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Main Legislative Developments

Voluntary Delisting Conditions

Voluntary delisting conditions in relation to shares admitted to trading on Istanbul Stock Exchange have been determined by the Board decision dated July 30, 2010. CMB clarified voluntary delisting procedure by this decision taking into consideration not only delisting requests received from the companies who have low free float rates, but also potential adverse effects of low free float rate on minority shareholders. Since delisting dramatically changes the investors' position, the procedure determined by the CMB imposes certain mechanisms aimed at minority investor protection.

Main principles of delisting procedure are given below:

- Delisting procedure shall be applied to companies, directly or indirectly, 95% or more of the capital and/or voting rights of which are owned by single person or parties acting together. On the other hand, delisting procedure shall not apply to collective investment companies.
- When the company is applied to the Stock Exchange for delisting, it shall also submit simultaneously a request to the Capital Markets Board to make mandatory offer.
- In order to protect minority shareholders in such circumstances, the price of mandatory offer must be no lower than the price resulting from the application of certain specified valuation methods,

After the end of mandatory offer, the company will be delisted. Sell-out right of shareholders may be exercised during the three years following delisting. Disclosure obligations of the companies requesting delisting have also been determined in detail to provide public with timely, accurate and complete information.

Please find the new Board decision [here](#) (available in Turkish only).

Voluntary delisting for companies 95% or more of the shares are owned by the same person(s)

All companies traded on the ISE will be classified into 3 groups (A, B or C).

New Trading Rules

CMB amended the Istanbul Stock Exchange (ISE) Stock Market trading rules with its decision dated July 23, 2010 (the "Decision"). The new rules are available [here](#) in Turkish. The Decision is based on detailed research and technical analysis completed in three months and aims at ensuring conditions that will prevent the formation of artificial prices and support efficient price discovery.

According to the Decision, all companies traded on the ISE will be classified into 3 groups (A, B or C). Some trading rules are differentiated based on this classification. For example, Group B and Group C companies cannot be subject to margin trading and short sale.

Draft: Amendment to the Communiqué Regarding the Transfer of Information, Documents and Explanations with Electronic Signature to the Public Disclosure Platform (KAP)

Find the draft [here](#) in Turkish.

The Decision defines;

- Group A listed companies as companies that are not listed under Group B or Group C.
- Group B companies as companies that meet following criteria (1) the value of the publicly traded shares is under 10 million TL and the number of shares in circulation is under 10 million or (2) the value of the publicly traded shares is under 45 million TL and percentage of actual shares in circulation is under 5%. Besides; an investment trust is classified as Group B company if its stock price is 1,5 times higher than its NAV per share.
- Group C companies as companies that meet following criteria: (1) companies traded in the Watch List Companies Market or (2) actual number of shares in circulation is under 10 million. Besides, an investment trust is classified as Group C company if its stock price is 2 times higher than its NAV per share (with an exception for investment trusts with a market maker).

Please find the CMB announcement [here](#) in Turkish.

Portfolio Management Regulations Amended

The Communiqué on Principles Regarding the Portfolio Management Activities and Portfolio Management Companies was amended in July 2010. Main changes in the Communiqué are as follows:

- *Market advisory services in the Emerging Companies Market:* The activities that portfolio management companies could provide are extended to cover "market advisory services" in Istanbul Stock Exchange Emerging Companies Market.
- *Definition of Venture Capital Investment Trusts as authorised institution:* The amendment enables venture capital investment trusts to provide portfolio management services to the venture capital investment trusts.
- *Credits used for transactions with custody banks:* Within the framework of the principles with regard to custody of managed individual portfolios, credits which are used from the custody institutions because of delivery versus payment system are classified separately from other credits.
- *Licensing Obligations:* Clarification has been provided on the expert person's license obligations. Besides, regarding the authorised institutions which provide venture capital portfolio management services, there is no license obligation for the managers and experts.

Please find the new regulation [here](#) (available in Turkish only).

