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News& Events

Enhanced Cooperation and Collaboration between the Capital Markets Board of Turkey (CMB) and Securities and Exchange Commission (SEC)

The Capital Markets Board of Turkey and the Securities and Exchange Commission and the announced a new relationship to enhance cooperation and collaboration with the aim of promoting investor protection, fostering market integrity, and facilitating cross-border securities activities between Turkey and the United States. In light of the growing interest in the cross-border flow of financial services and investment between Turkey and the U.S., this bilateral regulatory dialogue will provide an opportunity for the CMB and the SEC to discuss issues of common concern, including those relating to supervisory and enforcement matters. The CMB-SEC regulatory dialogue has three main objectives;

- Identify and discuss regulatory issues of common concern.
- Improve cooperation and the exchange of information in cross-border securities enforcement matters.
- Maintain and continue to develop the existing jointly-sponsored training and technical assistance programs that benefit the SEC, CMB, and other regulators in the region.

The CMB and the SEC cooperation will significantly improve cooperation for regulatory and supervisory issues, address common concerns more effectively. Upgrading Turkish financial markets in an internationally collaborative way will contribute to the Istanbul Financial Center work plan as well. This initiative will facilitate the CMB's mission of investor protection, market integrity, and a regulatory environment that encourages capital formation.

Regulatory Dialogue reflects the long-standing tradition of bilateral technical assistance programs between the CMB and the SEC. In 2008, 2009, and 2010, the CMB co-sponsored three major regional training sessions in Turkey on market regulation, inspections, enforcement, and disclosure with more than 575 people trained, including financial services staff and officials from the Turkish market as well as other foreign authorities from the region. At these programs, CMB and SEC senior staff shared their insights on promoting timely and accurate disclosure and transparency as a tool for regulating capital markets.

COMCEC Conference to be held in İstanbul on 16-17 September 2011

“COMCEC Capital Markets Regulatory Authorities Conference and Roundtable” and *“OIC Capital Market Linkages and Technology Panel”* will be held at the Marmara Taksim Hotel in İstanbul on 16-17 September 2011. The Conference and Roundtable on 16 September 2011 will cover the current state of OIC Member States capital markets, global financial crisis and its impact on emerging markets, Capital Market Board of Turkey’s joint initiatives with the OECD at the Middle East North Africa, Eurasia regions. Furthermore, the Roundtable is planned to serve as a platform for the participants to explore a level playing field for cooperation and technical assistance areas between OIC Member State Capital Markets Regulatory Authorities. Moreover, in accordance with the calls of the 25th and 26th Sessions of the COMCEC, the issues for establishing a forum for Capital Markets Regulatory Authorities will be discussed.

OECD Launches a New Task Force of Middle East and North African Stock Exchanges for Corporate Governance

Within the context of the OECD Corporate Governance Committee’s work on improvement of corporate governance in the Middle East and North Africa region, the OECD launches a new *“Task Force of Middle East and North African Stock Exchanges for Corporate Governance”* initiative supported by the Capital Markets Board of Turkey (CMB) and the İstanbul Stock Exchange on 05 July 2011 in Paris. The rapid development of securities markets and the proliferation of corporate governance codes in the Middle East and North Africa region have led the way for establishment of this new Task Force. CMB supports this initiative on the basis of its relations with the regions’ authorities and its former cooperation with the OECD in the field of corporate governance. Considering recent developments and challenges facing the stock exchanges, highlighting relevant examples of exchanges’ contribution to better corporate governance of listed companies, handling questionnaire data and other insights from world exchanges, regulators and related international organizations will be evaluated by the new Task Force.

Main Legislative Amendments

Communiqué Serial: III, No: 46 Amending the Communiqué Serial: III, No: 38 on Principles Regarding the Asset Covered Securities (Date of Official Gazette: 20.7.2011)

An amendment was enacted in order to take some concrete measures to improve investor protection and to simplify the procedures for the issuers of asset covered securities. Main amendments are summarised below:

- ✓ This amendment enabled the factoring institutions to issue asset covered securities backed by factoring receivables as collateral.
- ✓ The Investors' Protection Fund is authorised for the management and liquidation of the cover asset pool when issuer become insolvent.
- ✓ In case of default of the issuer, an independent authority would be allowed to collect cash that derives from the pool on behalf of investors.
- ✓ Different minimum collateral requirements are defined based on collateral types.

