



TURKISH CAPITAL
MARKETS ASSOCIATION

**THE HANDBOOK OF
THE TURKISH
CAPITAL MARKETS
2015**



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ABBREVIATION

TERM	DEFINITION
AFI	Association of Financial Institutions
BAT	Banks' Association of Turkey
BRSA	Banking Regulation and Supervision Authority
CBRT	Central Bank of the Republic of Turkey
CMB	Capital Markets Board
CML	Capital Market Law
CMLTA	Capital Markets Licensing and Training Agency
CRA	Central Registry Agency
ETF	Exchange Traded Funds
FX	Foreign Exchange
IAT	Insurance Association of Turkey
IFRS	International Financial Reporting Standards
IGE	Istanbul Gold Exchange
ISE	Istanbul Stock Exchange
IPO	Initial Public Offerings
OTC	Over the Counter
PBAT	Participation Banks' Association of Turkey
Takasbank	Istanbul Settlement and Custody Bank
TL	Turkish Lira
TCMA	Turkish Capital Markets Association
TurkDex	Turkish Derivatives Exchange

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I. OVERVIEW OF THE TURKISH CAPITAL MARKETS

MILESTONES

A brief timeline and milestones of the Turkish capital markets are presented below:

1981	Capital Markets Law passed.
1982	Capital Markets Board was established.
1985	Istanbul Stock Exchange (ISE) was launched.
1987	First mutual fund was issued.
1989	Settlement and Custody Dept. was established within ISE. Liberalization of foreign investments.
1991	Bonds & Bills Market was established within ISE.
1992	Settlement and Custody Inc. was founded as a company. Corporate bond market was established within ISE.
1993	Repo-Reverse Repo Market was established within ISE. Automated trading started with 50 companies.
1994	Settlement on T+2. Fully automated trading started.
1995	Settlement and Custody Bank (Takasbank) was formed. Istanbul Gold Exchange (IGE) was established. New Companies Market was established within ISE. International Securities Market was established within ISE.
1996	Securities Lending & Borrowing Market was established. Money Market was established within Takasbank.
1997	Banks were forbidden to trade equities, but may establish brokerage subsidiaries. First asset management company was established.
1998	First credit rating agency was established.
1999	Client-based custody at Takasbank.
2000	Market making system was introduced for government bonds. First venture capital trust was offered to public.
2001	TSPAKB (Association) was established. Investors' Protection Fund was established. Futures market was established within ISE. Central Registry Agency was established. Remote trading started at ISE.
2002	Pension system regulation passed.
2003	Corporate governance principles were published. First private pension fund was established. International Financial Reporting Standards were adopted.
2004	First Exchange Traded Fund was established.
2005	Turkish Derivatives Exchange was established. Dematerialisation of equities was completed.

- 2006** Dematerialisation of corporate bonds and mutual funds was completed.
- 2006/2007** Twinning project between CMB and Germany's BaFin to comply with EU standards.
- 2007** Opening auction was introduced at ISE for the equity market. Mortgage Law passed. Eurobond market was established within the ISE.
- 2008** New IFRS regulation was adopted. New anti-money laundering regulations in line with FATF recommendations were adopted. IPO Campaign was initiated.
- 2009** Automated Disclosure Platform was introduced. Emerging Companies Market and Collective Products Market were established within ISE. Istanbul International Financial Center strategy was announced.
- 2010** Regulations regarding IPOs were eased. First warrant was issued. Market making was introduced for warrants, ETFs and investment trusts.
- 2011** First Islamic bond and electricity futures were issued. Forex regulations were introduced. Investor Education Campaign was initiated.
- 2012** Free Trade Platform was established within the ISE. Closing auction was introduced at the ISE for equities. Single stock futures and exchange traded options were introduced at the ISE on December 2012. First certificate was issued. New Capital Markets Law entered into force. Dematerialization of government bonds started. ISE demutualised and merged with IGE under Borsa Istanbul.
- 2013** Secondary regulations were issued in line with the new CML. Borsa Istanbul and TurkDex merged. Borsa Istanbul and Nasdaq signed a strategic partnership agreement. Investor Compensation Center was established.
- 2014** The name of the Association was revised to TCMA and the membership base was expanded to include asset management companies and investment trusts in addition to investment companies. A strategy and action plan for Financial Access, Financial Education and Financial Consumer Protection was released.
- 2015** Electronic Fund Distribution Platform of Turkey (TEFAS) began to operate.

II. REGULATORY STRUCTURE OF THE FINANCIAL SYSTEM

The Turkish financial system has a fragmented regulatory structure. Banking Regulation and Supervision Agency (BRSA) is in charge of the banking system, whereas the Capital Markets Board of Turkey (CMB) is the main regulator of the capital markets. The Treasury, on the other hand, oversees the insurance industry. Major institutions are briefly introduced below and a chart is provided on the next page with an illustration of jurisdictions.

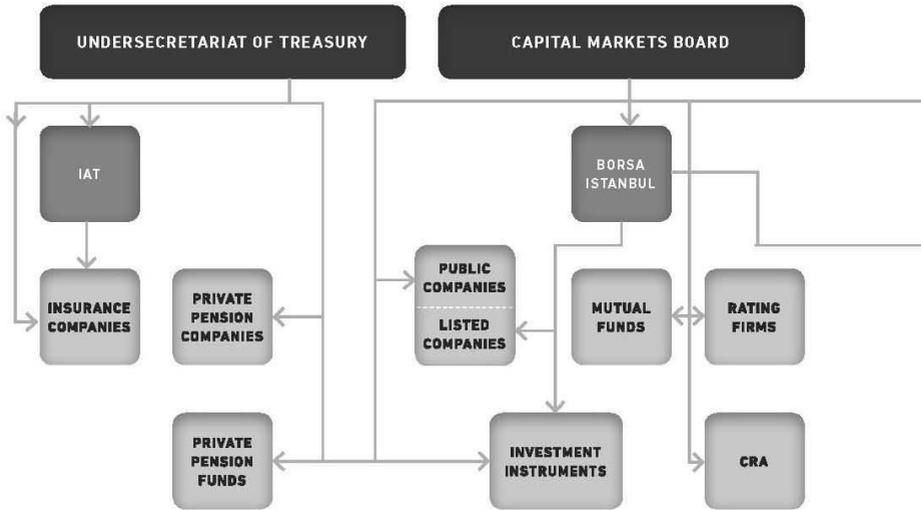
Capital Markets Board of Turkey (CMB) is the regulatory and supervisory authority of the securities markets and institutions in Turkey. The CMB determines the operational principles of the capital markets and is responsible for the protection of the rights and interests of investors. The CMB regulates and supervises public companies, listed companies, investment companies, exchanges, mutual, closed-end and pension funds, leveraged transactions on foreign exchange and precious metals, Settlement and Custody Bank (Takasbank), Turkish Capital Markets Association (TCMA), Central Registry Agency (MKK), Investor Compensation Center (ICC), and other related institutions operating in the capital markets, such as independent audit firms, rating agencies, appraisal firms, asset leasing companies, market operators, trade repositories. The role of the CMB will be elaborated in the following section.

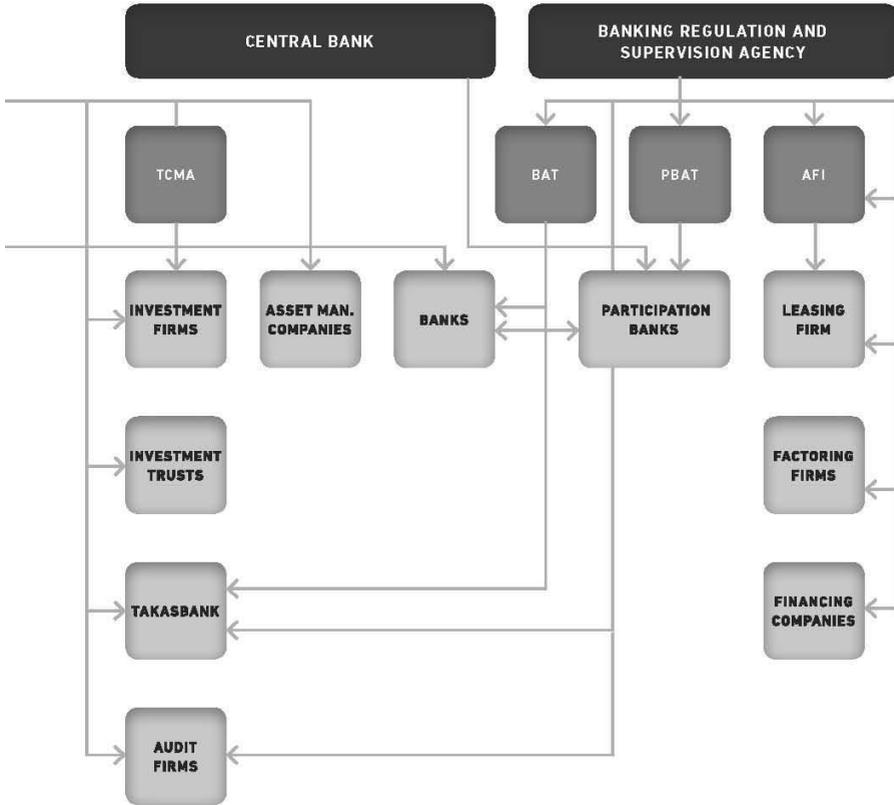
Along with the demutualisation process, **Borsa Istanbul** transformed into a for-profit company and brought together all the exchanges operating in Turkish capital markets in 2013. The exchange has the authority to regulate its own markets, listed companies and member firms. The organisation and markets of the exchange will be explained in detail in the following sections.

