Turkish Capital Markets

ASIA SECURITIES FORUM
2010, Beijing

28 September 2010
Founded in April 2001 as a self-regulatory organization.

145 members; 103 brokerage firms and 1 derivative brokerage firms and 41 banks.

Assets of our members correspond to 84% of GDP.

We;
  - Regulate and oversee the intermediaries,
  - Issue licenses to market professionals,
  - Offer training programs,
  - Publish a variety of research,
  - Cooperate with foreign institutions
Institutional Structure

**CAPITAL MARKETS BOARD**

- Istanbul Stock Exchange
- Turkish Derivatives Exchange
- Gold Exchange
- Settlement & Custody Bank
- Central Registry Agency
- Public Companies
- TSPAKB
  - Banks
  - Brokerage Firms
  - Derivative Brokerage Firms
- Asset Management Companies
- Institutional Investors
Contents

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2. Istanbul Regional Financial Center
3. IPO Campaign
4. Introduction of New Products
5. Investor Education
6. Market Infrastructure Reforms
**Turkish Economy**

Average 6% GDP growth in 2002-2008

- 1987-1994: 3.8%
- 1995-2001: 3.2%
- 2002-2008: 6.0%

Sustainable decline in inflation

- 1995-2001: 71.6%
- 2002-2009: 12.5%
- 2010-Aug: 8.3%

Public Debt to GDP Ratio is well below Maastricht Criteria

- 2002: 93.0%
- 2003: 67.4%
- 2004: 59.2%
- 2005: 52.3%
- 2006: 46.1%
- 2007: 39.4%
- 2008: 39.5%
- 2009: 45.4%

Impact of global crisis

Substantial FDI inflow (bn. US$)

- 1993-2002: 1.1
- 2003: 1.8
- 2004: 2.8
- 2005: 10.0
- 2006: 20.2
- 2007: 22.0
- 2008: 18.0
- 2009: 8.0

Impact of global crisis
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IRFC Project Milestones

- 9 Working Groups were formed in 2009.
- 300 representatives from more than 80 organisations participated in the project.
- Strategy Report was published in October 2009.
- IRFC Organisation Structure announced in May 2010.
- Working Committees started working on the details of implementation.
- Our Association is involved in every step of the project.
IRFC Organisation Structure

IRFC HIGH COUNCIL

INTERNATIONAL ADVISORY BOARD

NATIONAL ADVISORY BOARD

IRFC COORDINATOR

LEGAL INFRASTRUCTURE

TECHNOLOGY

MARKETS & INSTRUMENTS

INFRASTRUCTURE

TAXATION

MARKETING & PROMOTION

REGULATORY & SUPERVISORY FRAMEWORK

HUMAN RESOURCES
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IPO Campaign

Capital Markets Board

Istanbul Stock Exchange

Union of Chambers & Commodity Exchanges

Banks & Brokerage Firms

TSPAKB
IPO Campaign

- The campaign started with the coordination of relevant institutions in 2009.
- Seminars are being organised in different cities every month, targeting industrial companies.
- IPO Summit organised in May 2010. More than 1,000 companies attended.
- Wide and continuous press coverage through events and PR activities.
- Capital Markets Board facilitated the IPO process and applications are processed more quickly.
- No incentives provided, like tax breaks etc., no relaxation in IPO or disclosure requirements.
Results

- 11 IPOs completed in the 1H2010.
- No. of listed companies increased to 325.
- 85% of top 1,000 industrial companies are not listed yet.
- The potential is promising.
- Studies initiated on foreign and dual listings.
Introduction of New Products

**Current Products**
- Equities
- Government Bonds
- Corporate Bonds
- Investment Funds
- ETFs
- Structured Funds
- Futures
- Warrants

**New Products**
- Single-Stock Futures
- Exchange-Traded Options
- Securitisation Instruments
- Contracts for Differences
- Mortgage Instruments
Investor Education Project

- Project initiated by the Association in 2010.
- A market research company analysed the needs of investors and expectations of the public.
- Qualitative Survey: Focus Groups and In-Depth interviews with:
  - Current Investors
  - Potential Investors
  - Lost Investors
  - Academics
  - Journalists
- Quantitative Survey: 2010 interviews (95% confidence level).
Initial Qualitative Findings

- Current investors are the most knowledgeable group about the structure and functioning of capital markets.
- Lost investors are fairly well informed.
- Potential investors have heard about the institutions and products, but do not have a thorough understanding.
- Academics are the least knowledgeable and least interested group in capital markets.
Initial Quantitative Findings

- The public is not aware of the capital market institutions and investor protection mechanisms.
- Order of investment preferences are as follows;
  1. Gold
  2. Real Estate
  3. Bank Deposits
  4. Foreign Currency
  5. Equities
  6. Investment Funds
- Investment decisions are based on;
  1. Own judgement and research
  2. Family and friends’ advice.
  3. Internet forums and blogs
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Market Reforms

2008
- IPO Campaign initiated
- Trading Hours extended

2009
- Automated Disclosure Platform introduced
- Emerging Companies Market established
- Collective Products Market established
- Trading Hours extended

2010
- Warrants introduced
- Current Issues
  - Reduction of tick size
  - Order cancellation
  - Introduction of single-stock futures
  - Introduction of exchange traded options
The Future

Istanbul Regional Financial Center

TARGET

- Wider Investor Base
- Improved Listings
- Variety of Investment Instruments
- Better Regulations