



**TSPAKB**

THE ASSOCIATION OF CAPITAL MARKET  
INTERMEDIARY INSTITUTIONS OF TURKEY

# Country Report - Turkey

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# TSPAKB

- ❖ **Founded in April 2001 as a self-regulatory organization.**
- ❖ **141 members; 100 brokerage firms and 41 banks.**
- ❖ **Assets of our members correspond to 90% of GDP.**
- ❖ **We;**
  - Regulate and oversee the intermediaries,
  - Offer training programs,
  - Publish a variety of research,
  - Cooperate with foreign institutions.



# New Capital Market Law

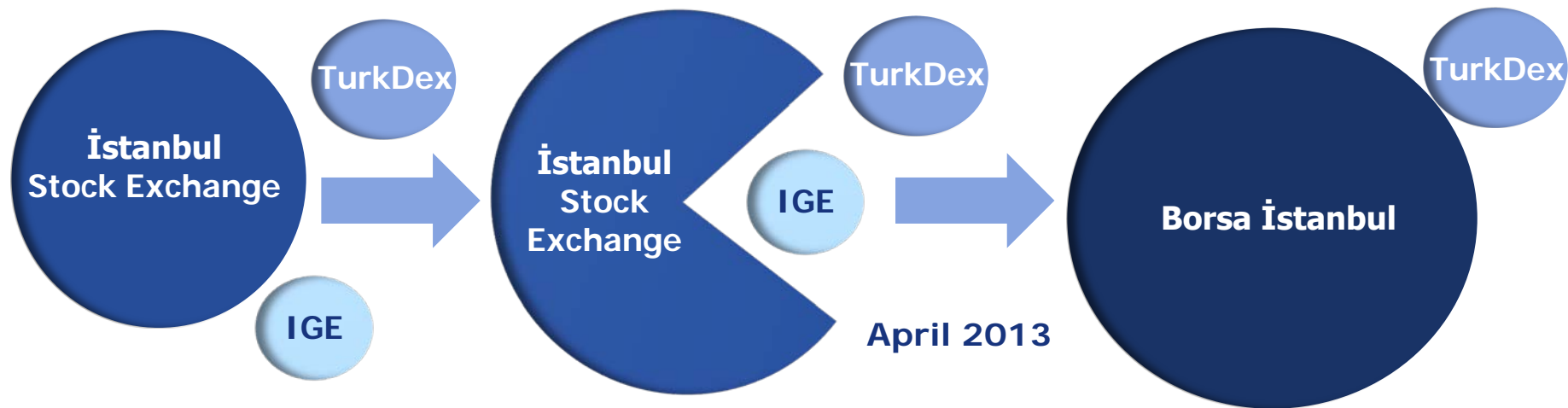
- ❖ **Previous capital market law was in force since 1981**
  - It became outdated and inadequate to meet investors' needs and the fast-paced innovations taking place globally.
  - Introduction of the new commercial code increased the need for compatible legislation for the capital markets.
- ❖ **New capital market law was adopted in December 2012 with the goal of «modernizing» Turkey's capital markets legislation,**
  - Better harmonization with international standards (EU directives, FSB principles etc.) and the new Turkish Commercial Code.
  - Significant changes on financial activities, market institutions, offerings, market abuse, investor protection, auditing.
  - More open to financial innovations.



# Borsa İstanbul - Incorporation

- ❖ According to the previous law; exchanges could have been government organizations (ISE, IGE) or joint stock companies (Turkdex).
- ❖ In the new law, exchanges are defined as «joint-stock companies» only.
- ❖ Hence, İstanbul Stock Exchange (ISE) demutualised in 2013.
- ❖ ISE merged with the İstanbul Gold Exchange and the Turkish Derivatives Exchange to form Borsa İstanbul.
- ❖ **Borsa İstanbul was established to ensure:**
  - Efficient governance structure
  - Effective decision making
- ❖ **Since Borsa İstanbul became a for-profit company, we started to face post-demutualisation problems now.**

# Borsa İstanbul - Demutualisation



- ❖ In the first phase, İstanbul Stock Exchange (ISE) and İstanbul Gold Exchange (IGE) merged under the name of Borsa İstanbul.
- ❖ Borsa İstanbul is incorporated as a for-profit company.
- ❖ Initially, 49% of the company belonged to Turkish Treasury and 51% was given to Borsa İstanbul itself.