Turkish Capital Markets Association (TCMA) is a self-regulatory organization. All investment firms, banks that are authorized for capital market operations, portfolio management companies and investment trusts should become members of the Association. TCMA sets professional rules and monitors the members to provide a fair and disciplined capital market. TCMA establishes and enforces regulations on subjects assigned by legislation or by the CMB. The details of TCMA's role will be explained in the following sections.

Capital Markets Licensing and Training Agency (CMLTA) organizes licensing exams and offers training programs for the market professionals. The role of CMLTA will be explained in detail in the following sections.

Banking Regulation and Supervision Agency (BRSA) is the regulatory and supervisory authority for the banking sector. The BRSA is in charge of regulating the activities of whole banking system; deposit banks, participation banks (Islamic banks), development and investment banks including Takasbank, foreign banks' branches in Turkey as well as audit firms, rating agencies, financial holding companies, leasing, factoring and consumer finance companies.





The Banks Association of Turkey (BAT) is a self-regulatory organization. All deposit banks, development and investment banks (including Takasbank) operating in Turkey are members of BAT. It determines professional principles and sets the standards for members.

Participation Banks Association of Turkey (PBAT) is the self-regulatory body for participation banks under which operate interest free (Islamic) banking principles. PBAT has similar authority as BAT on its members.

Association of Financial Institutions (AFI) is a self-regulatory organization for financial leasing, factoring and financing companies.

Undersecretariat of Treasury is the regulatory and supervisory authority for the insurance sector and the private pension system, in addition to its traditional role in public finance.

Insurance Association of Turkey (IAT) is a self-regulatory organization of the insurance sector. All insurance, reinsurance and pension companies are IAT's members.

Central Bank of the Republic of Turkey (CBRT) regulates money and foreign exchange markets and oversees both price stability and financial stability. CBRT has the authority to determine the procedures and conditions of the reserve and liquidity requirements. CBRT determines the maturities and types of deposits in banks and the maturities of participation funds in participation banks. The bank is also responsible for the secure functioning of payment, security transfer and settlement systems.

III. REGULATORY FRAMEWORK OF THE CAPITAL MARKETS

The Capital Market Law (CML) was enacted in 1981 and one year later, the main regulatory body, Capital Markets Board (CMB) was established. In 1984, the Regulation for the Establishment and Operations of Securities Exchanges led to the foundation of the Istanbul Stock Exchange (ISE) in which trading started at the end of 1985. Replacing the previous one, the New Capital Market Law became effective on December 30th, 2012. Brief descriptions of major regulations concerning the law are provided below.

A. Capital Market Law (CML)

The new law is prepared in accordance with the EU acquis. It sets a new framework for financial markets with the goal of fostering a more robust and well-functioning financial system while strengthening investor protection.

Capital market instruments, public offerings and sales, issuers, exchanges and other organized markets, investment services, the structure of the Capital Markets Board and capital market institutions are all subject to the provisions defined in the CML.

Joint stock companies which have more than 500 shareholders or which offer their shares to the public are subject to the CML. In addition, securities issued by the state economic enterprises (including those within the scope of the privatization program), municipalities and related institutions are conditional to the disclosure requirements.

The CMB sets down principles and procedures through communiqués that are named after the sections outlined below.

Section	Context
I	General Provisions
II	Issue of Capital Market Instruments
III	Capital Market Activities & Institutions
IV	Exchanges, Associations & Other Institutions
V	Supervision & Measures
VI	Administrative Fines & Capital Markets Crimes
VII	Miscellaneous Subjects

B. Capital Market Institutions and Activities

The Capital Market Law defines capital market activities as well as the types of institutions allowed to operate in capital markets, and empowers the CMB to set the requirements which must be fulfilled by those institutions.

Capital market activities are defined under two categories in the new law: Investment services and activities, and ancillary services. Investment services and activities are defined as follows:

- Receiving and transmitting orders,
- Executing orders,
- Dealing on own trade book,
- Asset management,
- Investment advice,
- Underwriting, best effort,
- Operating multilateral trading systems and regulated markets other than exchanges,
- Custody and administration of capital market instruments.

On the other hand, ancillary services are specified as follows:

- Providing advisory services,
- Granting credits, lending or providing foreign currency services associated with investment services and activities,
- Providing investment research, financial analysis or general advice,
- Providing services in relation to the conduct of underwriting,
- Providing intermediary services for obtaining financing by borrowing or through other means,
- Wealth management and financial planning.

In addition, other services and activities to be determined by the CMB might also be defined as investment services or ancillary services.

Capital market institutions are defined in the CML as follows;

- Investment firms,
- Collective investment schemes,
- Independent audit firms, appraisal firms and credit rating agencies,
- Asset management companies,
- Mortgage finance institutions,
- Housing finance and asset finance funds,
- Asset leasing companies (special purpose vehicles for Islamic bonds),
- Central clearing institutions,
- Central depository institutions,
- Trade repositories.

C. Investment Firms and Minimum Capital Requirements

With the decision of the CMB, banks were required to transfer their equity market operations to an investment firm as of January 1997. Since then, only investment firms are allowed to trade equities. In the fixed income market, banks, as well as investment firms are authorized to trade. In the derivatives market, investment firms, and banks are the market players. However, banks are not allowed to trade equity-linked futures or options. Only investment firms are allowed to provide brokerage services in leveraged (forex) transactions.

In this section we will first discuss requirements according to the former capital market law that is still in force due to the transition period granted. Then, the requirements brought by the new law which is prepared in accordance with the EU acquis will be mentioned.

In the previous law, capital market institutions were required to obtain a license (at least the Security Trading license) from the CMB and minimum capital requirements that are listed in the table, were attributed to those licenses, except for the Derivatives Trading license. Technically, Margin Trading, Securities Lending and Short-Selling license is not considered as a “license” but a “permit”, so it is also not taken into account for the minimum capital requirements.

Minimum Capital Requirements (effective until July 2015)		
Investment Firms	TL	US\$*
Securities Trading	852,000	366,152
Leveraged FX Trading (Market Maker)	8,520,000	3,661,524
Leveraged FX Trading (White Label)	2,556,000	1,098,457
Leveraged FX Trading (Introducing Broker)	-	-
Public Offering	428,000	183,936
Repo/Reverse Repo Agreements	428,000	183,936
Asset Management	342,000	146,977
Investment Consultancy	89,000	38,248
Derivatives Trading	-	-
Margin Trading, Securities Lending and Short-Selling	-	-
Total (Inc. Market Making in Leveraged FX)	10,659,000	4,580,773

Source: CMB *Calculated as of December

In order to become a full service investment firm offering market making in forex transactions, at least TL 11 million (~US\$ 5 million as of end December 2014) paid-in capital is required for the year 2015.

Being a market maker in leveraged foreign exchange trading, requires having an additional capital equal to 10 times of the minimum capital required for Securities Trading license. For white label firms, additional required capital is 3 times the capital required for Securities Trading license. For introducing brokers, there is no additional capital requirement.

In accordance with the new Capital Market Law, CMB’s Communiqué Section III, Number 39 which stands as the main regulation regarding the establishment and activities of investment firms, was issued in December 2013.

Rather than the former license-based approach, with the new regulation, investment firms have been categorized according to their activities as below. There is a one year transition period granted for investment firms to be in tune with the new regulation from July 2014.

- **Introducing brokers** are permitted only to receive market orders and transfer them to execution brokers or market makers on behalf of their own and/or customers’ account. They are not allowed to offer custody services in the name of their customers.
- **Execution brokers** are able to execute orders of capital market instruments in the name of customers and/or their own account. They can offer custody services in the name of their customers.

• **Market makers** are permitted to execute orders from their own account by positioning their customer as counterparty, in addition to brokerage activities.

The minimum capital requirements that will be effective in July 2015 for different types of investment firms are presented in the following table.

It is worth to mention that currently the CMB requires a minimum capital of TL 25 million (the amount that corresponds to Market Makers) for the establishment of new investment firms.

Minimum Capital Requirements of Investment Firms (compulsory after July 2015)		
Type	TL	US\$*
Introducing Broker	2,000,000	859,513
Execution Broker	10,000,000	4,297,563
Market Maker	25,000,000	10,743,908
Source: CMB *Calculated as of December 2014		

In addition to the minimum capital requirements, there are three thresholds to be met at all times for the investment firms:

- Minimum capital calculated as explained above,
- Last three months' operating expenses, and
- Risk-adjusted capital.

Risk-adjusted capital is based on the risk weighting of assets by the coefficients determined by the CMB. Some items, such as real estate, are deducted from the shareholders' equity and the remaining portion of the equity is expected to exceed the risk-weighted assets.

D. Asset Management Companies and Minimum Capital Requirements

Asset management companies are subject to communiqué Section III Number 55.1 declared by the CMB in July 2013.

The activities and services provided by asset management companies are as follows;

- Portfolio management,
- Investment advisory services,
- Wealth management and financial planning if asset under management is at least TL 5 million.

Asset management companies have to be authorized by the CMB in order to engage in portfolio management and investment advisory services. As for the investment firms, minimum capital requirements for asset management companies were raised with the new Capital Market Law. In the former regulation, these companies were required to have a minimum capital of TL 444,000 for 2014 (~US\$ 191,000 as of end December 2014).

With the new law, required minimum capital amount is determined according to the assets under management as shown in the table. A transition period is granted to asset management firms until July 2015.

