

## COMMUNIQUE ON DEBT SECURITIES

(II-31.1)

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### PART ONE

#### Purpose, Scope, Legal Basis, Definitions and Abbreviations

##### Purpose and scope

**ARTICLE 1** – (1) The purpose of this Communiqué is to set down the principles to be followed in the issuance of debt securities and to determine the qualities of the debt securities to be issued.

##### Legal basis

**ARTICLE 2**– (1) This Communiqué is prepared in reliance upon Article 31 and subparagraph (e) of the first paragraph of Article 128 and the third paragraph of Article 130 of the Capital Markets Law dated 6 December 2012 and numbered 6362.

##### Definitions and abbreviations

**ARTICLE 3** – (1) For the purpose of this Communiqué, following definitions and abbreviations shall apply:

- a) Bank: Banks defined in the Banking Law dated 19 October 2005 and numbered 5411,
- b) Bill: Debt security issued by issuers as an obligor in accordance with the provisions of this Communiqué and which undertakes the repayment of its nominal value to the investor on maturity date, and maturity term of which is not less than 30 days and more than 364 days,
- c) Debt securities: Bonds, convertible bonds, exchangeable bonds, bills, precious metal bills and securities which are deemed as debt securities by the Board within the framework of Article 34 of this Communiqué, which are issued by issuers as an obligor in accordance with the provisions of this Communiqué, ç) Exchange: Exchange defined in subparagraph (ç) of the first paragraph of Article 3 of the Law,
- d) Exchangeable bond (EB): Debt security which grants the right to exchange with the shares of other corporations whose shares are traded on the exchange,
- e) Credit rating agency: Credit rating agencies established in Turkey and authorized by the Board for operating rating activities in accordance with the regulations of the Board regarding the rating activities in capital markets and credit rating agencies, and international credit rating agencies authorized by the Board for operating rating activities in Turkey,
- f) Issue: The issue of debt securities by issuers and the sale of them through or without public offering;

g) Issuer: Legal entities, who issue debt securities, or who file an application to the Board for issuance or whose debt securities are offered to public,

ğ) Public Disclosure Platform (KAP): The electronic system through which the information required to be publicly disclosed according to the applicable legislation is transmitted and disclosed to public with electronic signature h) Law: Capital Markets Law dated 6 December 2012 and numbered 6362,

i) Precious metal bills: Debt security, which is issued in a certain amount in type of precious metal by the intermediary institutions which are the members of the exchanges on which precious metals are traded and, which undertakes the repayment of its nominal value to the investor on maturity date, and maturity term of which is not less than 30 days and more than 364 days,

i) Board: Capital Markets Board,

j) CRA: Central Registry Agency,

k) Corporation: Joint stock corporation,

l) Convertible bond(CB): Debt security which grants the right to convert into issuer's shares either by capital increase of the issuer or by procurement of issuer shares within the principles set down in the prospectus or issue document,

m) Bond: Debt security issued by issuers as an obligor in accordance with the provisions of this Communiqué, and which undertakes the repayment of its nominal value to the investor on maturity date, and maturity term of which is 365 days or longer,

n) CBRT: Central Bank of the Republic of Turkey,

o) TCC: Turkish Commercial Code dated 13 January 2011 and numbered 6102,

ö) TTRG: Turkish Trade Registry Gazette,

p) Authorized institution: Investment institutions authorized by the Board for rendering investment services and activities set forth in this Communiqué in accordance with Article 37 of the Law.

## **PART TWO**

### **General Principles**

#### **Issue of debt securities**

**ARTICLE 4** - (1) Debt securities may be issued to be sold through or without public offering.. Sales without public offering may be in the form of private placement or sales to qualified investors. (2) Debt securities to be issued may be sold in tenors with different conditions up to the issue ceiling approved by the Board, provided to be within the issue limits calculated according to Article 9 of the Communiqué. In respect of domestic and cross border issues, different issue ceilings shall be obtained from the Board. In implementation of this provision;

a) In domestic issues, issue ceiling shall be determined over Turkish Lira.

b) In cross border issues, issue ceiling shall be determined over either Turkish Lira or foreign currency. In cases where the sales to be fulfilled within one-year term are determined over a currency different than the currency of the issue ceiling, tenor issue document shall be drawn up over the currency that the sale shall be fulfilled with. In determination as to whether the sale amount of the issues to be fulfilled are within issue ceiling limit, following principles shall apply:

1) In cases where the issue ceiling is granted over Turkish Lira and the tenor issue document is granted over foreign currency, sale amount shall be converted into Turkish Lira over the TRCB's selling rate of exchange effective on the business day before the date of application to the Board for approval of the relevant tenor issue document.

2) In cases where the issue ceiling is granted over foreign currency and the tenor issue document is granted over Turkish Lira, sale amount shall be converted into the related foreign currency over the TRCB's selling rate of exchange effective on the business day before the date of application to the Board for approval of the relevant tenor issue document.

3) In cases where the issue ceiling is granted over foreign currency and the tenor issue document is granted over a different foreign currency, sale amount shall be converted into the foreign currency of the issue ceiling over the TRCB's cross foreign exchange rate effective on the business day one day before the date of application to the Board for approval of the relevant tenor issue document.. If there is no available cross foreign exchange rate disclosed by TRCB, TRCB's selling rate of exchange effective on the relevant date shall be used in calculation.

(3) For debt securities issued through public offering, if the sale is receded or debt securities offered can not be sold partially or fully, then these debt securities may be offered for sale again over the related issue ceiling approved by the Board. In respect of these debt securities;

a) If they are to be offered for sale with the same issue conditions, a public disclosure shall be made at PDP before the issuance. In this case, it is not required to amend the prospectus which was previously approved by the Board, without prejudice to the provisions of Article 8 of the Law.

b) If they are to be offered for sale by changing the issue conditions such as interest, maturity or type, it is required to apply to the Board for approval of the prospectus before issuance.

