2010

OECD	6.8
World Bank	6.3
IMF	6.2

*Sources: IMF Article IV Consultations; OECD Economic Outlook  
No: 87; World Bank Global Economic Prospect Summer 2010*

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# Turkish Economy – Main Indicators

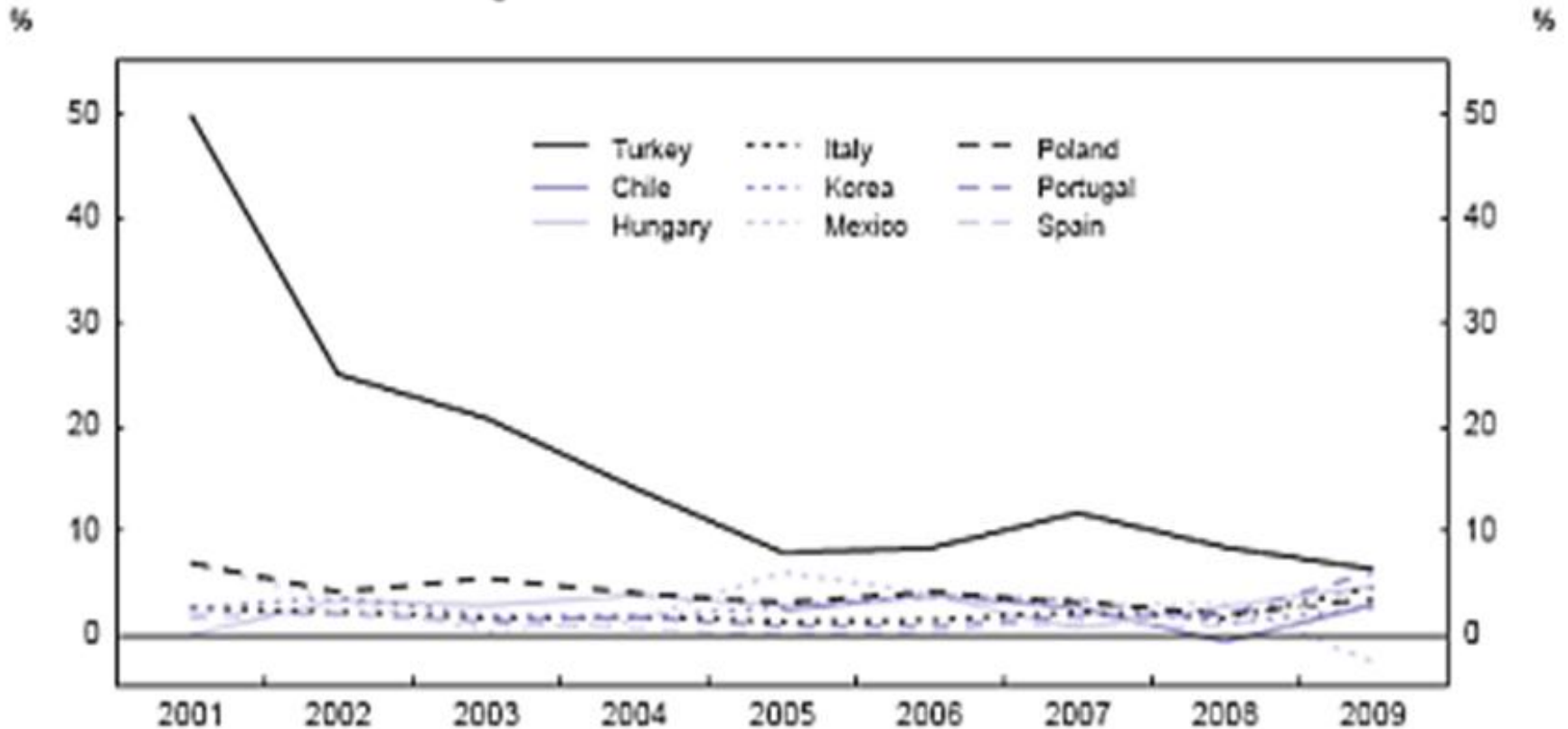
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- The fastest growing economy in OECD during 2011-2017, with an expected growth rate of 6.7 % per year
- The only OECD country with an improved growth rate after the financial crisis

