

**COMMUNIQUE ON THE PRINCIPLES REGARDING INVESTMENT
ADVISORY ACTIVITIES AND INSTITUTIONS WHICH ARE AUTHORIZED
TO PROVIDE INVESTMENT ADVISORY SERVICES**

(Published in the Official Gazette dated 22.04.2002 numbered 24734)

Overruled Communiqués:

(Communiqué Serial: V, No: 47 on Principles Regarding Investment Advisory Activities and Institutions Authorized to Provide Investment Advisory Services” has been overruled by the same named Communiqué Serial: V, No:55 given below)

SERIAL : V
NO : 55

SECTION ONE

Purpose, Scope, Legal Basis and Definitions

Purpose and Scope

ARTICLE 1 – The purpose of this Communiqué is to regulate the principles concerning investment advisory activities and institutions which are authorized to provide investment advisory services, and persons and/or institutions that are authorized to offer investment recommendations within the capital markets (via the media and/or via electronic means).

Legal Basis

ARTICLE 2 – This Communiqué has been issued pursuant to subparagraph (s) of the first paragraph of Article 22 and subparagraph (e) of the first paragraph of Article 30 and Articles 31, 32 and 34 of the Capital Market Law No: 2499.

Definitions

ARTICLE 3 – For the purposes of this communiqué, the following definitions shall apply:

Law : Capital Market Law No: 2499 dated 28/07/1981,

Board	:	Capital Markets Board
Stock Exchange	:	Exchanges and other organized markets, where capital market instruments are bought and sold.
Authorized Institutions	:	Brokerage houses, portfolio management companies and non-deposit banks that have obtained certificates of authorization from the Board in order to undertake investment advisory activities in accordance with Article 31 of the Law,
Capital Market Instruments	:	Securities and other capital market instruments defined in subparagraph (b) of paragraph one in Article 3 of the Law,
Media	:	Any written, audio and visual means of mass communications such as newspapers, magazines, television, radio and other periodicals.
Electronic Means	:	All computer based communication networks such as the Internet and electronic mail, including the Internet web sites of news and press agencies which provide news and flow of information on financial markets and telephone, fax etc.

SECTION TWO

Investment Advisory Activity and Exemptions

Investment Advisory Activities

ARTICLE 4 – "Investment advisory activity" refers to the activity of making influential investment recommendations and written and/or verbal comments to the clients about capital market instruments, and about companies and institutions which issue these financial instruments and also about other subjects that are related to capital market in order to acquire a material benefit.

Institutions Authorized to Undertake Investment Advisory Activities

ARTICLE 5- The activity of Investment advice regulated by this Communiqué can only be offered by institutions which have obtained their certificate of authorization from the Board by fulfilling the requirements in this Communiqué and the Law.

Other Activities that can be conducted by Institutions that are Authorized to Undertake Investment Advisory Activities

ARTICLE 6- Authorized institutions may also undertake the following activities:

a) Prepare investment plans, by taking into account the short and long term financial objectives of persons or companies' (as a client) as well as any risk preferences and/or needs for cash and any tax requirements.

b) Giving written or verbal comments and/or recommendations about balance sheets of companies, analysing the balance sheet of companies within the context of asset-liability management, separating sources of income, determining the financial alternatives and improving the financial profile of the firm by defining and reducing its risks or by increasing its income.

c) Giving written or verbal comments and recommendations on issues pertaining to the financing of a company in both the domestic and foreign markets, defining alternative financial strategies, hedging financial risks and trying to bring together the parties who demand and supply financial sources .

d) Giving written or verbal comments and recommendations on issues regarding mergers and acquisitions, stock allocation, take-overs, establishment of joint ventures and about the restructuring process. Also giving written or verbal comments or recommendations on any changes regarding the capital and ownership structure and liquidation process of the company.

Activities not falling under the scope of Investment Advisory Activity

ARTICLE 7- The following leading activities and transactions shall not be considered investment advisory activity, if the comments and recommendations offered are objective, fair, unbiased, accurate and are not tailored towards the individual needs of a particular individual client, or groups of clients or if they are not geared towards the fulfilment of the needs of a particular portfolio and provided that they do not either directly or indirectly receive any material compensation.

a) During the conduct of a particular act, profession or business, giving written or verbal comments and recommendations on

issues related to the services of that activity, profession or business which are solely incidental and which only involve particular exceptional cases.

b) In providing intermediation services for secondary trading, giving written or verbal comments and recommendations to the customers about the capital market instruments, institutions and companies issuing these instruments, market tendencies and other subjects related to capital markets.

