



Vedat Akgiray, Chairman, Capital Markets Board

Serious business

OBG talks to Vedat Akgiray, Chairman, Capital Markets Board

What effect will recent changes to the Turkish Commercial Code have on foreign investment?

AKGIRAY: This is the first time there is specific reference to issues about corporate governance in the code. It is not only shareholders' rights that are being addressed, but many topics under corporate governance are also being considered. A commercial code is for companies, corporations and units, not for market regulation. Hence, for the code to produce the desired results, we first have to prepare a new capital markets regulatory framework. We are doing so with a new capital markets law. This is down the road, but we anticipate it will be in effect before the Commercial Code becomes active in July 2012. The framework is expected to go through the Parliament before summer 2012.

On December 30, 2011, (the last business day of the year) we published our regulations on corporate governance – a hot topic for companies. Corporate governance is about how money is utilised, but much more than that, it is crucial to have proper governance in any country for all companies, both private and public. This is especially the case for publicly held companies, because then international investors feel more secure. Our expectation is that the new code will enhance the capacity for long-term capital to come into Turkey.

By enforcing tax residency for independent board members, is there a risk foreign investors will be discouraged from involvement in Turkey's listed firms?

AKGIRAY: Traditionally in Turkey, bigger corporations liked to have famous international names on their boards – the former prime minister of a foreign country, for instance – and that person would fly in for a meeting once or twice a year, have a nice time on the Bosphorus, attend the meeting and the next morning fly back home. Other than having their name on the board members' list, they were not making any real contribution to the company.

Therefore, we included a tax residency requirement in our code as a message to the marketplace: be seri-

ous in selecting your board members, and be particularly serious when it comes to independent board members. A company can benefit from the expertise and the knowledge of high-profile figures. Even now, any person from anywhere in the world can serve as a board member of a Turkish company, and it is always possible for a firm to get special exemption from the requirements for independent members. Thus, foreign expertise has a variety of ways to come to the board.

Based on regulatory changes, what role do you see the diversification of financial products playing in the future for Turkey's capital markets?

AKGIRAY: Our approach has not targeted the launch of a distinct set of rules for Islamic instruments (currently *ijara* certificates), participation instruments or any other class of financial assets. One of the major things that we have done in the new capital markets law, which is in draft form now, is basically to make a very clear and detailed description of what securities and financial instruments are.

The new description is flexible enough to put anything that legally could be a financial instrument under the umbrella, and this includes participation instruments. We want to encourage the diversification of instruments while building Istanbul as a financial centre, but inadequate regulation in the past has posed challenges. For instance, the derivatives market has been lagging in Turkey. So, while there are some good products, the number has to be increased.

We are not going to have a full range of options with contracts, futures, swaps and the like in the exchange, but we regulated the foreign exchange market to eventually channel them through organised exchanges and it is doing quite well. Our long-term goal is to push all transactions through exchanges to the greatest extent possible. Standardisation is, I think, a difficult task – particularly in cases where participation instruments are concerned. However, we have the opportunity to design everything with a focus on standardisation in mind.