(4) Additional sale may be fulfilled within the issue ceiling, provided that it is stated in the prospectus and the additional sale amount does not exceed fifty percent of the total amount offered for sale. However it is mandatory to set forth the total amount of the debt securities to be issued including the additional sale in the prospectus.

(5) Transfer may be made subject to demand among the debt securities with different type, interest rate and/or maturity offered for sale within the same tenor.

(6) Debt securities to be offered to public shall be listed and traded on exchange, and an application shall be filed to exchange for this purpose.

(7) The Board may require the issuer to ensure that its payment obligations relating to debt securities are secured by a bank or a third party legal entity residing in Turkey, or the sale is made only to qualified investors.

(8) Issuer which has an issue ceiling approved by the Board and is still in effect, may apply to the Board for the approval of a new issue ceiling. In this case all debt securities, the sale of which has not been fulfilled yet within the previous issue ceiling, shall be cancelled upon the request of the issuer.

(9) It is mandatory to prepare the prospectus to be used in debt securities issuance in the form of more than one document. Regarding the references made in this Communiqué with respect to the prospectus, the proceeding shall be made on the relevant document by considering that the prospectus has been prepared in the form of more than one document.

(10) In applications made to the Board for issue of debt securities by non-public corporations, ninety five percent or more of whose share capital are owned by the Treasury Undersecretariat, exemption from liabilities set forth in this Communiqué may be provided upon request of the issuer, either in part or in whole, except for the banks.

(11) Special provisions in respect of investment corporations and portfolio management corporations are reserved. **Resolution of authorized body**

**MADDE 5-** (1) It is mandatory that the general assembly takes a resolution for issue of the debt securities. Unless higher quorums are foreseen by clearly indicating a ratio in their articles of association, public corporations shall be subject to the provisions of Article 418 of the TCC and non-public corporations shall be subject to the provisions of the third and fourth paragraphs of Article 421 of the TCC, in respect of the meeting and decision quorums of general assembly.

(2) Issue authority for debt securities may be transferred to the board of directors as per the articles of association for all issuers, in accordance with Article 31 of the Law. In this case, it shall be clearly stated in the relevant article of the articles of association that the board of directors has the issue authority for debt securities.

(3) Within the framework of Article 505 of the TCC, general assembly may delegate its authority to issue debt securities to the board of directors for maximum fifteen months. It shall be clearly stated in the general assembly resolution to be taken in this respect that issue authority has been delegated to the board of directors. Even if no reference has been made to TCC in the general assembly resolution to be taken, authorization delegated to the board of directors shall be interpreted within the scope of this paragraph.

(4) In issues fulfilled within the framework of second and third paragraphs of this article, board of directors shall be deemed the authorized body.

(5) Following provisions shall apply in respect of the resolution of authorized body:

a) It is mandatory for the resolution of authorized body to be taken as per the first and second paragraphs of this article to set forth the minimum information as to the maximum amount of the debt securities planned to be issued and whether the sale shall be through or without public offering.

b) It is mandatory for the resolution of board of directors to be taken as per the third paragraph of this article to set forth the minimum information as to all provisions and conditions relevant to the debt securities planned to be issued as per Article 504 of the TCC.

c) In cases where reference is made to provisions of TCC in the general assembly resolution to be taken within the scope of the first paragraph of this article, it is mandatory to set forth all provisions and conditions on the debt securities planned to be issued as per Article 504 of the TCC.

(6) Other bodies, units or persons of the issuer may be delegated by the authorized body for the purpose to fulfill the issue and to determine the conditions other than those stated in the resolution of authorized body related to issuance. Delegations of authority within the scope of this paragraph shall not revoke the liability of the authorized body.

### **Application to the Board and required documents**

**ARTICLE 6-** (1) Board application shall be made with the documents in Annex/1 for domestic issue of the debt securities and with the documents in Annex/2 for cross border issue of the debt securities.

(2) It is mandatory to apply to the Board at the latest within one year as of the date of the resolution of authorized body.

(3) In public offerings to be held during the validity of the prospectus, Board application for approval shall be made with the documents in Annex/3 at least five business days before the date on which the sale of each tenor has been planned.

(4) In issuance of the debt securities without public offering domestically, issuers shall fulfill the sale transaction by filing an application to CRA before the sale of each tenor within the issue ceiling provided by the Board, following the issue document approved by the Board is granted to issuer, without requirement of any other proceedings within the Board. In respect of the cross border issues, issuers shall apply to the Board for approval of the tenor issue document before each sale, following the issue document approved by the Board is granted to issuer.

### **Credit rating**

**MADDE 7-** (1) In case credit rating has been made for the debt securities to be issued, the rating institution granted the credit rating shall revise the information which is the basis of the rating note at least one time a year during the maturity and shall revise it regularly in cases where rating shall be updated within the framework of the regulations of the Board on rating activities and rating institutions in capital markets.

### **Registered issue of debt securities and obligation of notification to CRA**

**MADDE 8-** Debt securities to be issued domestically are required to be issued on dematerialization basis via CRA in electronic media, and the rights relating thereto are required to be followed up on the basis of beneficiaries.

(2) Debt securities to be issued at abroad are required to be issued on dematerialization basis via CRA in electronic media, and the rights relating thereto are required to be followed up. Debt securities to

be issued at abroad may be collectively held without opening of an account in CRA in the name of beneficiary, depending on the kind of issuer or CRA member.

(3) The Board may, upon demand of issuer, grant an exemption to the obligation of dematerialized issue via CRA of the debt securities to be issued at abroad.

(4) In the event that debt securities are not issued on dematerialization basis via CRA pursuant to the third paragraph of this article, with regard to the debt securities to be issued at abroad, information relating to amount of issue, date of issue, ISIN code, maturity starting date, maturity, interest rate, custodian, currency of issue, and country shall be reported to CRA within 3 business days following the date of issue. In the case of a change in such information reported to CRA including early redemption of debt securities, CRA shall be informed about such change within 3 business days following the date of change.

