Country Report - Turkey

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Asistant Secretary General

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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  - It became outdated and inadequate to meet investors' needs and the fast-paced innovations taking place globally.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.
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.
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.
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

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Share</th>
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<tbody>
<tr>
<td>Turkish Treasury</td>
<td>49.00%</td>
</tr>
<tr>
<td>Borsa İstanbul (own shares)</td>
<td>41.60%</td>
</tr>
<tr>
<td>Banks &amp; Brokerage Firms</td>
<td>6.00%</td>
</tr>
<tr>
<td>TSPAKB</td>
<td>1.30%</td>
</tr>
<tr>
<td>The Union of Chambers and Commodity Exchanges (TurkDex shareholder)</td>
<td>1.25%</td>
</tr>
<tr>
<td>İzmir Chamber of Commerce (TurkDex shareholder)</td>
<td>0.85%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100.00%</strong></td>
</tr>
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</table>
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.
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.
The compensation centre covers not only equities, but «all» financial instruments.

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<tr>
<td>Investors' Protection Fund</td>
<td>Investor Compensation Center</td>
</tr>
<tr>
<td>70.237 Turkish Lira (~US$ 40.000)</td>
<td>100.000 Turkish Lira (~US$ 50.000)</td>
</tr>
<tr>
<td>covered per investor.</td>
<td>covered per investor.</td>
</tr>
<tr>
<td>Only equities and cash receivables</td>
<td>All capital market instruments</td>
</tr>
<tr>
<td>from equity settlements are covered.</td>
<td>including Forex transactions and cash.</td>
</tr>
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</table>
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.
Thank You!

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