*(OECD Turkey Report, September, 2010)*

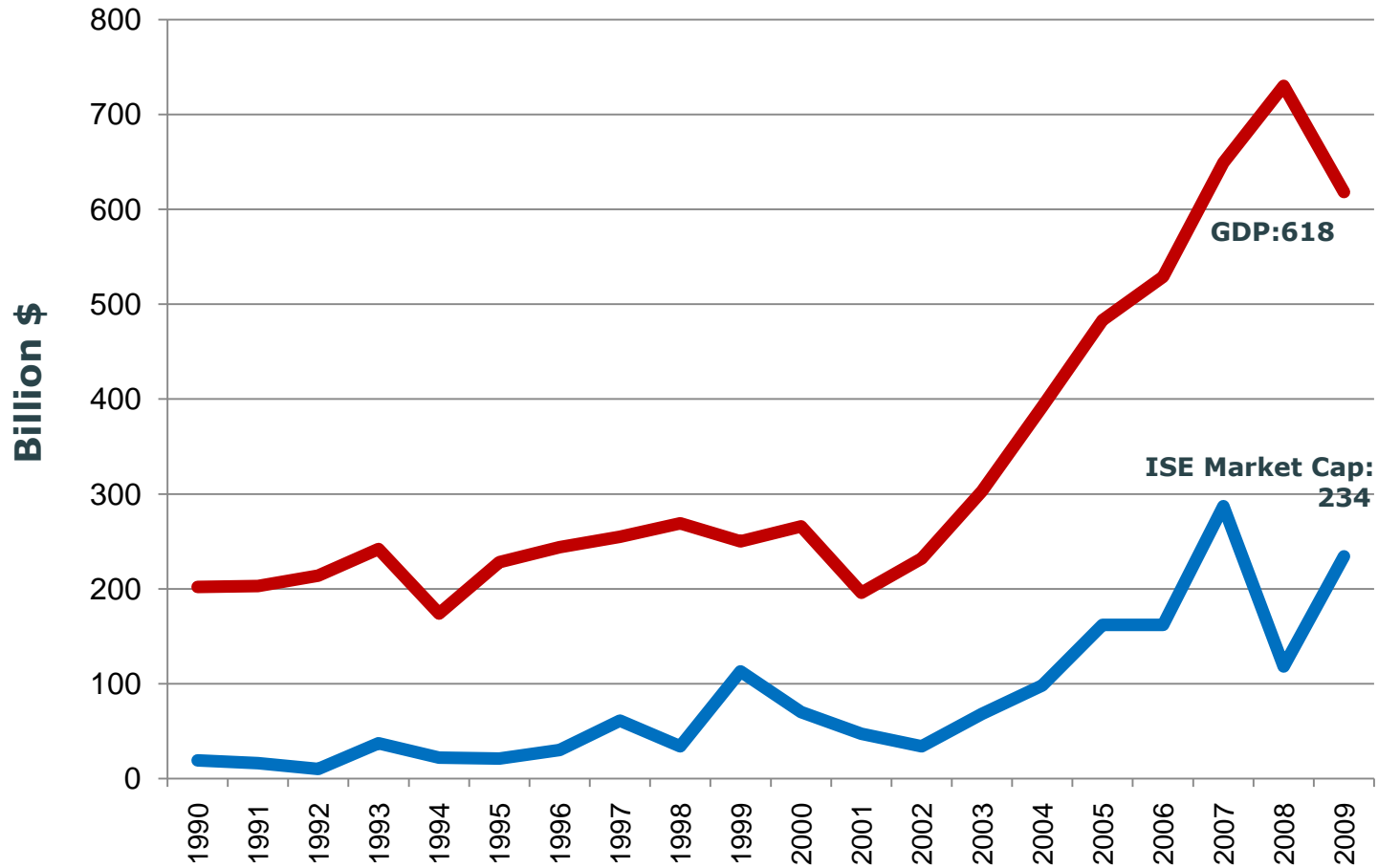
# Towards Stability

Real long-term interest