



**CMB Chairman  
A.Vedat Akgiray  
was elected as the  
Chairman of the  
IOSCO Emerging  
Markets  
Committee  
(see p.5)**

**Toward further  
development of  
capital markets:**

- New capital market instruments
- Simplified procedure
- Prospectus standards in line with EU legislation

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## Main Legislative Developments

### Legislation on Securities Issue

CMB has recently taken several initiatives in order to increase the availability and attractiveness of capital markets for the financing needs of firms and to provide new investment instruments for investors. In this context, several Communiqués were approved recently (Communiqué on Intermediary Institution Warrants – July 2009, Communiqué on Asset Covered Securities – September 2009, Communiqué on Rent Certificates and Asset Renting Companies – April 2010).

In addition to these Communiqués, amendments were also made to secondary legislation in order to facilitate the issuing process. First in March 2010 the Communiqué on the Sale and Registration of Bonds with the Board was amended in order to provide more flexibility to issuers on corporate bond issues. The amendment enables all bond issue applications with different interest rate and maturity profiles that will take place during one year to be registered by the CMB at once, issuers can then decide whether or when they will sell the bonds, taking into account market conditions and their financial situation. Furthermore the definition of qualified investor was added to the Communiqué and issuers were exempted from the prospectus requirement when issuing bonds only to such investors, in line with the EU Directive 2003/71/EC.

With regard to shares, an amendment was made to the Communiqué on Sale and Registration of Shares in April 2010 with the objective of eliminating current problems in practice, facilitating public offers and advancing alignment with the related EU acquis. Accordingly, the minimum public offer rate requirement and mandatory undertaking requirement in the public offers have been abolished; shelf registration system principles have been revised to provide companies that are not traded at a stock exchange to benefit from this system; and the possibility of electronic publication of

## New M&A Regulations Bring New Horizons:

- Validity of Financial Reports
- Parent-Sub M&As
- Calculation of Dividends

prospectuses and circulars was provided.

Furthermore with a decision of the CMB Executive Board in February 2010, prospectus standards for shares and debt securities have been harmonised with the EU Commission Regulation (EC) No 809/2004. Technical guidance on new prospectus standards has also been adopted by the CMB Executive Board.

Finally with an amendment was made to the Communiqué on Sales Methods in the Sales of the Capital Market Instruments in April 2010, issuers were enabled to decide freely on price, sale and distribution principles as long as they explain them in detail in the prospectus. Furthermore the prohibition of share purchase by persons who have the potential to acquire inside information has been abolished, principles on payment methods of share prices were clarified, the provision of cash and non cash incentives to specific investor groups were enabled, the period to make book building has been shortened, and it has been made possible that the prospectus can be signed by the issuer and the consortium leader rather than all the intermediary institutions involved in the offer.

Please find the new regulation at below link (available in Turkish only):

<http://www.spk.gov.tr/apps/teblig/displayteblig.aspx?id=387&ct=f&action=displayfile&ext=.pdf&submenuheader=null>

<http://www.spk.gov.tr/apps/teblig/displayteblig.aspx?id=395&ct=f&action=displayfile&ext=.pdf&submenuheader=null>

<http://www.spk.gov.tr/indexcont.aspx?action=showpage&showmenu=yes&menuid=12&pid=0&subid=12&submenuheader=null>

<http://www.spk.gov.tr/apps/teblig/displayteblig.aspx?id=394&ct=f&action=displayfile&ext=.pdf&submenuheader=null>

### Mergers of Publicly Held Companies

In order to eliminate practical problems in mergers and to clarify certain aspects the need has arisen for an update of existing legislation on mergers. In this respect the Communiqué Regarding Principles of Merger Transactions was amended in May 2010.

The amendment clarifies that in cases where the period between the date of the financial reports underlying the merger and the general meeting where the merger will be approved is longer than six and up to nine months, the parties to the merger are obliged for firms traded in the ISE, to prepare and publish financial statements as of the date nearest to the publication of the merger notification. Furthermore in cases where there are important events that significantly affect financial statements or cause an alteration in the merger ratio before the approval of the merger contract and the notification by the CMB, the independent auditor that audits the financial statements for the merger shall be obliged to draw up a report on the extent of the effects of such events on financial statements and the report of the expert institutions prepared under the Communiqué will be updated accordingly.