### **Issue Limit**

**ARTICLE 9-** (1) In calculation of the issue limit with respect to debt securities, annual financial statements of the latest financial year in accordance with the Board regulations concerning the financial statements and reporting of the corporations whose capital market instruments are traded on a stock exchange and which have undergone independent audit shall be taken as basis. With regard to the applications submitted after the end of the fourth month following the end of the financial year, it is mandatory that the annual financial statements of the latest financial year are taken as basis in calculation of the issue limit. However, in case that the latest annual financial statements of the issuer are disclosed to public within such four-month-term, these financial statements shall be taken as basis in calculation of the issue limit. In cases where issuers have both consolidated and separate financial statements, consolidated financial statements shall be taken as basis in calculation of issue limit.

(2) In calculation of issue limit based on interim financial statements instead of annual financial statements, following principles shall apply:

a) Upon request of the issuer, in respect of calculation of issue limit, it is possible that the latest interim financial statements are taken as basis which are prepared and disclosed in accordance with the Board regulations concerning the financial statements and reporting of the corporations whose capital market instruments are traded on a stock exchange, instead of annual financial statements. In order for the relevant interim financial statements to be taken as basis in calculation of issue limit, they shall be examined in the scope of special independent audit.

b) In respect of the issuers who are obliged to prepare and disclose interim financial statements on PDP in accordance with the Board's regulations, in cases where issue limit calculated as per the interim financial statements published on the nearest date to the date of Board application is lower than the issue limit calculated as per the annual financial statements, such interim financial statements shall be taken as basis in calculation of the limit. The same principle applies for the issuers who are obliged to prepare interim financial statements in accordance with their private legislation. In cases where issue limit calculated as per the interim financial statements as a result of dividend payment or similar transactions is lower than the issue limit calculated as per the annual financial statements, annual

financial statements may be taken as basis in calculation of limit upon request of the issuer and conditional on assent of the Board.

(3) Issue limit, on the basis of financial statements set forth in first and second paragraphs of this article, shall be calculated as follows:

a) Issue limit of public corporations shall not exceed the five times of the equity. In case the corporation prepares consolidated financial statements, equity of the parent corporation shall be taken into consideration.

b) Issue limit of non-public corporations shall not exceed three times of the equity. In case the corporation prepares consolidated financial statements, equity of the parent corporation shall be taken into consideration.

c) Issue limits to be calculated within the framework of subparagraphs (a) and (b) of this paragraph shall be increased in the rate of hundred percent for the banks and financial institutions defined in Banking Law dated 19/10/2005 and numbered 5411 and for the companies defined in Financial Leasing, Factoring and Financing Companies Law dated 21/11/2012 and numbered 6361 which have a long term rating subject to request corresponding to the highest three investment-grade levels.

ç) Additional issue limit may be granted, provided that fifty percent of the issue limit calculated according to the principles in subparagraphs (a), (b) and (c) of this paragraph is not exceeded, upon request of issuer and approval of the Board, to be applied in cross border issues of the banks and financial institutions defined in Banking Law numbered 5411 and companies defined in the Law numbered 6361.

d) In addition to the principles set forth within the framework of the subparagraphs (a), (b), (c) and (ç) of this paragraph, nominal amount of the outstanding debt securities of the issuer along with the amount sale of which has not been fulfilled yet within the issue ceiling shall be taken into consideration as a discount item in calculation of issue limit, including the cross border issues. Discount amount with respect to the cross border issues fulfilled over foreign currency shall be calculated over the TRCB's selling rate of exchange effective on the date of the Board application regarding the requested issue ceiling.

(4) In case that half or more of the total of the capital and legal reserves are uncovered within the framework of Article 376 of the TCC in financial statements to be taken as basis in calculation of issue limit, debt securities to be issued shall not be sold through public offering or private placement in the country.

(5) In cases where, the issue limits determined by relevant public institutions for issuers who are subject to supervision and surveillance of another public institutions according to their special legislations;

a) Are higher than the issue limits to be calculated within the framework of the provisions of this Communiqué, provisions of this Communiqué shall be taken as basis in determination of the issue limits;

b) Are lower than the issue limits to be calculated within the framework of the provisions of this Communiqué, issuer shall be liable for compliance with the issue limits determined by the relevant public institutions. In this case, the issue ceiling granted by the Board shall be notified to the relevant public institutions.

(6) Issue limits stated in the legislation shall not apply on issues including a guarantee by the Treasury.

(7) Provided that the provisions of the Cabinet Decree on Public Economic Enterprises dated 8/6/1984 and numbered 233 are reserved and the limits in Article 51 of the Law on Special Provincial Directorate dated 22/2/2005 and numbered 5302 and in Article 68 of the Municipal Law dated 3/7/2005 and numbered 5393 are excluded, issue limits set forth in other laws shall not apply.

(8) In respect of debt securities to be issued in order to be sold abroad with the purpose to ensure the financing or re-financing of the relevant project or business by the attendant corporations established for fulfillment of the investment and services within the scope of the Law on Procurement of Some Investment and Services within the framework of the Build-Operate-Transfer Model dated 8/6/1994 and numbered 3996, provisions of this Communiqué regarding issue limits shall not apply. Detailed information as to where the source obtained from the issue of debt securities shall be used by such issuers shall be submitted to the Board within the application documents.

(9) Issue limits with respect to domestic non-corporate issuers which are not set forth in this article and with respect to the issuers residing abroad shall be determined by the Board.

(10) In case where rating note of the issuer falls below the note stated in subparagraph (c) of the third paragraph of this article, the issuer shall notify this to the Board with the purpose the issue ceiling be updated. In this case, new issue of debt securities shall be fulfilled according to the updated issue ceiling.

(11) Board's regulations on investment companies are reserved in respect of calculation of issue limit.