rates in selected countries

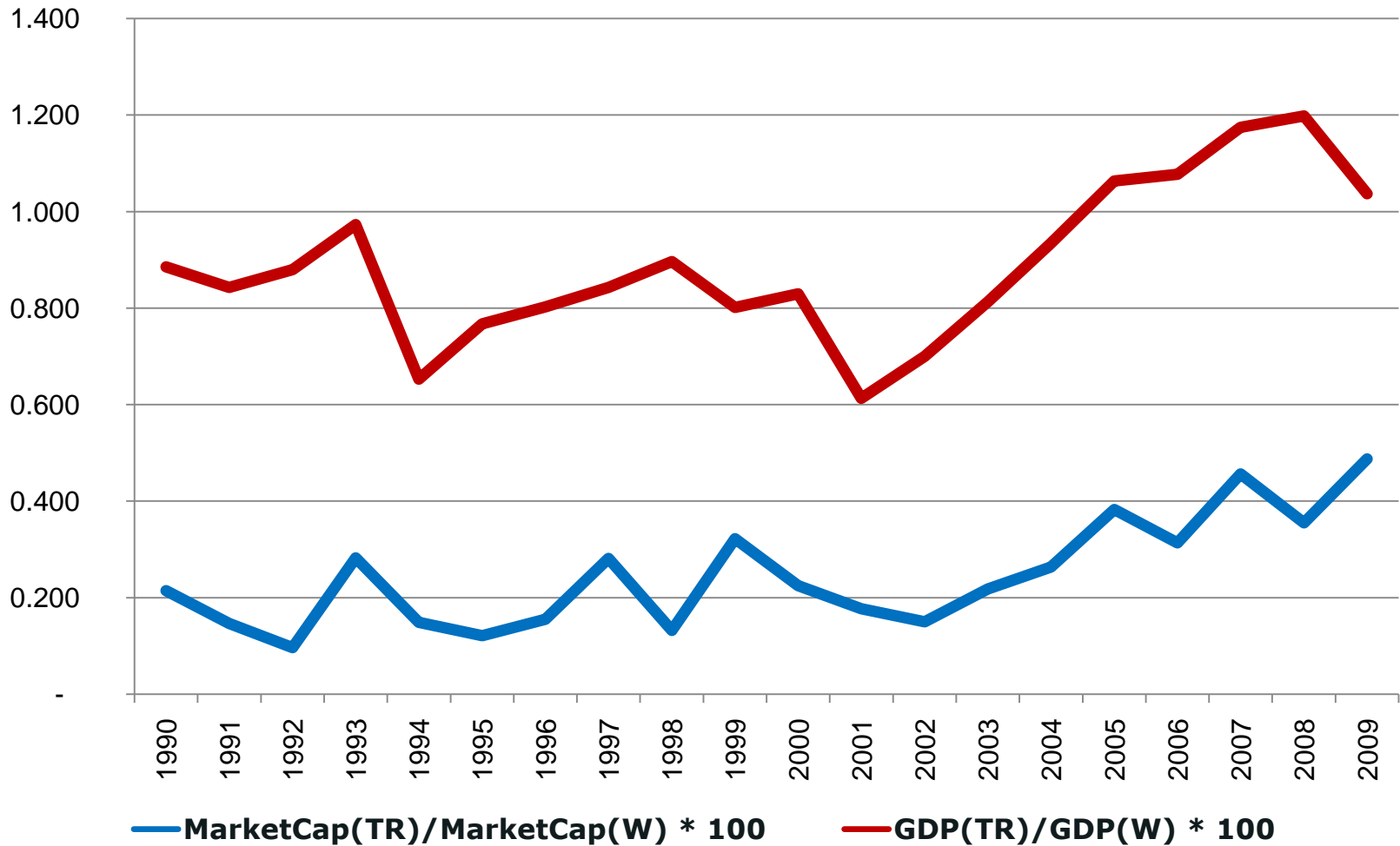


Source: OECD, OECD Economic Outlook Database.