# Borsa İstanbul - Demutualisation



❖ **In the second phase, Borsa İstanbul and Turkish Derivatives Exchange (TurkDex) merged.**

- TurkDex shareholders received 5% of Borsa İstanbul.
- Being a TurkDex shareholder, TSPAKB received a 0.3% stake.
- TSPAKB received an additional 1% for being the industry association.
- İstanbul Stock Exchange members received 4%.
- İstanbul Gold Exchange members received 0.3%.



# Borsa İstanbul – Ownership Structure

Shareholder	Share
Turkish Treasury	49.00%
Borsa İstanbul (own shares)	41.60%
Banks & Brokerage Firms	6.00%
TSPAKB	1.30%
The Union of Chambers and Commodity Exchanges (TurkDex shareholder)	1.25%
İzmir Chamber of Commerce (TurkDex shareholder)	0.85%
<b>TOTAL</b>	<b>100.00%</b>



# Borsa İstanbul – Products

- ❖ **The main markets and traded products are;**
  - **Equity Market:** Equities, rights coupons, ETFs, warrants, certificates, shares of SMEs.
  - **Debt Securities Market:** Government bonds, corporate bonds, repo transactions.
  - **Foreign Securities Market:** Turkish eurobonds.
  - **Futures and Options Market:** Single stock, equity index, precious metal, currency, commodity and electricity futures. Single stock and equity index options.
  - **Precious Metals and Diamond Market:** Gold, silver, platinum.





# Borsa İstanbul – Future

- ❖ Currently, Turkish Treasury is 49% owner of Borsa İstanbul, while 42% belongs to Borsa İstanbul itself.
- ❖ Shares owned by Borsa İstanbul might be sold to strategic partners. Unsold shares until the end of 2015 will be restituted to the Turkish Treasury.
- ❖ The Treasury plans to privatize its Borsa İstanbul shares but timing and method are not announced yet.
- ❖ Meanwhile, Nasdaq and Borsa İstanbul signed a strategic partnership agreement in July 2013. Nasdaq will provide a suite of comprehensive exchange technologies for trading, clearing, market surveillance and risk management.



# Investor Compensation Center

- ❖ The compensation centre covers not only equities, but «all» financial instruments.

Former (2012)	New (2013)
<b>Investors' Protection Fund</b>	<b>Investor Compensation Center</b>
70.237 Turkish Lira (~US\$ 40.000) covered per investor.	100.000 Turkish Lira (~US\$ 50.000) covered per investor.
Only equities and cash receivables from equity settlements are covered.	All capital market instruments including Forex transactions and cash.



# National CCP

- ❖ New law introduces the definition of central counterparties.
- ❖ İstanbul Settlement and Custody Bank (Takasbank) is currently the central clearing and settlement institution for equities, debt securities, foreign securities, derivatives and precious metals markets.
- ❖ Takasbank raised its equity to TL 420 mn (~US\$ 210 mn) from TL 60 mn (~US\$ 30 mn) in 2013, in order to assume central counterparty functions.
- ❖ Takasbank became the central counterparty for securities lending transactions in September 2013.
- ❖ Plans to cover listed and OTC derivatives until end-2013.
- ❖ Plans to cover equities and debt securities in 2014.



# Final Remarks

- ❖ New capital markets law led to significant changes in the structure of market institutions.
- ❖ **Borsa İstanbul** is formed;
  - **İstanbul Stock Exchange** was demutualised.
  - It merged with the **İstanbul Gold Exchange** and the **Turkish Derivatives Exchange**.
- ❖ **Investor Compensation Center** established, covering not only equities but all assets of investors.
- ❖ **National CCP** established in line with international standards.

# TSPAKB

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# Thank You!

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