#### **Designation of the sale period and the term commencement date**

**ARTICLE 10-** (1) In respect of the designation of the sale period for the debt securities to be issued, it is required to comply with the relevant Board regulations.

(2) The first date the debt securities are transferred to investor accounts shall be deemed as the term commencement date.

(3) It is mandatory for the issuers to take necessary measures to prevent investors who have demanded in exchange for cash for investing on the debt securities, from losing any possible profit which may be procured between the date of demand and the term commencement date.

#### **Secondary market transactions**

**ARTICLE 11-** (1) Sale and purchase in or outside the exchange of the debt securities which are admitted to trading on the exchange is possible within the framework of the exchange regulations.

(2) Daily disclose to public the amounts of the transactions of debt securities which are admitted to trading on the exchange fulfilled by the authorized institutions outside the exchange through CRA or a data broadcasting institution or institutions to be determined by the CRA, is mandatory.



(3) It is mandatory for the authorized institutions to publish on their websites up-to-date transaction prices fulfilled in respect of the debt securities which are not admitted to trading on exchange. Daily disclose to public the amounts of the transactions of such debt securities fulfilled by the authorized institutions through CRA or a data broadcasting institution or institutions to be determined by the CRA, is mandatory.

#### **Board fee**

**ARTICLE 12-** (1) Following rates shall apply on calculation of the Board fee over the issue value, provided that it is not lower than the nominal value, if any, of the debt securities to be sold:

- a) Five per ten thousand for those whose maturity term is up to 179 days,
- b) Seven per ten thousand for those whose maturity term is between 180 days and 364 days,
- c) One per thousand for those whose maturity term is between 365 days and 730 days,
- ç) Two per thousand for those whose maturity term is longer than 730 days.

(2) In calculation of Board fee for the issuers except;

- a) Banks and financial institutions defined in the Law numbered 5411,
- b) Companies defined in the Law numbered 6361,
- c) Issuers residing abroad

Seventy five percent of the rates stated in the first paragraph of this article shall be taken as basis. One year shall be applied as 365 days in calculation of the fees.

(3) Fee with respect to the debt securities to be issued domestically shall be deposited in order to be registered as revenue in Board's budget, following the delivery to the issuer of the prospectus or the issue document and before the transfer of the debt securities to the issuer pooling accounts within the framework of the principles designated by CRA. Information that the Board fee has been deposited shall be notified by CRA to the Board in writing within five business days following each month.

(4) As for the debt securities to be issued abroad, the fee shall be deposited before the delivery to the issuer the tenor issue document to be drawn up before each issue within the issue ceiling given by the Board. In case the tenor issue document has been drawn up over foreign currency, the amount which shall constitute the basis of the calculation of the Board fee shall be designated on its consideration of Turkish currency to be calculated over TRCB's selling rate of exchange effective on the business day before the date of application to be made to the Board for approval of the tenor issue document.

(5) In case the cross border issue is to be made over a currency other than the currency of the issue ceiling, relevant currency shall be converted to the currency of the issue ceiling over TRCB's selling rate of exchange effective on the business day before the date of application and then provisions of paragraph four of this article shall apply on calculation of the Board fee.

#### **Other matters**

**ARTICLE 13-** (1) Relevant regulations of the Board shall be complied in respect of the matters as to the content, preparation, approval, disclosure, registration and announcement of prospectus and issue document, financial statements to be disclosed in the prospectus, amendments in the prospectus and announcement and advertisement to be made by the issuers, designation of the principles of issue and sale of the debt securities and liabilities of the issuers on financial reporting, independent audit and public disclosure and in other matters not set forth in this Communiqué.

### **PART THREE**

#### **Principles on Bonds**

##### **General Principles**

**ARTICLE 14-** (1) Principles regarding interest rate to be paid for bonds and payment conditions shall be designated by issuers provided that these are clearly stated in the issue documents.

(2) Issuers may issue bonds bearing variable interest rate. It is mandatory before Board application to detect necessary components to be taken as basis on interest rate of the issue and amendment shall not be made on such components until the end of maturity, legal requirements and actual impossibilities being kept reserved.

(3) Bonds may be sold on a discount base, with premium and/or with coupon payment.

(4) Principal of the bonds may be paid at once on the maturity date or in installments within the maturity term.

(5) Bonds to be issued by the banks may be offered for sale during the maturity term of these bonds. Furthermore, bonds issued by the banks may be purchased in the secondary market, with the condition that they shall be sold again in a way not to cause early redemption by the banks who have issued them.

##### **Early Redemption of bond**

**ARTICLE 15-** (1) Bonds may be early redeemed wholly or partially subject to the request of the issuer. Redemption plan of the bonds to be offered to public shall be published in the web site of the issuer.

a) In case that the bonds are subject to early redemption as a result of the issuer's request, issuer shall make a disclosure on KAP at least fifteen days before the redemption date and such disclosure shall be published on the web site of the issuer. Starting time of the early redemption, number of days determined to be not less than ten business days that early redemption request can be made, places where redemption shall take place and payment principles and other matters as to the redemption shall be set forth in this disclosure.

b) Bonds issued as being early redeemable subject to the request of the investors shall contain the undertaking that the amount of bond payment shall be paid over the price to be designated in accordance with the principles set forth in the issue documents, on one or more of the interest payment dates set forth in redemption plan of the issuer. Investors who want to use their right of early redemption shall notify this to issuer at the earliest sixty days and at the latest thirty days before the dates stated in the prospectus relating to the bonds' issue. It is mandatory to make such notification

via authorized institutions. Issuer shall take necessary measures to provide such notification be made quite easily.

(2) It is mandatory that the amounts of the bonds subject to early redemption are paid to investors latest on the third business day as of the starting date of early redemption. Disclosures made by the issuer with respect to early redemption shall also be notified to CRA.