Additionally, until July 2015, the CMB requires a minimum capital of TL 2 million for newly established companies.

Minimum Capital Requirements (compulsory after July 2015)		
Type	TL	US\$*
< TL 100 million	2,000,000	859,513
TL 100 million < AUM < TL 500	3,000,000	1,289,269
TL 500 million < AUM < TL 5	5,000,000	2,148,782
> TL 5 billion	10,000,000	4,297,563

Source: CMB *Calculated as of December 2014

If assets under management exceed TL 10 million, the company is required to held additional capital of 0.02% for assets surpassing this threshold. There is no additional capital requirement if the assets under management happen to exceed TL 20 billion.

E. Exchanges and Market Operators

The new Capital Market Law stipulates that exchanges should be established as joint-stock companies, as opposed to the previous regulation where Istanbul Stock Exchange was a public sector owned entity. It also introduces the establishment of market operators for the first time.

In the line with the new law, Istanbul Stock Exchange was demutualised and merged with the Gold Exchange under the name of Borsa Istanbul at the end of 2012. This consolidation has been followed by the merger of the Turkish Derivatives Exchange with Borsa Istanbul in August 2013. Borsa Istanbul became the only exchange in Turkey where securities, derivatives and commodities are being traded.

The establishment, activities, operating principles and supervision of securities exchanges and market operators are explained in the Regulation Concerning the Establishment, Operation and Supervision Principles of Exchanges and Market Operators. According to this new regulation, the establishment of securities exchanges and market operators is subject to the approval of the Council of Ministers, upon the recommendation of the CMB.

F. Decree on the Value of the Turkish Currency

Decree No. 32 regarding the "Protection of the Value of the Turkish Currency" was enacted in August 1989 with the aim to further liberalize the financial system. It allows non-residents to invest in Turkish securities and vice versa, through financial intermediaries that are authorized by the CMB.

By an amendment to this Decree in February 2008, the foreign currency transactions of the investment firms are defined. Accordingly, an investment firm can buy and sell foreign currency as long as it is done through its clients and for the purpose of trading securities, which previously was not possible.

IV. TAXATION

Turkey has a liberal foreign investment policy. There are no restrictions on foreign investments, repatriation of capital or profits. Foreign individuals and corporations (including investment trusts and investment funds abroad) can freely purchase and sell all sorts of securities and other capital market instruments. However, a foreign investor should use an intermediary established in Turkey for any capital market activity.

We present a summary of the current tax system on the table. However, it should be noted that this presentation does not cover all instruments or all aspects of taxation.

In order to be exempt from taxation, non-resident individual investors are required to provide a certificate of residence which must be renewed every year. If the certificate of residence is not submitted, non-resident individuals are treated as resident investors. For non-resident corporate investors, a certificate of incorporation is required to benefit from exemptions.

In 2012, the tax regime on investment funds was revised, and the withholding tax rate of equity intensive mutual funds and exchange traded funds was brought down to 0% from 10%. Equity intensive funds are defined as funds where at least 75% of the portfolio is invested in equities or equity indices.

The withholding tax regime on bank deposits has been revised at the beginning of 2013 in order to promote longer term TL deposits. Previously, the withholding tax rate was 15% for all maturities for both TL and foreign currency denominated deposits. The new tax rates are given below:

Withholding Tax on Deposits in Turkey		
Maturity	TL Deposits	FX Deposits
< 6 months	15%	18%
6 months<maturity<1 year	12%	15%
>1 year	10%	13%

Taxation of Selected Investment Instruments in Turkey

Investment	Individuals		Corporations	
	Residents	Non-residents	Residents	Non-residents
Bank Deposits ¹	10-18% withholding tax.	10-18% withholding tax.	10-18% withholding tax. ²	10-18% withholding tax.
Repo Interest	15% withholding tax.	15% withholding tax.	15% withholding tax. ²	15% withholding tax.
Bonds (Capital Gains and Interest)	10% withholding tax.	10% withholding tax.	0% withholding tax. ²	0% withholding tax.
Futures	Withholding tax rate is 0% for contracts on equities or equity indices and 10% for contracts on commodities. ¹	Withholding tax rate is 0% for contracts on equities or equity indices and 10% for contracts on commodities. ¹	0% withholding tax. ²	0% withholding tax.
Listed Equities	Capital gains derived from shares are subject to 0% withholding tax. ³	Capital gains derived from shares are subject to 0% withholding tax. ²	0% withholding tax. ²	0% withholding tax.
Investment Funds	Subject to 10% withholding tax. ³	Subject to 10% withholding tax. ²	0% withholding tax. ²	Subject to 0% withholding tax.
Covered Warrants	Withholding tax rate is 0% for covered warrants on equities or equity indices and 10% for covered warrants on commodities. ¹	Withholding tax rate is 0% for covered warrants on equities or equity indices and 10% for covered warrants on commodities. ¹	0% withholding tax. ²	0% withholding tax.
Dividends on Equities	15% withholding tax is applied by the corporation distributing dividends. ⁴	15% withholding tax is applied by the corporation distributing dividends.	Not subject to dividend withholding tax. Dividends received from resident corporations are exempt from withholding tax.	15% withholding tax is applied by the corporation distributing dividends.

1: Withholding tax for TL (FX) denominated bank deposits varies from 15% (18%) for maturities under 6 months, to 12% (15%) for deposits with a maturity between 6 months and one year, and to 10% (13%) for maturities exceeding one year.

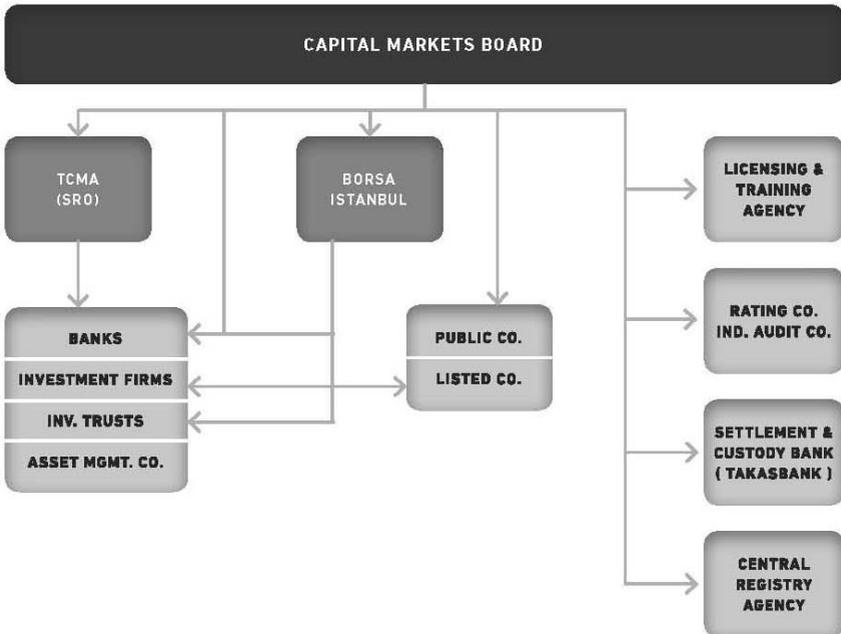
2: Earnings are subject to 20% corporate tax, but withholding tax is deducted.

3: Withholding tax is not applied to the gains from the mutual funds, if held for more than one year and if the equity portion of the fund's portfolio is at least 51% at all times. But, the shares of investment trusts are subject to 10% tax rate, if held for less than a year. For mutual funds and exchange traded funds classified as "equity intensive" (equity investments of at least 75% of the portfolio), the withholding tax rate is 0%.

4: Half of the dividends are exempt from income tax. If the remaining amount exceeds TL 29,000 in 2015, all income must be declared and will be subject to income tax. In that case, full amount of withholding tax may be deducted from the income tax.

CAPITAL MARKET INSTITUTIONS

Institutional structure of the Turkish capital markets is depicted in the diagram below;



I. CAPITAL MARKETS BOARD

The Capital Markets Board of Turkey is the main regulatory and supervisory authority in charge of the securities markets. Empowered by the Capital Market Law, the CMB regulates and supervises the capital markets, investment instruments and institutions.

The CMB aims to ensure the safe, fair and effective functioning of the capital markets while protecting the rights and interests of the investors.

A. Organization Structure

The Capital Markets Board is governed by the Executive Board. Being the highest decision-making body, the Executive Board is empowered to decide on any issue within the authority of the CMB. The Chairperson of the Executive Board is also the Chief Executive Officer.

The Executive Board consists of seven members. All the members of the Board are appointed by the Council of Ministers for a period of five years and can be re-appointed only once for the consecutive five year term. One of the members is appointed as the Chairperson by Council of Ministers while the Executive Board elects one member as the Deputy Chairperson.

B. Functions

The main duty of the CMB is to ensure the fair and orderly functioning of the capital markets, while protecting investor rights. In order to achieve this goal, the Board determines the conditions and operating principles of capital markets and capital market institutions. Cooperating with other financial regulatory institutions in order to ensure financial stability is also among the Board's responsibilities.

II. TCMA (TURKISH CAPITAL MARKETS ASSOCIATION)

The Association was initially founded in February 2001 under the name of "The Association of Capital Market Intermediary Institutions of Turkey" according to the former Capital Market Law. After the New Capital Market Law came into effect, the name of the Association was revised to "Turkish Capital Markets Association" in April 2014.

According to this new regulatory framework, in addition to investment firms and banks authorized for capital market operations, asset management companies and investment trusts became members of the Association. Membership to the Association is compulsory.