In order to give comments and recommendations in accordance with Article 18 of this Communiqué, in the course of intermediation in secondary trading, brokerage firms must take into consideration the risk and return preferences, investment purposes and financial status of the customer/s as stated in the standard forms designed under the know your customer rule in the regulations regarding intermediary activities and intermediary institutions. Also customers, who want to benefit from comments and recommendations made in accordance with Article 18, are required to complete and sign the forms prepared by intermediary institutions under the know your customer rule in the regulations of the Board on intermediary activities and intermediary institutions.

In the implementation of this Communiqué comments and recommendations shall be deemed to be leading,, if they involve encouragement for the purchase or sale of particular securities or affect the customers' investment decisions in any other way.

SECTION THREE

Authorization for Operation and Principles

Conditions for Operation

ARTICLE 8- Institutions authorized to undertake investment advisory activities are required to maintain a sufficient location, technical hardware and organization and must recruit an adequate number of investment advisors for the investment advisory and research departments.

Investment Advisors

ARTICLE 9- Those who are to be appointed as investment advisors in authorized institutions should be university graduates and should have the necessary license in accordance with the relevant regulations of the Board regarding licensing.

Application and Authorization for Operation

ARTICLE 10- In order to undertake investment advisory activity, brokerage houses, portfolio management companies and non-deposit banks

must apply to the Board for permission in accordance with the principles stated in the regulations regarding intermediary activities and intermediary institutions.

Principles Regarding Investment Advisory Activities

ARTICLE 11- In carrying out investment advisory activities, authorized institutions;

a) Shall not offer suggestions or recommendations based on misleading, false and exaggerated information,

b) Shall provide investment advices based on reliable documentation, supportive reports and analysis,

c) Shall give recommendations to customers by considering their financial status, investment purposes, liquidity and risk and return preferences so as to enable them to make the most appropriate investment decisions,

d) Shall not make any written or verbal commitment to the customers implying that given investment advise will provide a certain and determined return,

e) Shall primarily consider the benefits of clients in a direct or indirect conflict of interest with their clients, and treat their customers fairly in case of a conflict of interest that cannot be prevented among clients,

f) Shall not use the results of the researches which are to be announced to the clients in written, audio and visual formats and which can effect the investment decisions of the clients for their own benefit or for the benefit of third parties before announcing to the clients.

Investment Advisory Agreement

ARTICLE 12- Before concluding a contract of engagement on investment advisory with the clients according to the regulations of Board regarding intermediary activities and intermediary institutions, authorized institutions should present to the clients the advertising form which contains the following information:

a) Principles regarding investment advisory stated in this Communiqué,

b) Sources of information, investment strategies and analysis methods used in providing information and advices to be presented to the clients in the context of investment advisory,

c) The principles regarding the forms of presentation of the information and recommendations to the clients (written, oral, daily, weekly, monthly, etc),

d) Potential conflicts of interest.

In case the investment advisor stated in the contract of engagement concluded with the customer leaves his/her position or is replaced, the authorized institution shall immediately inform its clients about this situation. If the client does not approve of the new appointed investment advisor, he/she may terminate the agreement unilaterally.

Principle of Professional Proficiency

ARTICLE 13- Authorized institutions should require professional proficiency from their investment advisors. Professional proficiency implies the sufficiency of education at the undergraduate and graduate levels and of professional experience in order to carry out investment advisory activity.

Authorized institutions shall offer high-quality investment advisory activity and should be fully aware of the fact that their clients expect to be offered investment advice in the best possible manner. With this purpose, they shall be responsible for providing prospects to improve the professional education prospects of the investment advisors they employ.

Principle of Independence

ARTICLE 14- Authorized institutions and investment advisors shall carry out their investment advisory activities in an independent manner. Independence is a combination of both the understanding and attitudes that will provide a fair and unbiased exercise of the profession. Besides investment advisors being individually fair and objective in carrying out their investment advisory activity, they should also avoid special situations that impair their independence.

Investment advisors shall avoid any conflicts of interest that may arise in their profession and any intervention that may affect their independence and fairness.

Professional Care and Diligence

ARTICLE 15- Investment advisors shall demonstrate professional care and due diligence in their decision making and studies. Professional care and diligence implies the importance given to details, attention paid and efforts demonstrated by a careful and prudent investment advisor under the same conditions.

The minimal level of the required professional care and diligence is the full-compliance with the principles regarding to investment advisory in this Communiqué and the investment advisory agreement.

Maintenance of Confidentiality

ARTICLE 16- Authorized institutions, investment advisors and those who provide external services for the authorized institutions may neither

disclose confidential information they have learned about investment advisory activity during the performance of their duties, nor they can use such confidential information for their own benefit or for the benefit of third parties.