### **Dividend distribution to bonds**

**ARTICLE 16–** (1) Issuers may pay dividend to bonds, provided that there is provision in their articles of association or special legislations, if any.

(2) Issuers may choose one of the following principles in designation of the dividend to be paid to bonds:

- a) Payment of dividend to bonds in addition to payment of interest,
- b) Payment of just the interest in case the dividend amounts to less than the interest; payment of just the dividend in case the dividend is equal to or larger than the interest,
- c) Payment of dividend for the bond without stipulating any interest.

(3) Dividend share to be paid to the bonds in respect of the publicly held corporations shall not reduce the dividend amount for shareholders designated in articles of association.

(4) Dividend to be paid to bonds shall be distributed following the issuer's general assembly approval on the annual financial statements prepared within the framework of the regulations of the Board on financial statement and reporting in respect of the corporations the capital market instruments of which are admitted to trading on exchange and on the resolution regarding dividend distribution.

(5) Dividend to be paid to bonds bearing the same conditions, shall be distributed to all of the existing bonds as of the date of distribution, regardless of the issue and maturity dates thereof.

## **PART FOUR**

### **Principles on Convertible Bonds**

#### **General principles**

**ARTICLE 17–** (1) Maturity of CB shall not be less than 365 days.

(2) Conversion of the CBs into shares may be fulfilled at the earliest 365 days after as of the maturity commencement date.

(3) Conversion of the CBs into share shall be fulfilled over the nominal value of the CB. Conversion of the CBs into share may be fulfilled with the addition of interest amount to be paid on CB conversion date to the nominal value of CB, provided that is stated in the prospectus or issue document. Interest accrued until the day of conversion shall be paid to CB owners in cash.

(4) All of the conversion expenses shall be borne by the corporation.

(5) In case that the CBs will be sold through public offering, it is mandatory that the shares of the issuer trade on the exchange and the issuer is in registered capital system and the board of directors of the corporation shall be granted authorization in accordance with the articles of association in respect of limitation of the rights of share owners on purchasing new share.

(6) Shares of the public corporations which have been issued in order to be converted by CB and which represent their capital increase, shall be allocated to the owners of CB with priority regardless of any privileges, including the right to purchase new share provided to the shareholders in accordance with article 461 of the TCC.

(7) Despite the liabilities have been fully fulfilled by the corporation, conversion right of the CB owners who have not exercised their conversion right in accordance with the principles set forth in this Communiqué abates and CB owners in that situation take their principal and accrued interests.

### **Conversion price and rate**

**ARTICLE 18–** (1) Conversion price is the price to be taken as basis for the shares to be granted to CB owners in consideration for the bonds they own.

(2) Conversion rate indicates the number/amount of share to be granted in consideration of the nominal value of the CB at the time of conversion. Report on conversion rate in respect of the CBs to be offered to public shall be prepared by the authorized institution at the stage of sending the prospectus or the issue document with respect to CBs' Board approval.

(3) In case that the conversion rate has fractions, the share amount corresponding to fractions over the sum at the time of conversion shall be paid to CB owner in cash and in advance. Conversion price shall be taken as basis in this calculation.

(4) In case that the CBs to be issued by the corporations the shares of which are traded on exchange are sold without public offer, principles of price determination on capital increases fulfilled without public offering by the corporations the shares of which are traded on exchange shall be taken into consideration in the implementation of conversion price.

(5) Conversion proceedings with respect to issued CBs shall not be fulfilled in a way to cause loss of right and benefit of the corporation and existing shareholders thereof.

(6) In case that proceedings that may affect the share price such as capital increase , dividend payment and similar other proceedings take place within the term of CBs, the adjusted prices shall be taken as basis in determination of the conversion rate. Recalculated conversion rate shall be disclosed by the corporation on KAP. The prospectus is not required to be amended in this case.

### **Redemption of CB**

**ARTICLE 19-** (1) CBs may be redeemed by conversion into shares on the date of or before maturity, provided that the relevant provisions of the Communiqué are reserved.

(2) It is possible that CBs are converted into shares before the maturity date, being subject to;

a) A redemption plan,

b) Request of the corporation,

c) Request of the CB owner

(3) Conversion of the CBs shall be fulfilled by capital increase. Public corporations may also fulfill the capital increase on a contingent base within the framework of the principles set forth in the relevant Board regulations. Provisions in Article 21 and 22 of this Communiqué in respect of fulfillment of conversion without capital increase are reserved. Provisions of TCC shall apply with respect to the contingent capital increase to be fulfilled by non-public corporations for the reason of CB issue.

### **Conversion subject to redemption plan**

**ARTICLE 20–** (1) In case that the CBs are converted into shares in installments, it is mandatory to designate the final installment in a way to coincide with the maturity date of CB.

(2) In respect of conversion subject to redemption plan, it is possible to fulfill capital increase either with or without bookbuilding, within the framework of the following principles:

a) Corporation shall offer shares to CB owners in order to be converted, without bookbuilding, by fulfilling a capital increase in an amount to be granted in consideration of the CB amount. Owners of the CBs to be redeemed shall exercise their right within the term of conversion, in a way to convert their CBs into shares or take back their principals together with their interest accrued. The will of the CB owners who have not applied to the corporation with the demand of conversion within the term of conversion to be determined not to exceed ten business days is considered as a will for payment of CB amounts in cash and these amounts shall be transferred by the corporation to the accounts of CB owners at the end of conversion term of the CBs. At the end of conversion term, shares which have remained unsold due to the CBs which have not been converted into shares, shall be cancelled.

b) Subject to bookbuilding, corporation shall make material event disclosure on KAP at least fifteen days in advance from the commencement of the bookbuilding period for conversion for the exercise of the right to convert the BCSs into shares. In the material event disclosure, dates of bookbuilding, application places and other matters with respect to conversion shall be stated. Bookbuilding period shall not exceed ten business days. Corporation shall fulfill a capital increase in an amount representing the share number required to be granted in consideration of CB amount and offer these shares to CB owners who have demanded, in order to be converted. All rights of the CB owners who have not filed a demand within the term of bookbuilding for conversion shall proceed.