The Association has 228 members as of January 2015: 98 investment firms, 43 banks, 41 asset management companies, 6 venture capital investment trusts, 31 real estate investment trusts, and 9 investment trusts. The list of members is accessible on the TCMA's website at www.tcma.org.tr/eng.

A. Organization Structure

The statutory bodies of the Association are the General Assembly, the Board of Directors and the Board of Auditors. The General Assembly is the highest decision-making body, where each member firm has one voting right.

The Board of Directors is composed of eleven members. Eight of them are elected by different member categories: three members from investment firms, two from banks, two from the asset management companies and one member representing investment trusts.

In addition, one representative member from the Appraisal Experts Association of Turkey and two independent members serve on the Board. Among the candidates determined by a committee that is formed by the chairpersons of the CMB, Borsa Istanbul and the Association; the General Assembly elects two independent board members. Board members are in charge for two years.

The Board of Auditors also serve for two years and has five members; two from investment firms, one from banks, one from asset management companies and one from investment trusts.

The Secretary General of the Association carries out the daily management and administration of the Association.

B. Objectives and Functions

The Association aims to:

- Meet the collective needs of members,
- Contribute to the development of capital markets,
- Facilitate professional activities of members' employees,
- Safeguard prudent and disciplined conduct of business by its members,
- Facilitate solidarity among its members,
- Protect economic interest of members,
- Enhance members' professional know-how,
- Prevent unfair competition among members.

The main functions of the Association are to:

- Conduct research activities, organise meetings, trainings and publicity in order to foster the development of capital markets and members' activities,
- Establish professional rules and regulations in order to ensure fair and honest conduct of business,
- Set safety measures to prevent unfair competition,
- Issue, implement and supervise regulations in areas to be determined by the Capital Markets Board,
- Impose disciplinary action on members, when necessary,
- Cooperate with related national and foreign institutions,
- Monitor professional developments, changes in rules and regulations and inform members,
- Develop and implement policies in order to foster the development of capital markets and members' activities,
- Engage in financial literacy activities,
- Join as member or participate as shareholder in relevant national or international bodies,

- Develop the infrastructure for arbitration in disputes arising from off-exchange transactions among its members or between its members and investors,
- Assist in the resolution of complaints arising from off-exchange transactions among its members or between its members and investors, and develop an infrastructure for an arbitration commission,
- Evaluate complaints against members and report them to the Capital Markets Board,
- Determine the principles regarding limits on commissions and fees to be implemented by members,
- Gather general and statistical data from its members and publish periodic reports.

III. BORSA ISTANBUL

Borsa Istanbul; formerly named as Istanbul Stock Exchange (ISE), was founded at the end of 1985. The Exchange was demutualised in 2013 following the enactment of the new Capital Market Law.

The exchanges operating in Turkey, namely Istanbul Stock Exchange, Istanbul Gold Exchange and the Turkish Derivatives Exchange (TURKDEX) merged under the roof of Borsa Istanbul during the year 2013.

Borsa Istanbul has some self-regulatory authority on its members, but major decisions are subject to the approval of the CMB.

Financial instruments currently traded on Borsa Istanbul markets are:

- Equities,
- Exchange traded funds,
- Government bonds and bills,
- Corporate bonds and bills,
- Islamic bonds (sukuk),
- Covered warrants,
- Turbo certificates,
- Money market instruments (repo/reverse repo),
- Asset backed securities,
- Turkish sovereign Eurobonds,
- Foreign currency denominated Treasury Islamic bonds (sukuks),
- Futures and options,
- Precious metals and diamond.

A. Organization and Shareholder Structure

As of end December 2014, the Company's shareholding structure is outlined in the below table. Please note that 156 investment firms in the table also cover precious metals brokerage houses, and precious metals producing and marketing companies.

Shareholder Structure of Borsa Istanbul		
Treasury	A	0.1%
Treasury	B	48.9%
Borsa Istanbul	B	36.6%
OMX Technology AB.	B	5.0%
TCMA	C	1.3%
156 Investment firms	C	4.56%
31 Banks	C	1.44%
Others	C	2.1%
Total		100.0%

Only shares in the groups B and C can be transferred. Undersecretariat of Treasury is the main shareholder of Borsa Istanbul with a share of 49%. 6% of the capital was transferred to the members of the former stock exchanges

(ISE, IGE and Turkdex) whereas 1.3% share of the exchange is held by TCMA. 36.6% of the total shares belongs to the company itself. In accordance with the strategic partnership agreement signed between BIST and Nasdaq OMX on 31 December 2013, 5% of BIST owned shares were transferred to Nasdaq OMX in January 2014.

The General Assembly is the supreme decision-making body of Borsa Istanbul. Its decisions are subject to ratification and review of the CMB. The General Assembly also decides on issues related to the management and administration of Borsa Istanbul.

Borsa Istanbul is managed and represented by an Executive Board which is comprised of 10 members elected by the General Assembly. Three board members represent group C shareholders (namely the members of Borsa Istanbul) and two board members represent group A shareholder (namely Treasury). The remaining five members represent group B shareholders. The members serve for three years and can be re-elected. The Chairperson of the Executive Board is selected by the General Assembly. The Board may form committees that are responsible for special purposes. Currently there are five committees as the following; Audit, Early Risk Assessment, Arbitration, Disciplinary and Corporate Governance Committees.

B. Functions

The main functions of Borsa Istanbul are as follows:

- Ensure that capital market instruments, foreign currencies, precious metals and other instruments approved by the CMB are traded in a transparent, efficient, competitive, fair and stable environment,
- Create and develop markets, sub-markets, platforms or systems for trading,
- Determine and announce the discovered prices in the markets,
- Examine listing application of capital market instruments and request additional information and documents if necessary,
- Suspend trading and delist capital market instruments if necessary,
- Execute regulations about the disclosure of traded instruments,
- Determine trading days and hours for the markets,
- Sanction the members of Borsa Istanbul violating regulations,
- Take necessary precautions to prevent insider trading, manipulation etc.

There are five main markets operating at Borsa Istanbul and several sub-markets within these main markets.



C. Equity Market

1. Markets

Equities, warrants, certificates, rights coupons and exchange-traded funds are traded on the equity market. Only investment firms are allowed to trade equities. The size of the equity market is given in the table below.

Borsa Istanbul Equity Market*		
	No. of Companies	M.Cap. (mn. \$)
National	217	247,647
Collective Products (Exc. Warrants)	61	10,308
Second National	94	10,101
Watch List	29	455
Total	401	268,511

Source: Borsa Istanbul * As of end-Dec 2014

a. National Market

National Market is the main market wherein companies that fulfil the listing and liquidity criteria determined by the exchange, are traded. Listing requirements are given in detail in section I.

The liquidity criteria (daily average trading volume and number of traded shares) are reviewed quarterly. If a company fails to meet the minimum criteria in terms of listing and liquidity in the National Market, it is then transferred to the Second National Market.

The BIST-100 Index, being the main indicator of the exchange, is composed of 100 companies listed on the National Market. As of end December 2014, there were 217 companies whose market capitalization is US\$ 248 billion, traded on the National Market.

b. Second National Market

The Second National Market was established for small and medium-sized companies. In addition, companies that are temporarily or permanently delisted from the National Market, and companies that fail to satisfy the National Market's listing criteria are traded on the Second National Market.

The Executive Board of Borsa Istanbul decides on the transfer and listing of a company in this market. 94 companies with US\$ 10 billion market capitalization, were listed on the Second National Market as of end December 2014.

c. Watch List Companies Market

The Watch List Companies Market is for companies under special surveillance and investigation due to extraordinary events such as unusual trades, incomplete, inconsistent and/or late disclosure of information to the public, failure to comply with the existing rules and regulations, and other situations that may lead to delisting. As of end December 2014, 29 companies were in the Watch List Market.

d. Collective Products Market

Introduced in November 2009, Collective Products Market offers trading facilities for certificates of investment trusts, real estate investment trusts, venture capital trusts, exchange traded funds, warrants, and certificates.

As of end December 2014, 9 investment trusts, 31 real estate investment trusts and 6 venture capital investment trusts were traded on this market. Additionally, there were 15 exchange traded funds.

Covered warrants and turbo certificates are also being traded on the Collective Products Market. As of end December 2014, 640 warrants were listed.

e. Free Trade Platform

Free Trade Platform was established for trading of unlisted public companies. Trading on this platform commenced on May 2012. Eligible equities for trading on this platform are determined by the Capital Market Board. As of end December 2014, 14 companies were being traded on this market.

f. Primary Market

Initial public offerings of companies, and also rights offerings take place in the Primary Market. In this market, an ask order can only be given by the intermediary institution that manages the public offering. All other intermediaries can only enter bid offers. Equities that are bought by the members cannot be resold in this market.

g. Wholesale Market

The Wholesale Market provides a platform for large trades. Equities of listed or unlisted companies can be traded in this market. Pre-agreed trades, as well as block offers to the public are allowed. Block sale of privatized companies are also done in this market. Settlement can either be done through Takasbank or among the parties of the transaction, upon their application and Exchange's approval.

h. Rights Coupon Market

Launched in January 1993, the Rights Coupon Market serves for secondary trading of rights coupons which gives shareholder the right to purchase the new shares issued by the traded company to increase its capital.

i. Official Auction

The courts, the court-bailiff's offices and other government agencies may request the sale of certain equities as a result of a legal case. The price is either set by these official authorities or determined at an auction in this market.

2. Trading

Trading on the main markets depends on multiple price-continuous auction method. The system automatically matches buy and sell orders on a price and time priority basis.

