

This issue

News&Events	P.1
Developments in the Markets	P.3
Main Legislative Amendments	P.4
Main Indicators	P.6

News& Events

Financial Literacy Program launched by the CMB



In September 2010, the Capital Markets Board of Turkey launched the Financial Literacy Program in order to help citizens to improve their understanding of financial products and concepts. The Financial Literacy Program consists of various activities focused on different target groups. In this context, the CMB

- organizes a series of detailed information days targeted for women. Delivered by the capital market experts, these information days introduce the women to basic financial concepts;

- organizes seminars for students to inform them about the financial concepts and the functions performed by the CMB, ISE etc;
- works in close collaboration with the Ministry of Education in order to integrate financial literacy education into the national school curriculum;
- prepares brochures, booklets;

Furthermore, a website (www.yatirimyapiyorum.gov.tr) was launched on 24 January 2011 to serve as a reference portal for financial issues.

IOSCO Meetings in Rio de Janeiro

The members of the Executive Committee-Technical Committee and Emerging Markets Committee Advisory Board (EMCAB) of IOSCO (International Organization of Securities commissions) met in Rio de Janeiro, Brazil on 27-28 January 2011.

EMCAB meeting chaired by Mr. Vedat AKGIRAY, Chairman of the Capital Markets Board and the Emerging Markets Committee and a number of decisions have been taken regarding the Committee's works in the future. During this meeting IOSCO's Strategic Direction has also been discussed in order to reach a consensus on the main topics.

The feedback of the EMCAB meeting was presented in the joint Executive Committee and Technical Committee meeting and expressed EMC views and ongoing works.

Licensing Examinations

As of September 2010, 32,858 licenses were given to successful candidates based on the results of 24 licensing examinations organized by the CMB. The general purpose of these licensing examinations is to determine the professional qualifications, capabilities, knowledge and experiences of the professionals working as specialists, managers, derivatives, instrument staff, real estate appraisers, residence appraisers, credit rating specialists, corporate governance rating specialists and independent auditors in capital markets.

IVth International Corporate Governance Summit

The prominent corporate governance event, IVth International Corporate Governance Summit was held in Istanbul, Turkey on 13 January 2011. This year's theme was on where the equilibrium forms for family businesses, public companies and where regulators stands in this equilibrium in post financial crisis environment. As for the public companies panel, compliance with corporate governance standards, relations with regulators, shareholders and other stakeholders were the topics of discussion. Bekir Sıtkı Şafak, Vice Chairman of the Capital Markets Board attended this panel where the discussions were mainly focused on the success and the efficiency of compulsory corporate governance practices, effects of the new legislation after the financial crisis and the future trends.

Developments in the Markets

Discount in ISE Listing Fees

In order to enhance existing efforts to stimulate public offerings and to encourage companies to reach a 25 % free float rate, the Istanbul Stock Exchange (ISE) has initiated a discount in listing fees. The discount that entered into force upon the approval of the CMB as of the end of 2010 will be applicable for companies whose shares start trading on the Exchange National Market or Second National Market until the end of 2012. In the scope of the discount companies that have a minimum 25 % free float rate or TL 100 million free float market capitalization will benefit a 25 % discount from first listing or registration fees.

ISE Automatic Circuit Breaker System

The ISE has introduced an automated circuit breaker system on 10 January 2011. The new system is meant to complement the enhanced surveillance in ISE markets as well as the new trading rules that entered into force in 2010 with the objective of preventing artificial price movements. The system will check price and quantity parameters for equity transactions based on historical data for related equities. Where any abnormal price or quantity movements are detected the system will generate an alert and suspend trading in the related equity for 15 minutes. If the abnormal price or quantity persists, the system will apply a second circuit breaker, effective until the end of the day. Furthermore, as a new precaution, the relevant stock will be subject to gross settlement on the following trading day. Gross settlement period is also parametrical, and is initially 15 days for all stocks. Any suspensions enacted by the circuit breaker system will be announced on the Public Disclosure Platform.

An Increase in Securities

The total value of securities registered by the CMB has increased by 49.20% compared to 2009, reaching 55,3 billion TL in 2010. In 2009, this value was determined to be 37 billion TL. 210 securities in total have been registered by the CMB in 2010.