The amendment also provides for the facilitation of merger transactions under certain circumstances. In mergers where one or more partnerships are taken over by another partnership that holds 95% or more of their shares, if the allocation of the shares of the acquiring partnership to the shareholders of the target company is not necessary, the merger may be carried out without an independent auditing report, expert institution report and board of directors report.

In cases where the general meetings of the parties to the merger decide on dividend distribution at a date later than the date of the financial statements underlying the merger transaction, the effects of dividends will have to be considered in the calculation of the merger ratio. Finally with the amendment, the requirement to publish merger notifications and merger contracts in newspapers was abolished. Instead these documents will be published on the Internet web sites of related firms and/or through the Public Disclosure Platform of the CMB.

Please find the new regulation at below link (available in Turkish only):

<http://www.spk.gov.tr/apps/teblig/displayteblig.aspx?id=397&ct=f&action=displayfile&ext=.pdf&submenuheader=null>

### Draft Legislation on Remuneration Policies of Brokerage Firms

In February 2010, the CMB has published a draft Communiqué on remuneration policies of brokerage firms for consultation. The draft Communiqué, which is based on Financial Stability Board recommendations on remuneration policies, will oblige brokerage firms to establish remuneration policies and procedures for their managers and staff in a way that is compatible with their long term goals and risk management systems, that will ensure that they have a robust financial structure and that they avoid excessive risk taking. In this context the draft Communiqué will also oblige brokerage firms to publish the principles relating to the specification of fixed and variable forms of remuneration, as well as implementing and monitoring the implementation of such principles. Furthermore large brokerage firms will be subject to the requirement of establishing Remuneration Committees charged with the implementation, revision and inspection of remuneration processes and all brokerage firms will submit annual review reports with regard to their remuneration reports to the CMB and publicly disclose information to this effect.

Please find the new regulation at below link (available in Turkish only):

[http://www.spk.gov.tr/duyurugoster.aspx?aid=2010222&subid=0&ct=f&submenuheader=null&ext=.pdf&filename=2010222\\_0.pdf](http://www.spk.gov.tr/duyurugoster.aspx?aid=2010222&subid=0&ct=f&submenuheader=null&ext=.pdf&filename=2010222_0.pdf)

### Gross Settlement

For certain stocks traded in the Istanbul Stock Exchange the clearing and settlement system has been changed to gross settlement. Accordingly in such stocks, there will be no netting between purchases and sales of securities by brokerage firms. Instead receivables of brokerage firms and investors will be distributed by Takasbank after the end of the settlement period. Accordingly investors who want to sell such stocks must keep these stocks and investors who want to buy these stocks must keep adequate cash in their accounts as of the settlement date. The objective of this new settlement practice is to prevent transactions that give misleading signals to the marketplace and that do not have any net contributions to the market. Gross settlement is related only to settlement and does not have any negative effects that might influence investment decisions or prevent investments. It also has the impact of reducing risks for investors and stock markets. As a result of ongoing studies within the CMB, regulation may be made with regard to stocks that will be subject to the gross settlement procedure depending on whether or not they fulfil criteria in relation to number of shares in circulation, free-float rate and market depth.

Besides gross settlement, the CMB has also been working on devising versatile measures to prevent attempts at creating an artificial market or price for some stocks that have been detected in the past. Instead of detecting and punishing such criminal activities, the new measures that the CMB works on are based on an approach that aims to prevent the possibility of crime. Studies to this effect take into account projections on market growth and are devised in a way that will not interfere with the functioning of the market.

Please find the new regulation at below link (available in Turkish only):

<http://www.spk.gov.tr/duyurugoster.aspx?aid=2010330&subid=1&ct=c&submenuheader=null>

## Pension Funds

In line with the needs and demands of the industry and of pension fund investors the Regulation on the Establishment and Operation of Pension Funds was amended in June 2010.