Venture Capital Investment Trusts are allowed to provide portfolio management services

Amendments at Regulations of Venture Capital Investment Trusts

Venture Capital Investment Trusts (VCITs) are regulated in the CMB Communiqué Serial:VI, No:15 and defined as the companies invest in “ventures”. The term “venture” covers all companies which were or will be established in Turkey, have a potential to grow and need financial sources. This Communiqué was amended with the Communiqué Serial VI, No:28 (the “Amendment”) which was published in the Official Gazette on July 4, 2010.

The Amendment aimed at raising the shares of VCITs in ventures, enlargement of business areas of VCITs, encouragement of investments to small and medium sized enterprises, expediting the transfer of the sources to ventures and foreign investors and thus raising the competitiveness of VCITs against the venture capital investors unregistered with the CMB. The Amendment allows VCITs, among others;

- to invest to the private shares of ventures open to public up to a 25% limit,
- to invest to the domestic special purpose vehicles and make leveraged buy-out (LBO) transactions,
- to invest in foreign collective investment schemes up to a 30% limit,
- to provide portfolio management service for venture capital investments and act as a market advisor in Istanbul

Stock Exchange Emerging Companies Market.

A regulatory cap imposed for the management fees that would be paid by VCITs to their portfolio managers. According to the Amendment, management fees and commissions may not exceed 2% of the net asset value of the VCITs and the carried interest may not exceed 20% of the difference between the final value and the investment amount.

A 10% minimum free float requirement imposed for the VCITs with a share capital exceeding 20 million TL. VCITs with a share capital less than 20 million TL are subject to a 20% minimum limit.

Every VCIT shall have a “leading investor” which shall own at least 25% shares of the company and will not sell its shares until after two years following the company exceeds the minimum free float requirement.

Every VCIT shall have a “leading investor” which shall own at least 25% shares of the company. The Amendment bars the holders of the preferred shares and the shares representing the minimum number of shares of the “leading investors” to sell their shares until after two years following the company exceeds the minimum legal free float requirement.

The Amendment brings in new rules regarding the portfolio valuation, voting rights, guarantees, mortgages and the founding procedures.

Please find the new regulation [here](#) (available in Turkish only).

Trading Bans Removed

According to the Capital Markets Law (CML) Article 46/1/i, the CMB might ban persons from trading on the stock market when it decides that these persons committed the acts stated in the CML Article 47/1/A, such as insider trading and manipulation.

In its meeting dated 30 July, 2010, the CMB revised the rules regarding trading bans and removed the bans for all 153 natural and legal persons which banned from trading with former decisions of the Board. The decision will enter into force on 1 October, 2010.

New rules decreased the 2 year banning period to 6 months in the first commitment of the acts subject to the trading ban. The second act shall be subject to a ban up to 2 years. In the third act, the banning period shall be up to 5 years.

The court cases against the banned persons will continue.

VCITs:

-fees and commissions are limited by 2% of the NAV

- carried interest is limited by 20% of the profit.

News

ISE becomes a member of the federation of European Securities Exchanges (FESE)

- **The Istanbul Stock Exchange becomes a member of the Federation of European Securities Exchanges (FESE)**

- The General Assembly of FESE, held in Brussels, has approved the Istanbul Stock Exchange's (ISE) application for full membership. With the admission of the ISE, FESE represents 30 countries comprising of 46 Securities Exchanges (in equities, bonds, and derivatives), of which 21 are full members.

- **For more details:**

- <http://www.ise.org/announcements/newsdetail/10-06-24/.aspx>

MoU Signed with Azerbaijan

- **Bilateral Memorandum of Understanding Signed Between Capital Markets Board of Turkey and the State Committee for Securities of the Republic of Azerbaijan.**

- The MoU which aims to foster the cooperation and exchange of information between the authorities of the aforementioned two countries has been signed by Chairman Prof. Dr. A. Vedat AKGİRAY on behalf of the CMB and Chairman Mr. Rifat ASLANLI on behalf of the State Committee for Securities of the Republic of Azerbaijan.

- Additionally, Mr. Mehman Abbas, the Director of the State Committee for Securities of the Republic of Azerbaijan, Mr. Khayal Abidinov, the Chairman of the Baku Stock Exchange and Mr. Bahtiyar Azizov, the Chairman of the National Custody Center of Azerbaijan were present at the signing ceremony which was held in Ankara at CMB headquarters.