The breakdown is as follows: 126 stocks, 38 mutual fund participation certificate, 13 pension funds participation certificate, 23 bonds, 4 commercial papers, 4 bank bills and 2 intermediary warrants.

In 2009, the total amount was announced to be 177.

Main Legislative Amendments

THE IMPACTS OF THE TURKISH COMMERCIAL CODE ON COMPANIES SUBJECT TO CAPITAL MARKET LAW

Turkish Commercial Code No. 6102, aiming to harmonize the Turkish Law with the European Union Law, (herein after TCC/Code) was promulgated in the Official Gazette dated 2/14/2011, consists of 1535 articles and 6 supplementary articles. TCC will enter into force on 7/1/2012 whereas some provisions of the Code will take effect as of 1/1/2013. In general sense, there are multiple areas that the Code brings substantial changes. Below, are some of the highlights that may be seen important for the companies subject to the Capital Market Law (herein after CML);

A. The New Framework Regarding Incorporation of The Joint Stock Companies Brings Along Advantages for The Companies Subject to CML. In this context, TCC has abandoned gradual incorporation process and introduced incorporation through public offerings. “Ultra vires principle” has been repealed and companies with single shareholder has been allowed. Furthermore, the Code sets forth new provisions regarding capital in kind, that may also affect real estate investment trusts.

B. TCC Adopted New Rules Regarding Joint Stock Companies’ Acquisition of Their Own Shares, to Bring in Line The Turkish Law With The European Union Law. Thus A Major Need of Investment Companies and Listed Companies has been Satisfied.

C. TCC Comprises New Regulations Regarding Group of Companies. The cross-shareholding has been described and financial assistance granted to third parties has been prohibited. The Code also introduces liability based on reliance for controlling companies.

D. TCC Sets Forth Detailed Provisions Regarding Mergers, Spin-Offs and Transformations, In Accordance with The European Union Law.

E. Corporate Governance Principles have been described in The Code. The Code is the only legislation where corporate governance principles are explicitly recognized and attributed a certain type of authority.

F. Essential Reforms and Developments Regarding Board of Directors have been introduced. In this context, for instance, single member board has been introduced; professionalism and specialization of directors is stipulated. Joint liability principle has been abandoned and proportional liability has been introduced. Business judgment rule and insurance that cover board members liability in connection with their duties on the board has also been introduced. Moreover, TCC allows online board meetings and regulates self dealing transactions in detail. The Code, urges, listed companies to constitute a committee for early detection and management of risks in order to set a crises precaution system.

G. Essential Reforms and Developments have been introduced Regarding General Shareholders’ Meetings. Higher quorums are required for fundamental corporate charter amendments. Provisions regarding the validity of the decisions taken at the general shareholders’ meetings have been amended to a large extent. Besides, online general shareholders’ meetings have been enabled.

H. Essential Reforms and Developments have been introduced Regarding Auditing. TCC abandons board of auditors and stipulates that the auditing function shall be carried out by independent auditors. The Code also introduces the “special purpose (ad-hoc) auditor” for auditing certain transactions such as incorporations, mergers, spin-offs and transformations, issuance of securities.

I. Shareholders’ Rights have been reinforced, Essential Reforms and Developments have been introduced. Shareholders’ rights such as; appraisal right, squeeze out right, right to claim cash payment and cash compensation in mergers and group of companies; right to request operational auditor; right to claim equal treatment under equal circumstances; right to file new types of suits have been regulated. Preferred shares have been restricted, the scope of shareholders’ inspection and informational rights have been expanded. Participation to general shareholders’ meetings have been redesigned; the requirement to deposit the shares for participation and voting in the general shareholders’ meetings has been repealed, a comprehensive regulation regarding proxy has been designed and 4 different types of proxy holders has been stipulated.

J. The Code Introduces A New Kind of Capital Increase Called Conditional Capital Increase.

K. Regulation Regarding The Assignment of Registered Shares has been loosened.

Amendments to the Communiqué on Licensing and Registration of Capital Market Professionals

The Communiqué Serial: VIII, No: 34 on the Licensing and Registration of Capital Market Professionals, was amended with a new Communiqué that entered into force on 29 January 2011. The Communiqué, which has been in force since 2001 obliges specialist personnel, auditors and managers to be licensed upon taking examinations suitable to their responsibilities according to their task. The amendment introduces some new features, clarifies the situation of capital market professionals that have not yet been licensed and sets transition periods where necessary.