(3) It is mandatory that bookbuilding procedure and notifications with respect to the CBs to be converted are executed through authorized institution. Corporation shall be liable for full and duly fulfillment of the conversion proceedings in accordance with the redemption plan.

### **Conversion subject to request of the corporation**

**ARTICLE 21–** (1) CBs may be converted into shares in full or in part before maturity subject to the request of the corporation.

(2) In order to exercise the right to convert CBs into shares, material event disclosure shall be made on KAP by the corporation at least fifteen days before the commencement date of period of bookbuilding in respect of conversion. In the material event disclosure, dates of bookbuilding for conversion,

application places and payment to be made to CB owners who have not accepted corporation's call on conversion and other matters with respect to conversion shall be stated. Period of bookbuilding for conversion shall not exceed ten business days.

(3) The will of the CB owners who have not filed demand within the period of bookbuilding shall be deemed as a will for payment of CB amounts in cash and these amounts shall be transferred by the corporation to the accounts of CB owners at the date of conversion of the CBs.

(4) In case that the rate of the number of shares to be granted to CB owners who have filed demand for the exercise of conversion right to the total number of shares is less than five percent, corporations may not increase capital. Corporation shall be liable for the full and duly fulfillment of conversion proceedings.

(5) It is mandatory that bookbuilding and notification proceedings with respect to the CBs to be converted are made through authorized institution. Corporation shall take necessary measures to provide such notification be made quite easily.

#### **Conversion subject to request of CB owner**

**ARTICLE 22**– (1) CBs may be converted into shares in full or in part before maturity subject to the request of the CB owner.

(2) CB owners who want to exercise their conversion right shall make a notification to the corporation at the earliest one month in advance from the dates stated at the time of the issue of CBs. It is mandatory that such notification is made through authorized institution. Corporation shall take necessary measures to provide such notification be made quite easily.

(3) In case that the rate of the number of shares to be granted according to the filed demands regarding conversion to the total number of shares is less than five percent, publicly held issuers may not increase capital. Corporation shall be liable for the full and duly fulfillment of conversion proceedings.

#### **Other provisions**

**ARTICLE 23**– (1) In respect of the matters which have not been regulated in this part with regard to CBs, regulations regarding bonds set forth in part three of this Communiqué shall apply, to the extent they are applicable by nature.

(2) In capital increases to be made in order to convert the CBs into shares, it is not obligatory to comply with the mandatory provision of the Board regulating the terms with regard to commencement and completion of the private placement and the requirement to fulfill the private placement of share at the relevant market of the exchange.

(3) It is possible to use reconciliation methods different than the principles set forth in this Communiqué on the date of redemption, provided that it is stated in the prospectus or issue document, it does not cause inequality among the CB owners and it is assented by the Board.

### **PART FIVE**

#### **Principles Regarding Exchangeable Bonds**

## **General principles**

**ARTICLE 24–** (1) Maturity term of EB shall not be less than 365 days.

(2) Exchange of EBs with shares may take place at the earliest 365 days after as of the maturity commencement date.

(3) Exchange of EBs with shares shall be fulfilled over the nominal value. Interests accrued until the exchange day shall be paid to the EB owners in cash.

(4) All expenses relevant to exchange shall be borne by the issuer.

(5) Despite the liabilities have been fully fulfilled by the corporation, exchange rights of the EB owners who have not exercised their right to exchange expires and EB owners in that situation take their principal and accrued interests.

## **Price and rate of exchange**

**ARTICLE 25–** (1) Exchange price is the price to be taken as basis in respect of the shares to be granted to the EB owners in consideration of the bonds they own.

(2) Exchange rate indicates the number of shares to be granted in consideration of the nominal value of the EB at the time of exchange. Report on exchange rate in respect of the EBs to be offered to public shall be prepared by the authorized institution at the stage of sending the prospectus or the issue document with respect to Ebs' Board approval.

(3) In case that the EBs to be issued by the corporations the shares of which trade on exchange are sold through private sale, principles of price determination on the capital increase to be fulfilled without public offer by the corporations the shares of which are admitted to the trading on exchange shall apply in respect of determination of exchange price on the exchange date.

(4) Exchange proceedings with respect to issued EBs shall not be fulfilled in a way to cause loss of right and benefit of the issuer and existing shareholders.

(5) In case that proceedings that may affect the share price such as capital increase , dividend payment and similar other proceedings take place within the term of EBs, the adjusted prices shall be taken as basis in determination of the exchange rate. Recalculated exchange rate shall be disclosed by the issuer on KAP. The prospectus is not required to be amended in this case.

## **Redemption of EB**

**ARTICLE 26-** (1) EBs may be redeemed by way of being exchanged with shares on the date of or before maturity, provided that the relevant provisions of the Communiqué are reserved.

(2) It is possible that the EBs are exchanged with shares before the maturity date, being subject to;

- a) A redemption plan,
- b) Request of the issuer,
- c) Request of the EB owner

It is possible to use reconciliation methods different than the principles set forth in this Communiqué on the date of redemption, provided that it is stated in the prospectus or issue document, it does not cause inequality among the EB owners and it is assented by the Board.

#### **Exchange subject to redemption plan**

**ARTICLE 27–** (1) In case that the EBs are exchanged with shares in installments, it is mandatory to designate the final installment in a way to coincide with the maturity date of CB.

(2) Issuer shall make material event disclosure on KAP at least fifteen days in advance from the commencement of the bookbuilding period for exchange, for the exercise of the rights to exchange EBs with shares. Dates of bookbuilding for exchange, application places and other matters with respect to exchange shall be stated in the public disclosure of material event. Bookbuilding period for exchange shall not exceed ten business days. EB owners shall exercise their rights within the period of exchange, in order to exchange their EBs with shares and take back their principal together with the interest accrued. Issuer shall submit shares to EB owners who have had filed demand for exchange in amount required to be granted in consideration of amount of EB to be exchanged.