The amendment, introduces more diversity with respect to instruments that pension funds may invest in by permitting pension funds to deposit assets in participation banks as well as deposit banks, and to invest in intermediary institution and partnership warrants, which were recently introduced as new instruments. Furthermore the investment limits with regard to participation/deposit banks and investment funds are increased. Pension funds are also enabled with the amendment to be parties to derivatives contracts with investment purposes,

whereas previous legislation permitted engagement in derivatives only for hedging purposes. To limit risk taking, the new regulations set an upper limit to exposures from derivatives contracts and obliges pension funds to establish risk management systems. In order to support the primary and secondary markets for corporate bonds and to improve stock exchange liquidity the amendment provides exceptions to the rule requiring the purchase and sale of exchange traded securities within the stock exchange. The exception covers the purchase and sale of Eurobonds and corporate bonds that are not traded in the ISE in OTC markets and also enables pension funds to enter into repo and reverse repo contracts with corporate bonds as underlying instruments in both on and off-exchange markets.

The amendment also raises the lending limit for pension funds from 10 % to 50 % in order to increase the lending ability of pension funds and to enable them to acquire more commissions by lending assets in their portfolios.

Further arrangements are made to reduce publication costs arising from mandatory notifications and, to allow the establishment of different share groups on the basis of operating costs within the same fund in order to enable pension funds to take advantage of economies of scale.

Find the new regulation at below link (only in Turkish):

<http://www.spk.gov.tr/displayfile.aspx?action=displayfile&pageid=678&fn=678.pdf&submenuheader=null>

# News In Brief

## AKGIRAY Elected Chairman of the Emerging Markets Committee of IOSCO

- **Prof. Dr. A. Vedat AKGIRAY, Chairman of the Capital Markets Board, Elected Chairman of the Emerging Markets Committee of IOSCO**
- The 35<sup>th</sup> Annual Conference of the International Organization of Securities Commissions (IOSCO) has been held in Montreal/Canada. Prof. Dr. A. Vedat Akgiray, Chairman of the Capital Markets Board (CMB), who represented Turkey at the Conference has been elected with majority of the votes, as the Chairman of the Emerging Markets Committee which has totally 83 members.
- Chairman Akgiray will represent CMB at the Executive Committee, which is the highest level decision-making body of IOSCO, as the Chairman of EMC. Additionally, Mr. Akgiray will attend the Financial Stability Board meetings which has been established by G-20, as the Chairman of EMC. Meanwhile, it has been decided that the EMC 2010 Meeting will be held in Istanbul under the host of CMB, during 13<sup>th</sup>-15<sup>th</sup> October 2010.
- The International Organization of Securities Commissions (IOSCO) is an organization established by the supervisory and auditing authorities of capital markets for the purposes of providing coordination and cooperation in the relevant areas, setting common international standards regarding the legal and institutional structure of capital markets and facilitating exchange of information between the members. On the other hand, the Emerging Markets Committee aims to develop principles in order to increase the efficiency of emerging markets and to provide exchange of information.
- Capital Markets Board has been a member of IOSCO since 1988, which has currently 191 members. The CMB participates actively to the work of the committees and working groups of IOSCO and contributes policy making for realizing the purposes and targets of IOSCO. Within the framework of IOSCO activities, Capital Markets Board has undertaken the Chair of the Over the Counter Markets and Derivatives Trading Task Force recently.

## EU Funded Projects

- With the purpose of achieving alignment with the EU acquis and increasing its administrative capacity, the CMB has been benefitting from EU funded projects. In this context the Project proposal of the CMB entitled "Strengthening the Capital Markets Board of Turkey" was approved by the European Commission within IPA 2008 Programming. Project activities which will be conducted mostly through technical assistance involve, drafting and education on accounting and financial reporting standards; drafting and training for the creation of implementing measures with regard to EU financial services legislation; providing support to the Capital Markets Licensing and Training Centre that is in the process of being established; and measures to enhance the IT capacity of the CMB. The project activities are expected to be started in the first half of 2011 following the completion of the procurement and contracting processes.
- The CMB also carries out several short term technical assistance initiatives with regard to alignment with EU legislation through EU funding such as TAIEX and through bilateral cooperation with regulatory authorities from EU Member States. In this context in the period between January 2009 and May 2010, 8 workshops have been organised in cooperation with TAIEX, as well as 3 study visits held in UK, Germany and Austria.