Traders enter the orders via their workstations located at Borsa Istanbul or in their offices. It is a blind order system with counterparties identified on the next trading day (T+1).

Unit of trading (lot) is the minimum quantity by which a stock, a rights coupon or an ETF can be traded. 1 lot of a stock represents 1 share (TL 1 at par value), 1 lot of rights coupon represents 1 coupon (the rights coupon attached to a stock of TL 1 at par value). In the ETF Market, 1 lot size is equivalent to 1 certificate with a nominal value of TL 1.

Trading Rules According to Equity Classifications				
	Group A	Group B	Group C	Group D
Continuous Auction/Single Price	Continuous Auction	Continuous Auction	Continuous Auction* Single Price	Continuous Auction* Single Price
Margin Trading & Short Selling	Yes	Yes	No	No
Open Settlement Position / Shareholders' Equity Ratio	General Provisions	100%	100%	100%
Ratio subject to Shareholders' Equity Account	General Provisions	50%	0%	50% for ECM 0% for other markets
* If there is a market maker or liquidity provider				
Source: Borsa Istanbul				

In October 2014, the CMB classified the listed equities into four groups as group A, B, C and D that are determined semi-annually in January and July. The equities in the equity market are classified as group A, B and C, while equities trading in Emerging Companies Market, Free Trade Platform, Qualified Investor Market and Watchlist Companies Market are labelled as group D. The new classification is in force since January 2, 2015. In accordance with this arrangement, each group is subject to different trading rules. The classification is made according to the criteria above. Disclosure of prices also varies among classes.

Group A: Equities that have at least TL 30 million free float market capitalization are classified as Group A.

Group B: Equities, with free float market capitalization between TL 30 million and TL 10 million are classified as Group B. Additionally, investment trusts whose market price are at least 1.5 fold more than the net asset value per share within the evaluation period, are also classified in Group B.

Group C: Equities, with free float market capitalization below TL 10 million are classified as Group C. Investment trusts whose market price are at least as twice as the net asset value per share within the evaluation period, are also classified in Group C.

Group D: Equities listed on the Emerging Companies Market, Free Trade Platform, Qualified Investor Market and Watchlist Companies Market are classified as Group D.

Trading Hours at Borsa Istanbul Equity and Emerging Companies Markets		
Continuous Trading		
National Market	Opening Auction	09:15-09:35
Second National Market	Session I	09:35-12:30
	Lunch Break	12:30-14:00
	Opening Auction	14:00-14:15
	Session II	14:15-17:30
	Closing Auction	17:30-17:40
Continuous Auction with Market Making		
Emerging Companies Market	Opening Auction	09:15-09:35
Watchlist Companies Market	Session I	09:35-12:30
Collective Products with Market Making	Lunch Break	12:30-14:00
	Opening Auction	14:00-14:15
	Session II	14:15-17:30
	Closing Auction	17:30-17:40
	Single Price Auction	
Collective Products without Market Making	Call Phase	09:35:12:30
	Single Price Determination	12:30 (+)*
Free Trade Platform	Call Phase	14:15-17:30
	Single Price Determination	17:30-17:33
	Wholesale Market	10:30-12:00
Primary Market	10:30-12:00	
Official Auction Market	10:30-12:00	
Rights Coupon Market	Relevant Market's Trading Hour	
*: It may go beyond the session depending on the trades.		

In the national market, equity trading is done in two separate sessions; first session takes place in the morning and the second in the afternoon. An opening auction (single price) is carried out in both sessions. Orders are entered into the trading system during the predefined time interval without matching. At the end of the order-entry period, opening prices are determined and orders are matched. A closing auction takes place after the second session.

3. Settlement

The settlement of equities and cash is done on T+2 by Takasbank, through delivery-versus-payment (DVP) system. The securities settlement operations are carried out via Takasbank Settlement Pool Account with the Central Registry Agency. The Central Registry Agency and Takasbank systems are fully interconnected in real time basis, so that securities' transfers are reflected in the Central Registry Agency instantaneously. Settlement is realized along with the details transferred from the Central Registry Agency.

The custody accounts are held within the Central Registry Agency. The investment firms have a settlement pool account besides their own portfolio account and client sub-accounts. The cash accounts are held at Takasbank.

At the end of each trading day, Borsa Istanbul transmits details of all transactions to Takasbank where the settlement positions multilaterally are net, the obligations of each broker in each security are determined, and their net cash position is calculated.

The net settlement position on client basis is transmitted to Central Registry Agency on the trade day (T). The details of netting are available to brokers electronically on day (T), showing also settlement amounts due. At the end of the day, the securities of the delivering clients are blocked automatically by the Central Registry Agency for settlement purposes.

On day T+1, net settlement records that are checked by the Central Registry Agency are made available to brokers electronically.

On day T+2, the securities of the delivering clients are transferred from the blocked settlement account to the settlement pool account of the broker within the Central Registry Agency system. Securities are then transferred to client sub-accounts by the Central Registry Agency.

Brokers are expected to fulfil their cash obligations through their cash accounts at Takasbank from 09:00 to 16:30 for equity settlements.

For cash settlement dues brokers may;

- transfer funds from their accounts at other banks,
- use same day receivables from the Debt Securities Market of Borsa Istanbul,
- use same day receivables from the Takasbank Money Market,
- borrow from the repo markets of Borsa Istanbul with same day value date,
- borrow from the Takasbank Money Market with same day value date.

The investment firm defaults, if the amount is still not covered in the settlement date. The default procedures are explained in the next section. Firms generally charge penalty interest from their clients for failed settlement dues.

However, equity settlement is different. If, on the settlement date, the client is unable to deliver the equities s/he sold, the broker may;

- borrow the equities from the Securities Lending/Borrowing Market (which is explained on the following pages),
- borrow the equities from another client with her/his written consent,
- borrow the equities in the OTC market from another investment firm (the equity holdings of investment firms are available through data vendors' screens).

4. Failed Trades and Default Procedures

If a party fails to fulfil its settlement obligation, Borsa Istanbul charges a default penalty based on overnight interest rates.

If default is covered on day T+2 but after 16:30, then the highest overnight interest rate among Borsa Istanbul Repo/Reverse Repo Market, Takasbank Money Market or the Central Bank's Money Market is applied.

However, if default is covered on day T+3, relevant interest rate is multiplied by three and the penalty payment is calculated accordingly. If default is not covered on day T+3, then Takasbank notifies Borsa Istanbul, indicating due obligations (cash or securities), the investment firm's detailed list of securities and cash receivables pledged at Takasbank.

Borsa Istanbul holds a buy-in auction for the required securities or liquidates the investment firm's collateral. The settlement of the auction is on the same day (T+3). If the receivables still do not cover obligations, then Takasbank Guarantee Fund is called.

5. Collateral for the Equity Market

All intermediary institutions must deposit the collateral determined for each market of Borsa Istanbul in which they operate.

The collateral is deposited at the Central Bank or any public bank stipulating it to be at Borsa Istanbul's disposal.

Here are the financials accepted as collateral:

- Cash (TL or FX),
- Time deposits,
- Treasury bills and government bonds,
- Equities,
- Letter of guarantee,
- Investment funds,
- Gold (traded in the exchanges),
- Eurobonds issued by the Treasury,
- Islamic bonds (sukuk) issued by the Treasury,
- An irrevocable and unconditional bank letter of guarantee. The amount of the guarantee is determined by Borsa Istanbul for each investment firm. The

issuer of the guarantee letter should not have any affiliation with the investment firm.

The equity market collateral is calculated once every quarter as the sum of the following:

Fixed Collateral: The fixed amount is TL 500.

Proportional Collateral: 5% of the average daily equity trading volume in the last 3 months.

Supplementary Collateral: 10% of the total amount of the defaults that exceed TL 10,000 within the last 3 months.

Odd-Lot Collateral: TL 50,000 should be deposited only by the members executing odd-lot transactions (Off-Exchange).

A new investment firm pledges only the average collateral, which is the sum of fixed and proportional collateral assigned by Borsa Istanbul.

D. Emerging Companies Market

Emerging Companies Market (ECM) regulation was released in August 2009 and the market became operational in October 2010. The first company on the ECM was listed in January 2011. At the end of December 2014, 22 companies with US\$ 403 million market capitalization are listed on the ECM.

The ECM is designed for companies that have high growth potential but fail to meet the listing criteria of the National Market. Companies are not "listed" but admitted to the ECM Directory.

There are no quantitative admission criteria, such as profitability, paid-in capital, company age, market capitalisation or offering size, etc. However, there are certain conditions defined in the listing regulation that the company is expected to fulfil.

1. Market Advisor Mechanism

A market advisor mechanism is introduced for ECM. The market advisor is authorized by Borsa Istanbul and is required to assist the company for the application to the ECM. Additionally, it has to provide advisory services to the company for compliance with the capital markets regulations.

The following companies can be market advisors;

- Intermediaries permitted to offer investment advisory or public offering services,
- Asset management companies,
- Venture capital companies.

2. Admission

Similar to the National Market, the shares of the company should be freely transferable. However, the offering should be done through a capital increase and the proceeds should go to the company. During the offering, existing shareholders cannot sell their shares. However, after trading starts, they can freely buy or sell, provided that those shares are registered at the ECM Directory.

The latest year-end financial statements should be audited. Additionally, depending on the time elapsed since the last audit, semi-annual financial statements may need to be audited as well.

A market advisory agreement should be signed for at least two years period. Market advisors are jointly responsible for the accuracy of the information submitted to the exchange or disclosed to the public.