Communiqué Serial: IV, No: 52 Amending the Communiqué Serial: IV, No: 41 on "Principles to be Followed by Firms under the Capital Markets Law" (Date of Official Gazette: 20.7.2011)

An amendment was enacted with the aim of decreasing cost of listed companies. The amendment repeals the independent expert report requirement for continuous and common transactions made with the related party. On the other hand, with this amendment, the management board are required to prepare a report indicating the terms of related party transactions and comparison of the terms of the transactions with those of any comparable transactions on an arm's length basis above a certain threshold. The management report on related party transactions must be included in the annual report of listed companies and available for shareholders examination 15 days before the annual meeting. The Management Board also informs shareholders about the report on the annual meeting. Furthermore, materiality threshold is lowered from 10% to 5% for the expert valuation report preparation requirement in case of a related party transaction.

Communiqué Serial: VI, No: 29 Amending the Communiqué Serial: VI, No: 11 on Principles Regarding Portfolio Management Activities and Portfolio Management Companies (Date of Official Gazette: 21.7.2011)

The amendment will enable portfolio management companies to engage in intermediation activities for the sale and purchase of mutual funds' units, on the condition that they obtain authorization from the Board. In case providing this service, portfolio management companies shall be subject to certain capital, organisational and conduct of business rules defined by the Communiqué. This amendment will enable portfolio management companies to market units of mutual funds which are managed by them or other companies. Implementation of the change will also allow investors to buy a variety of mutual funds of different founders from one central location in line with European practice. It is expected that the amendment will drive significant change, increasing both competition and efficiency in mutual fund market.

Communiqué Serial: VI, No: 29 Amending the Communiqué Serial: VI, No: 11 on Principles Regarding Real Estate Investment Companies (Date of Official Gazette: 28.7.2011)

The CMB is adopting the amendment to improve the periodic disclosure provided by real estate investment companies about their portfolios and performance. The amendments will require real estate investment companies to disclose all relevant information regarding their portfolio in their financial statements in accordance with the CMB Communiqué Serial: XI, No: 29 on Principles Regarding Financial Reporting in Capital Markets. The implementation of the amendment will start as of the financial reports dated September 30, 2011. By the amendment, additional rules are also adopted to strengthen the investor protection and improve transparency in real estate investment company market.

Main Indicators

	December 2009	December 2010	February 2011
Number of ISE Companies	322	344	349
Market capitalization of ISE companies (Million \$)	235,996	307,551	281,547
Market capitalization as a % of GDP	38.21	41.79	38.26
Number of investors in ISE	1,000,261	1,043,135	1,061,773
Investors Deposit Balance (% of Total)			
-Foreign	67.3	66.2	63.8
-Domestic	32.7	33.8	36.3
Number of open mutual fund accounts	2,998,648	3,248,601	3,446,512
Number of pension funds participants	2,141,287	2,460,096	2,515,359
Intermediary Institutions	144	144	143
-Brokerage Firms	103	103	103
-Banks	41	41	40
Investment Funds NAV*	26,086	29,477	37,726
-Mutual Funds NAV (\$ Million)	19,921	21,620	30,021
-Pension Funds N AV (\$ Million)	6,126	7,822	7,671
-Foreign Funds NAV (\$ Million)	39	35	34
NAV of investment funds as a % of GDP	4.22	4.00	5.12
Investment Trusts NAV (\$ Million)	479	488	463
Real Estate Investment Trusts NAV (\$ Million)	3,172	11,189	11,189
Venture Capital Investment Trusts NAV (\$ Million)	103	121	121
Total Investment Trusts NAV as a % of GDP	0.61	1.6	1.6
Number of Portfolio Management Companies	23	28	28
Portfolio value of port. man. comp. (\$ Million)	26,694	30,304	29,840
Number Of Independent Auditing Companies	95	92	92
Number Of Real Estate Appraisal Firms	63	82	84
Number Of Rating Agencies	9	9	9
*NAV: Net Asset Value, ** GDP as of December 2010 (735,828 \$ Million)			

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