(3) It is mandatory that bookbuilding and notification proceedings with respect to the EBs to be exchanged are made through authorized institution.

(4) All rights of the EB owners who have not filed demand within the period of bookbuilding for exchange shall proceed.

(5) Issuer shall be liable for full and duly fulfillment of the exchange proceedings in accordance with the redemption plan.

#### **Exchange subject to the request of the issuer**

**ARTICLE 28–** (1) EBs may be exchanged with shares in full or in part subject to the request of the issuer.

(2) In order to exercise the right to exchange EBs with shares, material event disclosure shall be made on KAP by the issuer at least fifteen days before the commencement date of period of bookbuilding in respect of exchange. In the material event disclosure, dates of bookbuilding for exchange, application places and payment to be made to the EB owners who have not accepted issuer's call on exchange and other matters with respect to exchange shall be stated. Period of bookbuilding for exchange shall not exceed ten business days.

(3) The will of the EB owners who have not have filed demand within the period of bookbuilding shall be deemed as a will for payment of principal and accrued interest of EB's in cash and these amounts shall be transferred by the issuer to the accounts of EB owners at the date of exchange. Issuer shall be liable for full and duly fulfillment of exchange proceedings.



(4) It is mandatory that book building and notification proceedings with respect to the EBs to be exchanged are made through authorized institution. Issuer shall take necessary measures to provide such notification be made quite easily.

#### **Exchange subject to request of EB owner**

**ARTICLE 29–** (1) EBs may be exchanged with shares in full or in part subject to the request of the EB owner.

(2) EB owners who want to exercise their exchange right shall make a notification to the issuer at the earliest one month in advance from the dates stated in the prospectus relating to issue of EBs. It is mandatory that such notification is made through authorized institution. Issuer shall take necessary measures to provide such notification be made quite easily. Issuer shall be liable for full and duly fulfillment of exchange proceedings.

#### **Other Provisions**

**ARTICLE 30–** (1) In respect of the matters which have not been regulated in this part with regard to EBs, regulations regarding bonds set forth in part three of this Communiqué shall apply, to the extent they are applicable by nature.

## **PART SIX**

### **Bills and precious metal bills**

#### **Bills**

**ARTICLE 31–** (1) Bills shall be sold over the price discounted on the discount rate in accordance with the maturity term designated by the issuer. Issue of bills with coupon payment is possible.

(2) Bills to be issued by the banks may be offered for sale during the maturity term of these bills. Furthermore, bills issued by the banks may be purchased in the secondary market, with the condition that they shall be sold again by the banks which have issued these bills in a way not to cause early redemption.

#### **Precious metal bills**

**ARTICLE 32–** (1) Sale amount of the precious metal bills shall be collected in Turkish Lira, foreign exchange or by means of precious metal.

(2) Payments with respect to precious metal bills shall be made by the authorized institution by taking the weighted average price of the precious metal on the payment date formed on the exchange stipulated at the time of issue in Turkish Lira or in foreign currency, over the selling rate of exchange announced by the TRCB on the payment date, or by means of precious metal in case that physical delivery is stipulated at the time of the issue.

#### **Other Provisions**

**ARTICLE 33–** (1) Principles on redemption, early redemption and method on determination of interest regulated in part three of this Communiqué in respect of the bonds, shall apply for precious metal bills and bills by analogy, to the extent they are applicable by nature.

## **PART SEVEN**

### **Final and Transitional Provisions**

#### **Assessment of applications on approval of other debt securities by the Board**

**ARTICLE 34–** (1) Applications for approval of the prospectus or issue document of the securities which, neither listed in this Communiqué, nor set forth within the other regulations of the Board and which may be acknowledged by the Board as debt securities due to its nature, shall be assessed in accordance with the implementation of the provisions of this Communiqué.

(2) Debt securities, among the capital market instruments acknowledged as debt securities due to its nature, which do not contain the undertaking that the amount paid by the investor shall be fully repaid, shall not be offered to public domestically or be sold through private placement. In determination as to whether the amount paid by the investor has been fully repaid, the timing of the repayment either within the maturity term or at the end of the maturity term shall not be taken into consideration.

#### **Annulled regulations**

**ARTICLE 35 –** (1) Communiqué on Principles of Board Registration and Sale of the Debt Securities (Serial: II, No: 22) published in the Official Gazette dated 21/01/2009 and numbered 27117 have been abrogated. References made in other regulations of the Board to the Communiqué on Principles of Board Registration and Sale of the Debt Securities (Serial: II, No: 22) shall be deemed made to this Communiqué.

#### **Assessment of the current applications**

**TRANSITIONAL ARTICLE 1 –** (1) Applications which have not been resolved by the Board as of the date on which this Communiqué has entered into effect, shall be assessed in accordance with the provisions of this Communiqué.

(2) In respect of the calculation of the fee to be deposited to the Board over the issue values of the debt securities with relation to the applications which have been resolved by the Board before the enforcement date of this Communiqué however the sale of which have not been finalized as at the date of the enforcement, the legislation in force as at the date on which application has been resolved shall be taken as basis.

#### **Mandatory notification to CRA**

**TRANSITIONAL ARTICLE 2–** (1) Issuers shall provide information to the CRA in respect of the debt securities which have been issued abroad within the scope of the fourth paragraph of Article 8 of this Communiqué and which are still outstanding, within one month as of the enforcement date of this Communiqué.