The Executive Council of the Exchange decides for admission, depending on the market advisor's affirmative report. Unlike regular listings, Borsa Istanbul does not examine the company. Due diligence is done by the market advisor.

3. Offering

The shares can be sold through public offering or private placement. Prospectus and circulars are not required for private placements, whereas the number of investors should not be more than one hundred.

For the public offerings in the ECM market, companies must use the Sales on the Exchange method. Bookbuilding is not allowed.

Intermediaries must have the ECM Risk Notification Form signed by investors, before trading ECM shares either during the IPO or in the secondary market. ECM Risk Notification Form gives information about the ECM and emphasises the market's risks.

4. Trading

Trading of the shares takes place on the same electronic platform with the shares traded on the Equity Market, although with a different method. Mainly, continuous auction with market maker method is used for trading, while "Single Price" method is applied for the shares without a market maker.

ECM traded shares are registered in the Central Registry Agency system in dematerialized form. The custody and settlement of ECM shares are done in the same method as other shares. Cash and security settlement of trades are completed by Takasbank.

All investment firms that are authorized to trade on the Equity Market, may trade on the ECM as well.

E. Debt Securities Market

1. Markets

Banks and investment firms are allowed to operate in the Debt Securities Market. Government bonds, T-bills, corporate bonds, revenue-sharing certificates and liquidity bonds of the CBRT are traded in these markets. Bonds and bills can also be traded in the OTC market.

There are seven sub-markets within the Debt Securities Market;

1. Purchases and Sales,
2. Repo/Reverse Repo,
3. Repo Market for Specified Securities,
4. Interbank Repo/Reverse Repo,
5. Offering Market for Qualified Investors,
6. Equity Repo Market,
7. International Bonds Market.

a. Purchase and Sales Market

In the Purchases and Sales Market, the value dates of orders vary from the same day to 90 days for government bonds and to 30 days for private sector bonds. If the nominal value of an order is less than TL 100,000, it is considered to be a small order. Orders are given in multiples of TL 100,000 up to TL 10,000,000 nominal. Small orders must be in multiples of TL 1,000 up to TL 99,000 nominal. All orders can be matched with several counter orders, i.e. splitting is possible.

Price, yield, volume information of best orders, details of the last transaction and a summary of total transactions excluding the trading parties are disseminated real-time basis.

b. Repo and Reverse Repo Market

In the Repo/Reverse Repo Market, the securities are kept safe on behalf of the participant involved in reverse repo transaction, in a segregated account. Securities are marked-to-market daily, during the repo period. Margin calls can be made if necessary.

The beginning value date of orders varies from zero to seven days. If the nominal value of a repo/reverse repo order is less than TL 500,000, it is considered as a small order. Orders are given in multiples of TL 500,000 up to TL 10,000,000. Small orders must be in multiples of TL 1,000 up to TL 499,000. All orders can be matched with several counter orders.

c. Repo Market for Specified Securities

In this market, trading parties may negotiate and agree on a price of underlying security in addition to the repo rate. Government bonds, corporate bonds, revenue-sharing certificates, private debt securities, lease certificates and liquidity bonds of the CBRT can be traded.

Unlike the Repo/Reverse Repo Market, the securities are not blocked, but are delivered to the buyer. At the maturity, the buyer delivers the related securities to Takasbank to be transferred to the seller where orders are given in multiples of TL 10,000 up to TL 10,000,000.

d. Interbank Repo and Reverse Repo Market

When banks engage in repo transactions with non-bank counterparties, they have to meet the reserve requirements of the Central Bank. For that reason, this market was established in January 2011, as an organized repo market only for banks and the CBRT, where investment firms are not allowed to operate.

Banks can trade only for their own books, but not for their clients. Government bonds, Treasury bills and the liquidity bills of the CBRT are subject to repo transactions in this market.

Traded securities, order types, order validity rules and value dates, are the same as those applied in the Repo-Reverse Repo Market.

e. Offering Market for Qualified Investors

In this market, listed companies on the National or Second National Market can issue debt securities through private placement and without preparing a prospectus. Issued debt securities can only be sold to qualified investors, which are defined as investment funds, pension funds, intermediary institutions, insurance companies, asset management companies, mortgage companies, and individual investors who have at least TL 1 million worth of financial assets.

Debt securities issued in this market are traded in the Purchases and Sales Market without any further requirements. Issued securities can be denominated in TL, USD or Euro. Orders are given in multiples of 50,000 up to the nominal value of the underlying debt security.

f. Equity Repo Market

The Equity Repo Market was established within the Debt Securities Market in December 2012. The shares of BIST-30 index companies are eligible to trade in this market. Trades can be executed with a starting value date as the prevailing date, or a future date up to 2 working days. The minimum order size is TL 10,000 and orders are given in multiples of TL 10,000 up to TL 3,000,000.

g. International Bond Market

Since April 2007, listed Turkish sovereign eurobonds were being traded at the International Bonds Market. These instruments are being traded in a separate market under the Debt Securities Market since September 2013.

The market is operating on a multiple price-continuous auction trading system. The system provides fully automated, remote-access, electronic order matching and reporting.

Order matching is based on price and time priorities. Members are subsequently informed about the executed transactions. Information on price and volume of best orders, details of the last transaction and a summary of all transactions are disseminated in real time.

Orders are based on a 100 face value, on the relevant currency of the Eurobond. The value date of the orders can be between 1 and 15 days.

h. Over the Counter Market

All transactions in the OTC Market, which take place among banks, investment firms, individual and institutional investors, are agreed upon on the telephone or through systems such as Reuters Dealing. Transactions are settled through banks' accounts at the Central Bank or investment firms' accounts at Takasbank. Unless otherwise agreed by the parties, the settlement date is the trading day. OTC market transactions must be reported to Borsa Istanbul.

All members of Borsa Istanbul who are authorized to operate in the Debt Securities Purchases and Sales Market, are eligible to operate in the Foreign Securities Market as well. Members do not have to deposit any additional collateral, since their transactions are evaluated within trading limits for the Debt Securities Market.

2. Trading

The Central Bank, banks and investment firms may trade in the debt securities market. A computerized order matching and reporting system is in place. Trading hours are presented in the table.

Members may enter their orders via terminals in their own offices. Orders are matched according to price/rate and time priorities. Each market is operating on a multiple price-continuous auction system.

Trading Hours at the Debt Securities Market of Borsa Istanbul

	Same Value Date	Future Value Date
Purchases and Sales Market	09:15-14:00	09:15-17:00
Repo/Reverse Repo Market		
Repo Market for Specified Securities		
Interbank Repo Reverse Repo Market		
Offering Market for Qualified Investors		09:15-14:00
Equity Repo Market	09:35-12:00	09:35-17:00
International Bonds Market	-	09:15-17:00
Eurobond Negotiation Deals Platform	-	
Notification of Securities Against Repo	09:15-15:00	-

3. Settlement

Clearing and settlement is carried out by Takasbank. The settlement date for transactions is T+0, unless otherwise agreed between the parties. For the foreign currency denominated securities, on the other hand, settlement date is T+3.

The settlement of government debt securities traded in the organized and OTC markets are done through the Electronic Securities Transfer System operated by the Central Bank. Takasbank has a securities account with the CBRT in order to facilitate the settlement of government debt securities.

After a trade, Borsa Istanbul issues confirmation to both parties and to Takasbank. Takasbank multilaterally nets all trades (other than the trades on Repo-Reverse Market and Interbank Repo-Reverse Market) for each Borsa Istanbul member for each security traded and for cash. Netting results are reported to the members electronically on the trade day. Only trades done before 14:00 can be settled on the same day.

Trading members are expected to fulfil their cash obligations through the use of their cash accounts with Takasbank for the Bonds and Bills Market settlements by 16:30. They can also transfer cash from their other accounts at Takasbank, from other banks using the CBRT's Electronic Fund Transfer (EFT) system, use same day receivables from Borsa Istanbul Equity Market or the Takasbank Money Market.

4. Collateral for the Debt Securities Market

Members (banks and investment firms) are required to keep collateral in order to trade in the Bonds and Bills Market. Assets that are accepted as collateral are as follows:

- Cash collateral (TL, US\$, € and gold deposits),
- Government bonds and bills, revenue sharing certificates, corporate bonds and bills,
- Bank letters of credit. The issuer should not have any affiliation with the intermediary firm.

Haircuts are applied, varying according to the nature of the collateral. Bank letter of credit cannot exceed 50% of the total collateral. The amount of collateral depends on the trading limit of the member firm.

5. Trading Limits

Trading limits are determined by Borsa Istanbul. Members cannot exceed their trading limits during a session, unless their trades are settled.

The main criteria used in determining trading limits are the member's shareholders' equity and the fixed income portfolio of the mutual funds it owns or manages.

The maximum trading volume (gross limit) is calculated as follows: $(\text{Shareholder's Equity} \times 15) + (\text{Size of Fixed Income Portfolio of Mutual Funds Founded or Managed})$.

The gross limit is the maximum amount the intermediary can trade during the day, which roughly equals the latest shareholders' equity multiplied by 15. It could be tripled of that amount, if additional collateral conditions are met.

Once the gross limit is determined, a net limit is assigned to the member by taking into account its average daily trading volume and its settlement default history. After the net limit is set and approved by Executive Board of Borsa Istanbul, the member firm provides the necessary collateral and uses its net limit. The required collateral is 2.5% of the net limit.