# Turkish Equity Markets



# Turkish Equity Markets



# Debt / Equity Ratios (%)

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	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Turkey (ICC500)</b>	154	126	268	(*)300
<b>Turkey (ISE)</b>	113	104	158	122
USA	32	25	49	50
Europe	74	76	89	132
China				28
Japan	98	97	106	157
Emerging Markets				36
World				83

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# Market Participants



# Indicators for Turkish Capital Markets

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	- Sep 2010 -
<b>Number of Companies Registered with the CMB</b>	551
Istanbul Stock Exchange (ISE) Companies	331
<b>ISE Market Capitalization (billion \$)</b>	328
<b>Number of Equity Investors</b>	1.048.689
<b>Number of Mutual Fund Investors</b>	3.343.704
<b>Securities Intermediaries</b>	144
Banks	41
Brokerage Houses	103
<b>Number of Brokerage Houses with Foreign Participation</b>	26

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# Indicators for Turkish Capital Markets

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		- Sep 2010 -
<b>Mutual Funds</b>		
Number of Mutual Funds		337
Portfolio Value		\$ 20 billion
Foreign Mutual Funds		77
Portfolio Value of Foreign Mutual Funds		\$ 34 million
<b>Pension Funds</b>		
Number of Companies		11
Portfolio Value		\$ 6.5 billion
<b>Investment Trusts</b>		
Number of Companies		33
Portfolio Value		\$ 462 million

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# Indicators for Turkish Capital Markets

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	- Sep 2010 -
<b>Venture Capital Investment Companies</b>	
Number of VCI Companies	2
Portfolio Value	\$ 103 million
<b>Portfolio Management Companies</b>	
Number of Companies	23
Assets Under Management	\$ 28 billion
<b>Real Estate Investment Companies</b>	
Number of REITs	14
Portfolio Value	\$ 3.2 billion
<b>Auditing Firms</b>	95
<b>Rating Institutions</b>	9

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# Indicators for Turkish Capital Markets

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<b>ISE Traded Value (2009)</b>	
Stock Market	\$ 316 billion
Bonds & Bills Market	\$ 2.259 billion
<b>IPO's (as of Sep 2010)</b>	
Value	\$ 903 million
Number of IPO's	15
<b>Foreign Investor Custody Ratio (Stock Market)</b>	% 67
<b>Value of OTC Derivatives (as of Sep 2010)</b>	\$ 385 billion
<b>Traded Value in Turkdex (as of Sep 2010)</b>	\$ 206 billion

# Current Developments

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- One of very few countries during the crisis, where there was
  - No “quantitative easing” or additional deposit insurance for banks
  - An increased sovereign credit rating during the crisis (Fitch BB+, Moody's Ba2, S&P BB)
- A national effort to grow the securities markets
  - IPO campaign to grow the equity markets
  - Corporate bonds, sukuk certificates, warrants introduced in Q2 2010
  - New Capital Markets Law to be presented to the Parliament in Q4 2010
  - New derivative products in Q1 2011, Commodities Exchange in Q4 2011
  - A nation-wide program to enhance “financial literacy”
  - Various incentives to support institutional investments