**Enforcement**

**ARTICLE 36** – (1) This Communiqué shall enter into force one month after the date of its publication.

**Execution**

**ARTICLE 37** – (1) The provisions of this Communiqué shall be executed by the Board.

## ANNEX/1

### DOCUMENTS REQUIRED FOR APPROVAL OF THE PROSPECTUS AND ISSUE DOCUMENTS WITH RESPECT TO DEBT SECURITIES (\*<sup>1</sup>)

1. Introductory information on the issuer,
2. Combined version of articles of association consisting of all amendments in force, signed by the authorized representatives of the issuer,
3. Notarized copy of the resolution of general assembly of shareholders according to which issue of debt securities has been approved or of the board of directors resolution, if authorization to issue debt certificate has been granted by articles of association,
4. Opinion letter as to whether any matter which may obstruct the issue exists, taken from the relevant public institutions before the Board application by the issuers, which are subject to supervision and surveillance of public institutions in accordance with their special legislations and/or in case that decision or approval of other authorities is required for issue of debt certificate as per the relevant legislation, document on such decision or approval; if not required, issuer's declaration thereon.
5. Financial advisor report on detection of the paid-in capital and TTRG on registration of the existing share capital,
6. In case that the debt securities have been guaranteed for payments such as principal, interest i.e., the letter of the guarantor addressed to the Board and the issuer, and the notarized copy of the resolution of the relevant authorized body of the legal entity which has granted the guarantee,
7. Intermediation contract with regard to the issues to be offered to public,
8. In respect of the issues to be made through public offering, up-to-date declarations of the members of board of directors and executive staff of the issuer, stating as to whether any ongoing penal prosecution conducted and/or conviction exists in respect of the relevant persons under capital markets legislation, Banking Law dated 19 October 2005 and numbered 5411 and/or, even if the durations indicated in Article 53 of the Turkish Criminal Code dated 26 September 2004 and numbered 5237 have elapsed, as to whether such persons have been sentenced to prison for five years or more due to a crime committed on purpose or sentenced for crimes of embezzlement, extortion, bribery, theft, fraud, forgery, abuse of confidence, fraudulent bankruptcy, rigging an auction, deletion or alteration of data, abuse of bank or credit cards, smuggling, tax evasion or unjustified benefit, and as to whether any legal dispute and/or final judgment exists to which he/she is party, with respect to the corporation's business.

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<sup>1</sup> (\*) In case that the information and documents set forth in Annex/1 and Annex/2 have been announced on KAP and the issuer has declared that such information and documents are up-to-date, it is not required to send them to the Board in writing.

9. Ground for the issue of debt securities and the field to use the fund to be procured from the issue,
10. In respect of the issues to be made through public offering, letter of the bank notifying the Board that a private account has been opened for depositing of the debt securities amounts,
11. Signature circulars of the issuer and of the authorized institution if any, approved by the notary public.
12. For the issues to be made through public offering; financial statements to be announced in the prospectus and the interim financial statements nearest to the application date,
13. For the issues to be made through public offering, the prospectus prepared within the framework of the Board's regulations; for the issues to be made without public offering, the issue document,
14. Rating report relating to the issuer in case that it is requested to benefit from the limit increases in accordance with the provisions of the Communiqué, and rating report relating to the debt securities to be sold, if any,
15. For the issues to be made without public offer; financial statements which will be used to determine issue limit of debt securities,
16. Including the cross border issues, information on nominal values of the outstanding debt securities and the sale of which has not realized within the issue ceiling,
17. In respect of the precious metal bills, document certifying that the intermediary institution of precious metal is a member of the exchange on which the precious metal is admitted to the trading,
18. Report on determination of the rates for conversion and exchange in respect of CB and EB issues,
19. In respect of the issuers who are not members of CRA, document certifying that the membership has been completed,
20. Documents confirming the information provided if deemed necessary by the Board and other documents that may be requested by the Board.

## **ANNEX/2**

### **DOCUMENTS REQUIRED FOR DEBT SECURITIES TO BE SOLD ABROAD (\*)**

1. Introductory information on the issuer,
2. Combined version of articles of association consisting of all amendments in force, signed by the authorized representatives of the issuer,
3. Notarized copy of the resolution of general assembly of shareholders according to which issue of debt securities has been approved or of the board of directors resolution, if authorization to issue debt certificate has been granted by articles of association,
4. Opinion letter as to whether any matter which may obstruct the issue exists, taken from the relevant public institutions before the Board application by the issuers, which are subject to supervision and surveillance of public institutions in accordance with their special legislations and/or in case that decision or approval of other authorities is required for issue of debt certificate as per the relevant legislation, document on such decision or approval; if not required, issuer's declaration thereon.
5. Financial advisor report on detection of the paid-in capital and TTRG on registration of the existing share capital,
6. Ground for the issue of debt securities and the field to use the fund to be procured from the issue,
7. Signature circulars of the issuers and of the authorized institution if any, approved by the notary public.
8. Financial statements which constitutes the basis for the determination of issue limit of the debt security,
9. Information on the sale and guarantee principles, if any, of the debt securities,
10. Issue documents prepared within the framework of the Board regulations,
11. Rating report relating to the issuer in case that it is requested to benefit from the limit increases in accordance with the provisions of the Communiqué, and rating report relating to the debt securities to be sold, if any,
12. Documents confirming the information provided if deemed necessary by the Board and other documents that may be requested by the Board.

### **ANNEX/3**

#### **INFORMATION AND DOCUMENTS TO BE SUBMITTED TO THE BOARD BEFORE EACH ISSUE WITHIN THE VALIDITY PERIOD OF THE PROSPECTUS**

1. Public offering program circular or capital market instruments note and summary prepared within the framework of Board regulations,
2. In case that amendment is required on matters stated in the registration document or base prospectus, the texts consisting amendment on this matter; if amendment is not required declaration of the issuer thereon,
3. A copy of the intermediation contract for public offer signed with the authorized institution which will execute the sale (In case that the intermediation contract sent to the Board before is still in force and no amendment has been made in this contract, it is not required to send this contract again. Declaration of the issuer is satisfactory in this case.),
4. Documents confirming the information provided if deemed necessary by the Board and other documents that may be requested by the Board.