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Main Legislative Developments

Amendments to Investment Fund Regulations

Serial:VII, No:10 Investment Funds Communique was amended with the Communique Serial VII, No:39 (the "Amendment") which was published in the Official Gazette on August 7, 2010.

I. New Rules for the Management Fees

More Disclosure

The Amendment requires the investment fund managers to disclose the details regarding the management fees and front-end and back-end loads. According to the new rules, the fund founder has to publish the management fee rates on a daily and annual basis and give detailed information to the investors regarding the collection of the front-end and back-end loads. Publication shall be made in an easily accessible part of the official web site of the founder. Before the amendment, only a daily rate of management fees was available for investors and it was written inside the fund rules and the prospectus.

Regulatory Cap

The new regulation empowers the Board to determine a regulatory cap for the management fees. A temporary article already determines a cap of 0,00012 per day between 1.10.2010 and 31.12.2010 and a cap of 0,00010 between 1.1.2011 and 30.6.2011. This rate will be applied directly to funds which has a higher management fee rate in their fund rules. Only the hedge funds will be excepted from the cap.

The new regulations are expected to better inform the investors and develop the efficiency of the market through the creation of a more competitive environment for fund managers.

Regulatory
Cap Imposed
for
Management
Fees of
Mutual
Funds

Funds are permitted to invest in warrants

II. Investment Limits Revised

Investment in Warrants

Investment funds are allowed to invest in warrants of companies and intermediary institutions in the same framework with futures and options.

Eurobond Transactions Out of the Exchanges

Eurobonds are allowed to be traded out of the exchanges.

Repo/Reverse Repo Transactions Underlied by Private Debt Securities

Funds are permitted to make repo/reverse repo transactions underlied by private debt securities even these securities are not traded in an exchange.

CMB published a [new circular sample](#) for debt securities to be issued at Qualified Investors Market.

Sector Funds' Investment to a Single Sectoral Company

The Amendment raised the investment limit of sector funds from 10% to 15% for a single sectoral company. The limit remains to be 10% for other companies.

FoFs Allowed to Invest Foreign Unregistered ETFs

The Amendment avails Fund of Funds (FoFs) to invest in foreign Exchange Traded Funds (ETFs) that are not registered to the Capital Markets Board providing they are traded on an exchange.

Repo Allowed for B Type Funds

New CMB decision requires pension funds to publish daily values of benchmark indices and a monthly comparison of fund returns and benchmark values in investor information sheets in their web sites. Find the CMB letter [here](#) in Turkish.

B Type funds are allowed to make repo transactions in or out of the exchange up to the 10% limit with the sole purpose of meeting the need for the cash arised from the redemption of the fund shares.

III. Enlarged Distribution Channels for Preserved and Guaranteed funds

Preserved and guaranteed fund shares were only to be sold through the branches of the banks and brokerage firms. The amendment opens all other distributive channels such as internet and phone banking for those

shares.

Besides, the Amendment permits preserved and guaranteed funds to invest in futures and options underlain by economic indicators.

News

Warrants are Started to be Traded on ISE

- The first warrant started to be traded on Istanbul Stock Exchange (ISE) on 13 August 2010 after the gong rang. The warrant qualifies as an "intermediary institution warrant". It was issued by Deutsche Bank AG (London) through the intermediary of Deutsche Securities Menkul Değerler A.Ş.
- Warrants are traded on the Warrant Market of ISE, established within the Institutional Products Market.

ISE "Public Disclosure Platform" is available in English

- ISE completed the first phase of the English version of the Public Disclosure Platform (PDP), an electronic system managed by the ISE, through which electronically signed notifications required by the capital markets and ISE regulations are publicly disclosed.
- In this phase, only balance-sheets and income statements shall be published in English. For the rest of the notifications, the subject part shall be in English and the content in Turkish.
- Also, notification query is available for balance-sheets and income statements in English in the PDP English version page.
- ISE PDP English version may be accessed by clicking "English" at www.kap.gov.tr.
- <http://www.ise.org/announcements/newsdetail/10-08-11/-1425741608.aspx>

CFTC Approves Turkdex ISE-30 Futures

- The Commodity Futures Trading Commission (CFTC), the futures markets regulator in the United States issued a "no-action letter" permitting the offer and sale in the United States, of Turkdex ISE-30 Futures on August 18, 2010. This approval will allow all US investors to buy and sell Turkdex futures based on ISE-30 stock index through authorized members of Turkdex.
- CFTC's approval of Turkdex ISE-30 index futures contract is a clear indication of recognising Turkdex as a trustable, accountable and global Exchange with a fair and orderly market structure.
- With the release of the "no-action letter" the foreign investor base is expected to get larger and thus it is also expected to boost the trading volume in Turkdex.
- The issuing of the no-action letter to Turkdex is definitely considered as a milestone in the development of the Turkish derivatives market, one of the leading emerging markets.
- For the official announcement of the CFTC please visit CFTC's website:
- <http://www.cftc.gov/PressRoom/PressReleases/pr5874-10.html>

Events

Regulating Markets Through Disclosure

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

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

- **Please find detailed information below:**

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

IOSCO 2010 EMC Meeting & Conference

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

- The Program will be a series of events that consists of the EMC Committee meeting (Committee members only) and the EMC Conference. The Conference agenda includes;
- *The new global financial architecture along with the new measures taken on the financial crisis: Are securities regulators in Emerging Markets properly equipped to manage systemic risk?*
- *Corporate Bond Markets in the Emerging Markets: setting the scene for their development*
- *Implementation of IFRS in Emerging Markets, recent discussions and experiences*
- *Algorithmic and High -Frequency trading, and the challenges it poses to markets and regulators.*

- **Please find detailed information below:**

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

Main Indicators

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

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

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