As an example to clarify the mechanics of this process: assume that the investment firm's shareholders' equity is TL 1 million and that it manages mutual funds of TL 1.5 million, of which TL 1 million is in fixed income and the remaining TL 0.5 million in equities. Hence, the final gross limit is TL 16 million. However, Borsa Istanbul may determine the firm's net limit as TL 15 million. If the company wants to use its limit to the full, 2.5% of this amount, TL 375,000, should be pledged as collateral. However, if the company prefers to pledge TL 250,000 as collateral, then its net trading limit is set as TL 10 million $(= \text{TL } 250,000 / 2.5\%)$.

Trading limits can be increased by depositing excess collateral. Each unit of collateral grants 40 units of trading limit (i.e. 2.5% ratio). That is, if TL 1 million is deposited as excess collateral, an additional TL 40 million can be traded.

If, under special circumstances, the company wants to exceed its net limit or even gross limit, it can do so by collateralizing the excess amount in full. Continuing with the example given above: assume that the firm is willing to trade TL 20 million of bonds on a given day. Its net limit is TL 15 million and gross limit is TL 16 million. It meets the collateral requirements in full, i.e. TL 375,000 required by its net limit. In order to increase its net limit to TL 20 million, the firm has to deposit additional collateral of TL 5 million, i.e. the difference between the trading value and the net limit.

F. Future and Options Market

Futures and Options Market of Borsa Istanbul was launched in December 2012 where single stock futures and options were traded. Following the merger of the Turkish Derivatives Exchange (launched in 2005) with Borsa Istanbul in August 2013, the product range has widened.

Banks and investment firms are permitted to trade on this market. However, banks are not permitted to trade equity or equity index products.

1. Markets

Futures and options are traded on the Main Board, Negotiated Deals Board and on the Advertising Board.

a. Main Board

The Main Board is the main market where the orders are matched during the regular session and price fixing session. There are ten sub-markets under this market. The sub-markets and current underlying assets are given as below;

1. Equity Futures Main Board (10 stocks as of January 2015)
2. Equity Index Futures Main Board (BIST-30 index)
3. Currency Futures Main Board (TL/US\$, TL/€ and €/€)
4. Precious Metals Futures Main Board (TL/gr gold, USD/ounce gold)
5. Commodity Futures Main Board (cotton, wheat)
6. Energy Futures Main Board (base load electricity)
7. Equity Options Main Board (10 stocks as of January 2015)
8. Equity Index Options Main Board (BIST-30, Mini BIST-30)
9. Currency Options Main Board (TL/US\$)
10. Foreign Indices Futures Main Board (SASX-10: The Sarajevo Stock Exchange Index).

b. Negotiated Deals Board and Advertising Board

These boards are defined separately for large orders. Negotiated deals, where both sides are identified, are done on the Negotiated Deals Board, are subject to the approval of the Exchange.

On the Advertising Board, traders indicate their interest in performing a negotiated trade. Once an advertising order is matched by the counterparty, it becomes a negotiated deal and the trade is executed on the Negotiated Deals Board upon the Exchange's approval.

2. Trading

Trading is done on a multiple price, continuous auction method. The system automatically matches orders based on price and time priority. Both market and/or limit order can be entered in the trading system.

The offers for futures and option contracts are entered into the trading system on the basis of premium/price for 1 unit of the underlying asset.

There is continuous trading from 09:10 to 17:45 (17:40 for equity contracts) with a non-trading period between 12:30-13:55 hours. In the non-trading period, the system is open. However, order entry or execution is not possible. In this period, member representatives may log on to the system, execute queries and may aggregate order files to be sent to the system after the beginning of a normal session.

The cycle of the maturities may vary according to the nature of contract type. The maturities of single stock options and futures for instance, are February, April, June, August, October and December and contracts with two different months nearest to the current month shall be traded concurrently. If December is not one of those two months, an extra contract with an expiration of December is launched.

3. Clearing

Members of the Futures and Options Market are required to become a direct clearing member of Takasbank among other requirements. The minimum requirement of shareholders' equity for a clearing member is TL 50 million (US\$ 21.5 million) for banks and TL 10 million (US\$ 4.3 million) for investment firms.

The clearing and settlement of equity futures and options are executed on physical delivery basis. Cash settlement is used for other contracts.

For any transaction, the exchange will address only the relevant member, regardless of whether the trades are for the account of their clients or not. In the case of failure to fulfil margin calls, the Exchange and Takasbank are authorized to take action without any notification to the client.

Open positions are updated daily by Takasbank on the basis of clients' accounts. The losses are collected on the trade date (T+0) while profits are distributed on the following day (T+1).

Members should fulfil their settlement obligations by 15:00 on T+1 (in case of physical settlement until 16:30 on T+3). Cash obligations of physical delivery contracts are calculated by the settlement price of the contract on the last trading day.

Takasbank is the central counterparty and it guarantees the settlement of transactions. The members have to deposit the collateral to the accounts determined by Takasbank. The following are accepted as collateral:

- Turkish Lira and foreign currency,
- Government debt securities, eurobonds and Islamic bonds (sukuk) issued by the Turkish Treasury,
- BIST-30 shares and exchange traded funds,
- Investment funds,
- Gold,

- Bank letters of credit. The issuer should not have any affiliation with the intermediary firm.

At least half of the total collateral must be deposited in Turkish lira.

Beside the collateral, Takasbank manages a guarantee fund, which can be utilized in case of member defaults. As the central counterparty, Takasbank will dedicate resources from its own capital in addition to collaterals and guarantee fund if necessary.

4. Margining

For futures and options, margining and risk management are carried out by Takasbank. The positions are kept in Takasbank's system on a real time basis. Takasbank calculates the required collateral for each portfolio. Maintenance margin is equal to 75% of the required collateral.

If the total collateral amount plus total profit/loss is lower than the maintenance margin, Takasbank places a margin call. Collateral obligations must be fulfilled by 14:30 on day T+1.

Takasbank also calculates the risk ratio for each portfolio as follows:
 Maintenance Margin / [Total Collateral ± Temporary Profit/Loss]

Four risk levels are defined between 0 and 3.

Risk Ratio (%)	Risk Level
75 >= Risk Ratio	0
90 >= Risk Ratio > 75	1
100 >= Risk Ratio > 90	2
Risk Ratio > 100	3

If the risk ratio is less than 75%, it is assumed that there is no risk for that portfolio.

The portfolios with the risk levels 1 or 2 (risk ratio is between 75% and 100%) are assumed as "high risk" status, but these levels are alerts only.

If the risk ratio exceeds 100% i.e. the maintenance margin is more than the [Collateral ± Temporary Profit/Loss], then the portfolio is defined as "risky". The outstanding orders for a risky account are automatically cancelled in the trading system. Takasbank places a margin call to its members on the basis of the account. Such accounts may be taken out of risky position by depositing collateral and/or closing positions. Collateral may be deposited in, but not drawn from risky accounts.

Members can monitor the accounts' risk status via the Takasbank system. Any changes in the risk status of custody accounts will be reported to Borsa Istanbul through the Takasbank system.

5. Contract Specifications

Specifications of the following futures and option contracts are summarized below;

1. Currency futures (TL/US\$, TL/€ and €/€) and options (TL/US\$),
2. Interest rate futures (benchmark bonds),
3. Equity index futures and options (BIST-30 Indices),
4. Equity futures and options (10 stocks),
5. Commodity futures (cotton, wheat, TL/gr gold, USD/ounce gold),
6. Energy (Base Load),
7. Foreign Indices (SASX10 Index)

Contract Specifications			
Equity Index	BIST 30 Index Future	BIST 30 Index Options	Mini BIST 30 Index Options
Underlying Asset	BIST National-30 stock price index		
Contract Size	%10 of the index in TL		%1 of the index in TL
Price Quotation	0.1% of index with three decimals.	Premium value of one underlying security with two digits.	
Tick Size	2.5 TL (25 index points)	1 TL (10 index points)	0.01 TL
Trading Hours	09:10-17:45 (12:30-13:55 non-trading period)		
Contract Months	3 nearest months of February, April, June, August, October and December.		
Settlement Period	Cash settlement, T+1		
Final Settlement Day	Last business day of each contract month		
Exercise Style	-	European	
Equity	Equity Futures	Equity Options	
Underlying Asset	The BIST-30 stocks determined by the exchange		
Contract Size	100 shares of underlying stock		
Price Quotation	one underlying share	premium value of underlying share	
Tick Size	0.01 per share		
Trading Hours	09:10-17:40 (12:30-13:55 nontrading period)		
Contract Months	2 nearest months of February, April, June, August, October and December.		
Settlement Period	Physical settlement, T+3		
Final Settlement Day	Last business day of each contract month		
Exercise Style	-	European	