## Initial Public Offering Campaign

- Besides legislative amendment, the CMB has liaised with the Istanbul Stock Exchange, Union of Turkish Chambers and Exchanges and the Association of Turkish Capital Market Intermediaries to create dialogue and increase awareness in companies and investors on opportunities of financing and investment in capital markets. In this context, a "Capital Market Institutions – TOBB Cooperation Meeting" was organized in October 2009 with the participation of representatives from 33 chambers of the cities/counties. Special units to serve as a "communication bridge" between the regulatory authorities and the companies that consider going public were formed within 28 Chambers of Commerce and Industry operating in various cities and training for the staff of these units were delivered in February 2010. Furthermore, a major summit was organised for this purpose in May 2010.
- The initiative as well as positive market developments has increased the applications made to the CMB for the registration of new bond and share issues. While there was only one IPO in 2009, there are 11 IPOs until July 2010.

# Statistics

<b>I. THE NUMBER OF COMPANIES REGISTERED WITH THE BOARD</b>			
	December 2008	December 2009	April 2010
1.1. ISE Companies	323	322	326
1.2. Number of non listed registered companies	247	226	228
<b>II. MARKET CAPITALIZATION OF ISE COMPANIES</b>			
	December 2008	December 2009	April 2010
2.1 Total market capitalization of ISE companies (USD Million)	119,698	235,996	275,605
2.2 Market capitalization as a percentage of GDP	16.15	38.21	
<b>III. NUMBER OF INVESTORS (ACCOUNTS), FOREIGN AND DOMESTIC INVESTORS DEPOSIT BALANCE</b>			
	December 2008	December 2009	April 2010
3.1. Number of issue investors in ISE	989,853	1,000,261	1,023,457
3.2. Investors Deposit Balance (% of Total)			
3.3.1. Foreign	67.5	67.3	66.0
3.3.2. Domestic	32.5	32.7	34.0
3.4. Number of open accounts in mutual funds	2,938,904	2,998,648	2,950,726
3.5. Number of pension funds participants	1,859,824	2,141,287	2,249,015
<b>IV. INTERMEDIARY INSTITUTIONS</b>			
	145	144	144
4.1. Brokerage Firms	104	103	103
4.2. Banks	41	41	41

# Statistics

<b>V. MUTUAL FUNDS</b>			
	December 2008	December 2009	April 2010
5.1. Number of funds	340	316	356
5.2. Portfolio value (USD Million)	15,768	19,921	20,252
5.3. Number of Pension funds	121	130	129
5.4. Portfolio value of Pension funds (USD Million)	3,973	6,126	6,754
5.5. Number of Foreign Mutual funds	80	77	77
5.6. Portfolio value of Foreign Mutual funds (USD Million)	35	39	36
5.7. Portfolio value of mutual funds as a percentage of GDP	2,67	4,22	
<b>VI. INVESTMENT TRUSTS</b>			
	December 2008	December 2009	April 2010
6.1. Number of Investment Trusts	34	33	33
6.2. Net asset value of Investment Trusts (USD Million)	364	479	484
6.3. Number of Real Estate Investment Trusts	14	14	14
6.4. Portfolio value of Real Estate Investment Trusts (USD Million)	2,808	3,172	3,089
6.5. Number of Venture Capital Investment Trusts	2	2	2
6.6. Portfolio value of Venture Capital Investment Trusts (USD Million)	90	103	137
6.7. Total net asset value as a percentage of GDP	0.44	0.61	

# Statistics

<b>VII. PORTFOLIO MANAGEMENT COMPANIES</b>			
	December 2008	December 2009	April 2010
7.1 Number of Portfolio Management Companies	23	23	23
7.2. Portfolio size management by portfolio management comp. (USD Million)	20,213	26,694	27,890
<b>VIII. NUMBER OF INDEPENDENT AUDITING COMPANIES</b>	97	95	94
<b>IX. NUMBER OF REAL ESTATE APPRAISAL FIRMS</b>	50	63	70
<b>X. NUMBER OF RATING AGENCIES</b>	8	9	9