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News& Events

Training seminar organized for the Algeria Capital Markets Authority (Commission d'Organisation et de Surveillance des Opérations de Bourse-COSOB)

Upon the request of the Algeria Capital Markets Authority (Commission d'Organisation et de Surveillance des Opérations de Bourse-COSOB), the Capital Markets Board of Turkey ("CMB") organized in cooperation with the Istanbul Stock Exchange, Central Registry Agency and Capital Markets Licensing, Registry and Education Institution a one-week training seminar on capital markets for the Algerian Delegation. The Algerian Delegation composed of the representatives of the Algeria Stock Exchange and Clearing Corporation was headed by Mr. Ismail Noureddine Chairman of the COSOB.

The general framework of the program included Turkish capital market structure and legal framework, capital market instruments and institutions, market surveillance and oversight, IPO process, dematerialization and clearing and settlement systems.

International Conference on "Reform and Regulation in Financial Markets" and "Corporate Governance, Innovation and Value Creation"

Recently the CMB is working vigorously on the organization of a series of international conferences titled ***"Reform and Regulation in Financial Markets"*** *and* "**Corporate Governance, Innovation and Value Creation**", an exploratory roundtable organized in partnership with the OECD on 31 January 2012 and 1 February 2012 in Istanbul. The events are scheduled as part of the CMB's 30th anniversary celebration and underline current global nature and interconnected state of today's financial markets. The conferences aim to provide a discussion platform for speakers and participants of selected capital market authorities, exchanges, academia and the central theme is exchanging views on current approaches and initiatives to financial market regulation namely for post financial crisis crucial topics such as regulation of credit rating agencies, OTC Derivatives, financial literacy, investor protection and systemic risk. The speakers from Brazil, China, India, Japan, Korea, Malaysia and OECD Member States will deal with the aforementioned issues with special attention to the emerging markets perspective.

Furthermore, due to the substantial and rapid changes in both financial and corporate sectors, the ability of corporate governance legal and regulatory framework for enterprises' access to finance, value creation and contribution to economic growth will be discussed extensively by internationally renowned and leading experts in the CMB-OECD joint exploratory roundtable. In particular, the meeting will address the process of value creation within the corporations, the role of corporate governance arrangements in providing right incentives and financial instruments to contribute to this process, how differences in ownership structures may call for differences in corporate governance arrangements among listed companies.

Please refer to the website below for draft agendas and logistic details of the conferences.

http://www.cmb.gov.tr/oecd2012/?yanmenuid=1

Main Legislative Amendments

Communiqué Serial: IV, No: 56 on Principles Regarding Determination and Application of Corporate Governance Principles (date of official gazette: 30.12.2011)

The CMB, authorized by Decree-Law No. 654 dated 11.10.2011 to determine and implement corporate governance principles in capital markets, published the Communiqué Serial: IV, No: 54 on Principles Regarding Determination and Application of Corporate Governance Principles on 11.10.2011. The Communiqué introduced the obligation for ISE National-30 Index companies (excluding banks) to comply with some of the corporate governance principles.
Due to the needs in the capital markets, the Communiqué Serial: IV, No: 56 on Principles Regarding Determination and Application of Corporate Governance Principles replacing the Communiqué Serial: IV, No: 54 was published on 30.12.2011.
With this new Communiqué the scope of application of the previous Communiqué which covered ISE National-30 Index companies (excluding banks) has been enlarged to include other companies traded on the Istanbul Stock Exchange. However, companies trading on Watch List Market and Developing Companies Market are exempted from mandatory implementation of Corporate Governance Principles.