# Current Developments

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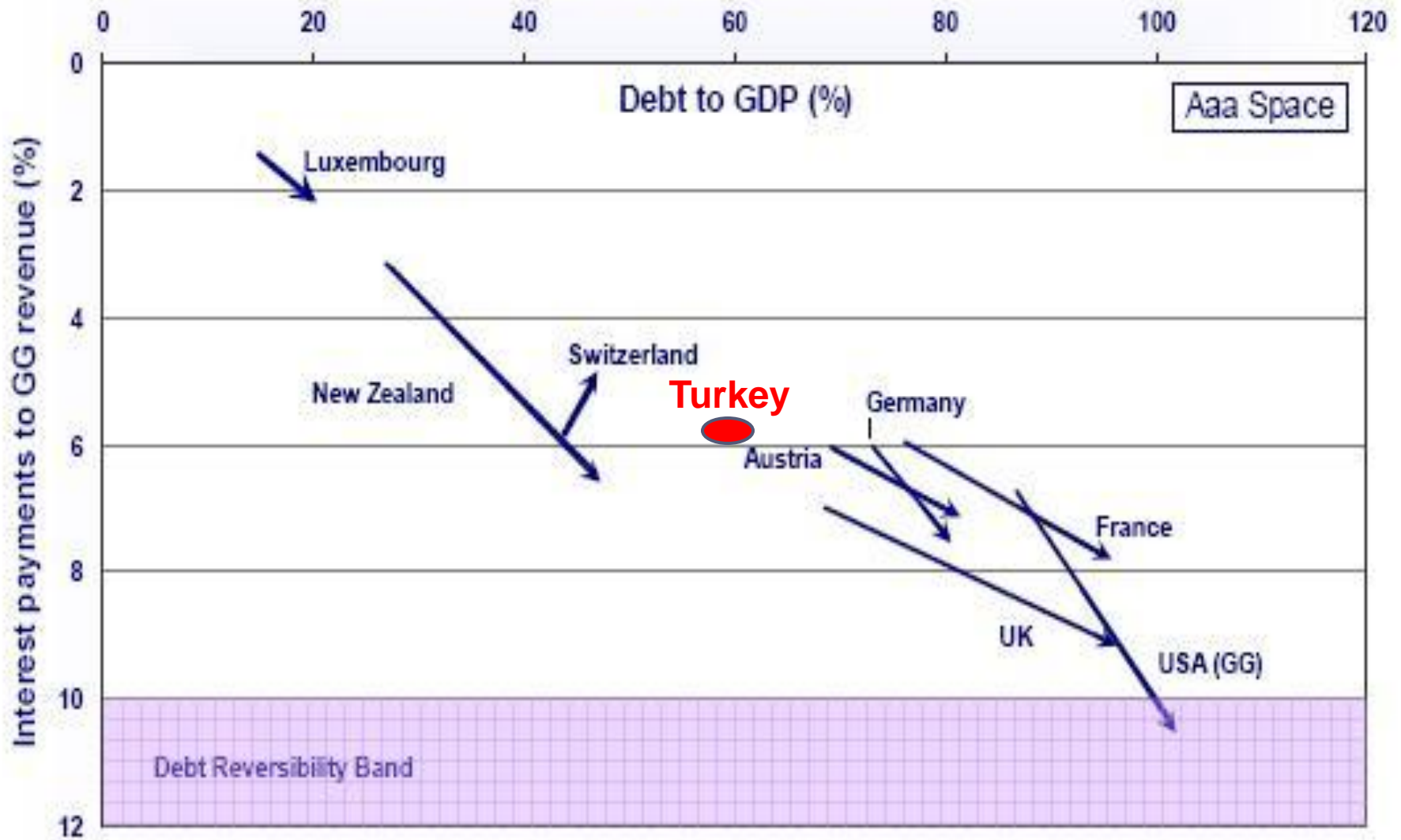
- Istanbul Financial Center (IFC)
  - Joint project of public and private companies with full political support
  - Regional in 3 years, global thereafter
- More active involvement in international organizations
  - Became the chair of the IOSCO Emerging Markets Committee in June 2010
  - Joined the International Forum of Independent Audit Regulators in 2010
  - Joined the IFSB in 2010
  - Information exchange mechanism amongst OIC members
- Korea–Turkey Free Trade Agreement, with a financial services trade chapter, negotiations are maturing

**Before it's too late...**



# Debt trajectories 2009-2013 - Baseline scenarios

Countries covered by the Dec. 09 Aaa Sovereign Monitor



# Which is really investment grade?

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Country	CDS	Rating
▶ ITALY	168	AA
▶ PORTUGAL	373	AA-
▶ IRELAND	407	A+
▶ BELGIUM	119	AA+
▶ <b>TURKEY</b>	<b>133</b>	<b>??</b>