- In his speech at the signing ceremony, CMB Chairman Prof. Dr. Vedat AKGİRAY stated that CMB attaches importance to international relations and increases its efforts of cooperation between other countries. Besides, he stated that the MoU signed with Azerbaijan is the 26th one made for this purpose and the collaboration with the neighbour countries will continue in an increasing trend.

Events

"Regulating Markets Through Disclosure"

• **Offerings and Reporting: Regulating Markets Through Disclosure**
September 21-24, 2010
Istanbul, Turkey

• The Program is the third program in the series of conferences jointly organized by the Capital Markets Board of Turkey and the Securities and Exchange Commission. It is designed to be a forum for the exchange of best practices in the development and regulation of transparent capital markets presented through a series of lectures, roundtables and case studies. Senior experts will share their insights on promoting timely and accurate disclosure and transparency as a tool for regulating capital markets. The program will also explore responses to disclosure violations and fraud, provide observations comparing and contrasting approaches by regulatory systems around the world, and highlight international best practices.

• **Please find detailed information below:**

• <http://www.cmb.gov.tr/filesys/disclosure/?yanmenuid=1>

"IOSCO 2010 EMC Meeting & Conference"

• **IOSCO 2010 Emerging Market Committee Meeting & Conference**
October 13-15, 2010
Swissotel-the Bosphorus
Istanbul, Turkey

• The Program will be a series of events that consists of the EMC Committee meeting (Committee members only) and the EMC Conference. The Conference agenda includes;

- *The new global financial architecture along with the new measures taken on the financial crisis: Are securities regulators in Emerging Markets properly equipped to manage systemic risk?*
- *Corporate Bond Markets in the Emerging Markets: setting the scene for their development*
- *Implementation of IFRS in Emerging Markets, recent discussions and experiences*
- *Algorithmic and High-Frequency trading, and the challenges it poses to markets and regulators.*

• **Please find detailed information below:**

• http://www.cmb.gov.tr/filesys/EMC2010_Istanbul/?yanmenuid=1

"ISE 25th Anniversary Best Paper Competition"

• **ISE 25th Anniversary Best Paper COMPETITION**

• Istanbul Stock Exchange (ISE) in collaboration with Boğaziçi University will award best paper prizes to three outstanding research papers as ISE celebrates 25th anniversary of its establishment. Research papers focusing on securities/stocks exchanges are particularly welcome.

• **Deadline: August 22nd, 2010**

• **For more details:**

• <http://www.ise.org/announcements/newsdetail/10-07-27/-1647330288.aspx>

Main Indicators

	December 2008	December 2009	May 2010
Number of ISE Companies	317	315	322
Market capitalization of ISE companies (Million \$)	119,698	235,996	238,735
Market capitalization as a % of GDP	16.15	38.21	38,6**
Number of investors in ISE	989,853	1,000,261	1,029,971
Investors Deposit Balance (% of Total)			
-Foreign	67.5	67.3	65.2
-Domestic	32.5	32.7	34.8
Number of open mutual fund accounts	2,938,904	2,998,648	2,950,726
Number of pension funds participants	1,859,824	2,141,287	2,249,015
Intermediary Institutions	145	144	144
-Brokerage Firms	104	103	103
-Banks	41	41	41
Investment Funds NAV*	19,776	26,086	25,518
-Mutual Funds NAV (\$ Million)	15,768	19,921	19,031
-Pension Funds N AV (\$ Million)	3,973	6,126	6,451
-Foreign Funds NAV (\$ Million)	35	39	36
NAV of investment funds as a % of GDP	3.20	4.22	4.13**
Investment Trusts NAV (\$ Million)	364	479	443
Real Estate Investment Trusts NAV (\$ Million)	2,808	3,172	3,089
Venture Capital Investment Trusts NAV (\$ Million)	90	103	102
Total Investment Trusts NAV as a % of GDP	0.44	0.61	0,59**
Number of Portfolio Management Companies	23	23	23
Portfolio value of port. man. comp. (\$ Million)	20,213	26,694	25,447
Number Of Independent Auditing Companies	97	95	94
Number Of Real Estate Appraisal Firms	50	63	71
Number Of Rating Agencies	8	9	9

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