Main requirements are summarised below:

- According to their systemic importance, companies are divided into 3 categories which are required to obey different level of mandatory rules. Under the Communiqué, Category 1 companies are required to comply with all mandatory Corporate Governance Principles while Category 2 and Category 3 companies may benefit from certain exemptions.
- Detailed provisions regarding the structure of the management board have been enacted. In this regard, number of independent directors should be defined in line with free float rate of the company and be at least one third of the Board. However, the general assembly of companies with high free float rate may limit the number of independent directors with half of the total number of board members. The criteria for independence and appointment procedure have also been redesigned. For Category 1 companies, the list of independent director candidates should be sent to the CMB prior to general assembly and if the CMB has negative opinion regarding any of the candidates, those candidates may be nominated as independent director at the general assembly.
- The decisions on major significant transactions (like the sale or purchase of material tangible assets, delisting decisions) should be submitted to shareholders for their approval before becoming effective. Moreover, approval of majority of the independent directors is required for these transactions before the general assembly. If these transactions fall under the category of related party transactions, the parties shall not vote in the relevant general assembly meeting.
- Number of committees that should be created in the management board has been increased. Nomination, remuneration, corporate governance, risk management (The Committee of Early Identification of Risks) and audit committees should normally be created within the management board. However, the functions assigned to three

committees (nomination, remuneration, risk management committees) may be performed by the corporate governance committee.

The provisions are valid for ISE Companies, excluding listed banks, from the date of publication of the new Communiqué on 30.12.2011. For listed banks, Communiqué will be effective on 30.12.2012.

The Communiqué Serial: VII, No: 42 Amending the Communiqué Serial: VII, No: 10 on Principles Regarding Investment Funds (Date of Official Gazette: 31.12.2011)

The lower limit with regard to monthly weighted average maturity of short term bonds and bills' funds is decreased from 45 days to 25 days

Furthermore, the definition of equity concentrated funds is added to the Communiqué. To be classified as equity concentrated fund, at least 75% of the funds' portfolios must be invested in stocks listed on Istanbul Stock Exchange (excluding closed-end investment companies) on a monthly weighted average basis.

The Draft Communiqué Amending the Communiqué Serial: V, No: 7 on Repurchase and Reverse Repurchase Agreements

The CMB has adopted a new Draft Communiqué on Repurchase and Reverse Repurchase Agreements and launched public consultation on the Draft. The aim of the Draft Communiqué is to increase effectiveness of the new ISE repo markets and to integrate repo and reverse repo transactions into Central Registry Agency (CRA) system within the project of Dematerialization of the Turkish Government Debt Securities.

With this draft Communiqué, external debt securities issued by Turkish Treasury and listed stocks on Istanbul Stock Exchange would be eligible securities for repo/reverse repo transactions in the market.

Main Indicators

	December 2010	September 2011	December 2011
Number of ISE Companies	344	361	366
Market capitalization of ISE companies (Million $)	307,551	291,179	225,691
Market capitalization as a % of GDP	41.79	39,57	30,67
Number of investors in ISE	1,043,135	1,092,791	1,097,037
Investors Deposit Balance (% of Total)			
-Foreign	66.2	62.2	61.9
-Domestic	33.8	37.8	38.1
Number of open mutual fund accounts	3,248,601	3,536.645	3,817,617
Number of pension funds participants	2,460,096	2,680.074	2,735,521
Intermediary Institutions	144	142	142
-Brokerage Firms	103	102	102
-Banks	41	40	40
Investment Funds NAV*	29,477	28.863	27,049
-Mutual Funds NAV ($ Million)	21,620	20,536	19,186
-Pension Funds N AV ($ Million)	7,822	8,291	7,832
-Foreign Funds NAV ($ Million)	35	36	31
NAV of investment funds as a % of GDP	4.00	3.9	3,6
Investment Trusts NAV ($ Million)	488	451	398
Real Estate Investment Trusts NAV ($ Million)	11,189	11,808	11,808
Venture Capital Investment Trusts NAV ($ Million)	121	119	119
Total Investment Trusts NAV as a % of GDP	1.6	1.68	1,67
Number of Portfolio Management Companies	28	29	31
Portfolio value of port. man. comp. ($ Million)	30,304	24.753	29,676
Number Of Independent Auditing Companies	92	93	93
Number Of Real Estate Appraisal Firms	82	96	98
Number Of Rating Agencies	9	9	9

*NAV: Net Asset Value, ** GDP as of December 2010 (735,828 $ Million)

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