Public announcements and notices made with the objective of public disclosure within the framework of legislation, information given about any administrative examination and investigation and criminal cases on the condition that they rely on the official documents furnished by the persons and institutions that are authorized and appointed in accordance with legislation or jurisdiction, shall not be within the scope of confidentiality.

SECTION FOUR

Principles Regarding Influenced Comments and Advise

Leading Comments and Recommendations Offered Via the Media and Electronic Means

ARTICLE 17-Comments and suggestions provided in the media and by electronic means, including comments and recommendations provided by authorized institutions engaged in press and publish shall not be regarded as investment advisory activity, on the condition that they fulfil the conditions stated in Article 7.

Principles Regarding Leading Comments and Recommendations

ARTICLE 18-Persons and organizations engaged in providing leading investment comments and recommendations on the capital market instruments, companies and institutions which issue these instruments and other subjects related to the capital markets, including in the media and by electronic means, are required to abide by the following principles.

a) Preparation of comments and recommendations with due diligence and objectivity.

b) Avoiding expressions that are misleading and deceptive, and that exploit the inexperience and ignorance of the public .

c) Avoiding expressions that are subjective and exaggerated such as “the most secure”, “the best” and “the most trustworthy”.

d) Supporting investment comments and recommendations by reliable documents, reports and analyses.

e) In providing comments and analysis regarding public offering of any capital market instruments, in order to inform the investors accurately and completely, using the information disclosed in the prospectus and

circular if they are already published, otherwise stating that related prospectus and circular that includes detailed information about public offering will be published.

f) Avoiding making any promises and/or commitments implying a certain predetermined return.

g) Avoiding the dissemination of any misleading, false, deceptive and baseless information news or comments on subjects under the jurisdiction of the Board that have been or are yet to be resolved.

h) Compliance with the Law on the Establishment and Broadcasting of Radio and Televisions No: 3984 in providing comments and recommendations.

Informing Obligation on Leading Comments and Recommendations

ARTICLE 19- Comments and recommendations made in accordance with the Article 18 of this Communiqué should include the following matters:

a) The name and/or the commercial title of the party it was prepared by,

b) Data and sources used,

c) The analysis method used and the assumptions of the method,

d) Abbreviations, formulas, terms, explanations on related subjects if any, to make the public understand the entire information,

e) Total value of any benefit obtained by persons or institutions that prepare and/or publish the provided comments and recommendations if any, in case there is any other benefit obtained by them in favour of themselves and/or third parties other than the regular payment in return for these publish services,

f) Information on any direct or indirect relation in terms of management or capital between the person who prepared the comments and recommendations and the issuer of the capital market instrument which is the subject of comments.

Principles Regarding Displaying the Disclaimer

ARTICLE 20- Leading comments and recommendations should include the disclaimer attached in Annex 1 of this Communiqué, in accordance with the following principles.

a) Comments and recommendations published in newspapers, magazines and other periodicals, within the context of the definition of media stated in Article 3; a highlighted disclaimer should be included at the end of the text in which the advice has been provided, provided that style and size of the fonts should be the same as the comments and recommendations,

b) Comments and recommendations provided by the means of computer based communication networks within the context of the definition of electronic means stated in Article 3; a highlighted disclaimer should be displayed before displaying the page of the comments and recommendations, provided that style and size of the fonts should be the same as the comments and recommendations,

c) Comments and recommendations provided by any audio and visual means of mass communications such as radio and television within the context of the definition of electronic means stated in Article 3; the disclaimer should be read in the beginning and end of the radio program once and it should be displayed for 30 seconds in the beginning and the end of the television programs, covering the whole screen to be easily read, and during the television program it should be displayed in a flowing band twice in a way that won't make the reading difficult.

SECTION FIVE

Final Provisions

Overruled Provisions

ARTICLE 21- Communiqué Serial: V, No:47 on Principles Regarding Investment Advisory Activities and Institutions Authorized to Provide Investment Advisory Services" published in the Official Gazette dated 07 September 2000 No: 24163 has been overruled.

Entry into Force

ARTICLE 22- This communiqué will enter into force on the day of its publication.

Execution

ARTICLE 23- The Capital Market Board executes the provisions of this Communiqué.

ANNEX 1

The Disclaimer Displayed In Accordance With “Communiqué Serial: V, No: 55 on Principles Regarding Investment Advisory Activity and The Authorised Institutions Undertaking This Activity” of the Capital Markets Board

“Investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided in accordance with a contract of engagement on investment advisory concluded between brokerage houses, portfolio management companies, non-deposit banks and clients. Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.”