First of all the amendment introduces an assistant post and thereby allows unlicensed assistant personnel to work with licensed personnel in tasks that normally require a license. The communiqué also requires a sufficient number of licensed personnel to be employed in departments where assistant personnel will work, the duration for the assistant post to be limited to a reasonable period and obliges assistant personnel to acquire a license in order to be promoted.

Furthermore with the amendment from 1 January 2011 on, candidates who take licensing tests will have to complete their exams in three years and receive their licenses. For candidates who have started taking tests before 1 January 2011 transition periods have been set depending on the beginning date of their exam-taking. Moreover, candidates who do not apply for their licenses within three years after qualifying will no longer lose the validity of their exams, instead they will be able to receive their licenses upon participation in renewal training within two years after qualifying.

For persons working without a license in capital market institutions in posts requiring licenses, the previous transition period has expired as of 17 December 2010. After that date it will no longer be possible for capital market institutions to employ unlicensed personnel for tasks requiring a license. However an exceptional transition period has been enacted for personnel who have been showing an effort to complete their licenses by taking licensing tests. Accordingly persons already employed by a capital market institution who have taken a minimum of one test in 2010, will be able to maintain their posts provided that they apply for the first three tests that will take place from 2011 onwards, until the date on which the results for the third of such exams are announced. If such persons fail to apply for one of these three tests, they will be required to leave their posts within three months following the expiration of the application period. Capital market institutions will be charged with monitoring the licensing situation of such personnel and for transferring them to tasks that do not require a license in case of failure to apply for or pass the relevant exams.

Finally a specification has been made in relation to the managers of portfolio management companies, entitling them to comparable rights as the managers of brokerage firms. Accordingly individuals who have worked for seven years in a field requiring licensing followed by three years as portfolio management company manager will be entitled to receive an Advanced Level Capital Market Activity License.

New Practice on the Material Event Disclosures of Unlisted Companies

A new method has been introduced for the public disclosure of publicly held companies which are not listed on ISE. Accordingly all material event notifications made by unlisted publicly held companies will be published on the CMB website instead of the CMB weekly bulletins. The new practice will enable immediate publication as well as searches according to relevant company, issue and date. In this context, all notifications made by unlisted companies, in the years 2008, 2009 and 2010, which were published on the CMB weekly bulletins have also been loaded to the website

Main Indicators

	December 2008	December 2009	October 2010
Number of ISE Companies	323	322	339
Market capitalization of ISE companies (Million \$)	119,698	235,996	350.184
Market capitalization as a % of GDP	16.15	38.21	51.82 **
Number of investors in ISE	989,853	1,000,261	1,025,175
Investors Deposit Balance (% of Total)			
-Foreign	67.5	67.3	68.1
-Domestic	32.5	32.7	31.9
Number of open mutual fund accounts	2,938,904	2,998,648	3,373.967
Number of pension funds participants	1,859,824	2,141,287	2,405.729
Intermediary Institutions	145	144	144
-Brokerage Firms	104	103	103
-Banks	41	41	41
Investment Funds NAV*	19,776	29.608	29.766
-Mutual Funds NAV (\$ Million)	15,768	19,921	21,075
-Pension Funds N AV (\$ Million)	3,973	6,126	8.162
-Foreign Funds NAV (\$ Million)	35	39	35
NAV of investment funds as a % of GDP	3.20	4.22	4.54*
Investment Trusts NAV (\$ Million)	364	479	522
Real Estate Investment Trusts NAV (\$ Million)	2,808	3,172	3,847
Venture Capital Investment Trusts NAV (\$ Million)	90	103	105
Total Investment Trusts NAV as a % of GDP	0.44	0.61	0.72**
Number of Portfolio Management Companies	23	23	25
Portfolio value of port. man. comp. (\$ Million)	20,213	26,694	31.202
Number Of Independent Auditing Companies	97	95	93
Number Of Real Estate Appraisal Firms	50	63	81
Number Of Rating Agencies	8	9	9

*NAV: Net Asset Value, ** GDP as of December 2009

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