Currency	TL/USD Futures	TL/Euro Futures	Euro/USD Futures	TL/USD Options
Underlying Asset	TL/USD	TL/Euro	Euro/USD	TL/USD
Contract Size	1,000 USD	1,000 Euro	1,000 Euro	1,000 USD
Price Quotation	Sample quote 1,4155 TL or 1,8870 TL		Sample quote 1€=1.2711 USD	Premium value of underlying
Tick Size	0.0001=0.1 TL		0.0001=0.1 USD	0.1 (per option premium)
Trading Hours	9:10-17:45 (without break)			
Contract Months	3 nearest months of February, April, June, August, October and December.		2 nearest months of March, June, September and December.	Current and next month
Settlement Period	Cash settlement, T+1			
Final Settlement Day	Last business day of each contract month			
Exercise Style	-	-	-	European
Commodity	Aegean Cotton Futures	Anatolian Red Wheat Futures	Gold Futures	USD/Ounce Gold Futures
Underlying Asset	Aegean Standard 1 Cotton	Anatolian Red Hard Wheat	995/1000 fineness refined gold	995/1000 fineness of gold
Contract Size	1 tonne	5 tonnes	1 gram	1 ounce
Price Quotation	Per kg with three digits (1.825 or 1.830 TL)	Per kg with four digits (0.3865 or 0.3870 TL)	Per gram with two digits (99.27 TL)	Per ounce with three digits (1.150,15 USD)
Tick Size	0.005=5 TL	0.0005=2.5 TL	0.01=0.01 TL	0.05=0.05 USD
Trading Hours	09:10-17:45 (without break)			
Contract Months	2 nearest months of March, May, July, October, December.	2 nearest months of March, May, July, September, December.	3 nearest months of February, April, June, August, October, December.	
Settlement Period	Cash settlement, T+1			
Final Settlement Day	Last business day of the contract month			
Energy	Base Load Electricity Futures			
Underlying Asset	The basic arithmetic average price of each hour of contract month			
Contract Size	Number of hours in the contract month x 0.1 MWh ex:contract size for 30 day contract month is 72 (=30x24x0.1)			
Price Quotation	1 MWh of electricity with two decimals. (ex: 121.20)			
Tick Size	0.1			
Trading Hours	09:10-17:45 (without break)			
Contract Months	Current and next three months			
Settlement Period	Cash settlement, T+1			
Final Settlement Day	Last business day of the contract month			

Foreign Indices	SASX 10 Index Futures
Underlying Asset	The Sarajevo Stock Index 10
Contract Size	Index value in TL
Price Quotation	Index value with two digits
Tick Size	0.25 TL
Trading Hours	09:10-17:45 (without break)
Contract Months	2 nearest months of February, April, June, August, October, December
Settlement Period	Cash settlement, T+1
Final Settlement Day	Last business day of each contract month
Source: Borsa Istanbul	

G. Precious Metal and Diamond Market

The Istanbul Gold Exchange (IGE) became operational in July 1995. At the end of 2012, the exchange merged with Borsa Istanbul in line with the new Capital Market Law. Now precious metals and diamond are traded in the Precious Metals and Diamond Markets of Borsa Istanbul.

The members of the market are banks, currency offices, precious metals investment firms, precious metals producing and marketing companies and jewelry companies.

1. Markets

There are three sub markets:

- Precious Metals Market: spot transactions for gold, non-standard gold, silver, platinum and palladium metals,
- Precious Metals Lending Market: lending and certificate transactions of defined precious metals,
- Diamond and Precious Stone Market: transactions of diamond and precious stones.

Member of the market is given in the table below.

Members of Precious Metals and Diamond Markets			
	Precious Metals Market	Precious Metals Lending Market	Diamond and Precious Stone Market*
Banks	23	12	54
Currency Offices	40	-	
Precious Metals Investment Firms	19	-	
Precious Metals Producing and Marketing Companies	12	2	
Jewellery Companies	-	-	68
TOTAL	94	14	122
*: Members of the Precious Metals Market			

2. Trading and Clearing

The trading hours in Precious Metals and Diamond Markets are given in the table below;

Trading Hours at Borsa Istanbul Precious Metals and Diamond Markets	
Precious Metals Market	Starts 04:00 pm and closes 04:00 pm the next day. (24 hours continuous session)
Precious Metals Lending Market	09:45 and 17:30 on business days
Diamond and Precious Stone Market	09:45 and 16:30 on business days

The orders are given through an internet based trading system. Trading units are Turkish Lira/kg, US\$/ounce, and EUR/ounce.

In the Precious Metals Market the value dates of the transactions are from T+0 up to T+90 days. Each member submits membership collateral of US\$ 10,000 (or equivalent TL or €) which covers the possible losses that a member may cause for other members or the exchange.

In addition, the members have to submit trading collateral. It sets the upper limit on the transaction volume of a member.

A member can trade:

- 25 times the sum of trading collateral for T+0,
- 20 times for T+1 up to T+5,
- 12 times for T+6 up to T+9,
- 10 times for T+10 up to T+90.

Financial obligations are fulfilled until 17:00 and precious metals physical deliveries are fulfilled until 16:00.

Clearing operations are done during the business days and official working hours of the Exchange (T+0).

In the Precious Metals Lending Market the value date is T+0 for all transactions. In the market, the borrower can trade up to 90% of the collateral value pledged to the Exchange.

The followings are accepted as collaterals in order to have the right to trade on the Precious Metals Market and on the Precious Metals Lending Market;

- Cash (TL, US \$ or €),
- Treasury Bonds and Bills,
- Bank Letter of Credit in Turkish lira or US Dollar,
- Precious metals delivered to the Exchange vault.

In the Diamond and Precious Stone Market the transactions take place in session floor with participation of both the Exchange officials and

representatives of members. All transactions are done by physically. After the agreement between buyers and sellers, transaction forms must be filled and given to the Exchange officials by representatives of members.

H. Indices

1. Equity Indices

Until the end of 1996, Borsa Istanbul used to compute only the BIST-100, Financial and Industrial indices. In 1997, sector and sub-sector indices began to be calculated. All equity indices are calculated as price and total return indices. Price indices are free float capitalization weighted.

BIST price indices are computed throughout the trading session every 10 seconds, while the return indices are calculated and announced at the end of the session only.

BIST stock indices do not comprise any of the stocks that are listed on the Watch List Market or included in the C list.

Some of the basic indices are explained below:

BIST-100 has been calculated since the inception of the exchange. It comprises of the 100 largest and most liquid companies listed on the National Market. Constituents are reviewed quarterly. BIST National-100 Index covers **BIST-50** and **BIST-30** Index equities.

BIST National Index covers all companies traded on the National Market.

BIST All Index is composed of equities traded on all Borsa Istanbul markets, except investment trusts.

BIST Dividend Index consists of National Market and Second National Market companies, real estate investment trusts and venture capital investment trusts listed on the Collective Products Market which distributed cash dividends in the last 3 years.

BIST Investment Trusts Index comprises of investment trusts traded on the National Market.

BIST Second National Market Index comprises of all companies traded on the Second National Market.

BIST Corporate Governance Index was launched in 2007. Index comprises of companies with a corporate governance rating of at least 7 out of 10. Ratings are assigned by independent rating agencies authorized by the Capital Markets Board. As of December 2014, there are 49 companies in this index.

BIST City Indices were launched in 2009. These indices comprise of companies whose main production or operating centres are in the same city. As of December 2014, City Indices are calculated for 12 cities in Turkey.

Greece and Turkey 30 (GT-30) index was created in 2009. The index is calculated by STOXX, a global index provider, and is composed of 15 largest companies from Athens Stock Exchange and Borsa Istanbul, each. Price and return indexes are available for GT-30 indices in TL and € terms.

BIST IPO Index was launched in 2012. Companies offered to the public in the National and Second National markets, as well as venture capital investment trusts and REITs are included in the BIST IPO Index on their first trading day and they remain in the index for 2 years.

BIST SME Industrial Index was launched in 2013. The index includes companies which satisfy at least one of the annual net sales or balance sheet size criteria stated in the Turkish SME definition.

Sector and sub-sector indices are composed of National Market companies, excluding investment trusts. The Exchange also calculates all indices on US dollar basis and the BIST National-100 on Euro basis.

BIST Sustainability Index was initiated in November 2014 with the aim of serving as a benchmark for Borsa İstanbul companies with high performance on corporate sustainability. The index was constructed through the assessment of BIST 30 index companies according to the internationally recognized criteria based on environment, biodiversity, climate change, human rights, board practice, countering bribery and health & safety issues.

2. Debt Securities Indices

Debt Securities Market indices are calculated on each trading day from the weighted average prices of the discounted securities traded on the Debt Securities Market Purchases and Sales Market. They are calculated on a real time basis. The government securities, which were not traded on the previous or the current day, are not included in the calculation of the index. Thus, the number of securities used in the indices may vary.

Debt Securities Market indices are divided into two main groups; Price/Performance Indices and Portfolio Performance Indices.

The **Price Index** is an indicator reflecting the price fluctuations of bonds due to interest rate changes, provided that the maturity term remains constant. The index is calculated with five different maturities of 91, 182, 273, 365 and 456 days. In addition, a composite index is calculated by weighting the relevant maturities with issue sizes. Maturity term is kept constant in order to reflect the effect of the interest rate changes on the price index.

The **Performance Index**, on the other hand, is an indicator of yield. It reflects the price changes of the bonds/bills (with the above mentioned maturities), due to interest rate fluctuations and as the time to maturity diminishes. The index is calculated with five maturities that are identical to those of price index.

Since price/performance indices are designed to reflect the changes in the yield curve, they are calculated only once at the end of each trading day.

Portfolio Performance Indices, on the other hand, take into account the intra-day transactions on a real time basis. These indices are equally weighted (EQ) or market value (MV) weighted. 6 portfolio performance indices are calculated.

Equally weighted indices are **EQ short-term index** (contains bonds and bills with less than 180 days to maturity), **EQ long-term index** (contains bonds and bills with more than 180 days to maturity) and **EQ composite index** (contains discounted bonds and bills traded on the market).

Market value weighted indices are also calculated with the same classification as **MV short-term index**, **MV long-term index** and **MV composite index**.

The **Repo Index**, reflects the average daily yield of overnight repo transactions. The rate used for index calculations is the volume weighted average rate of overnight transactions in the Repo-Reverse Repo Market.

İ. Initial Public Offerings and Listing Requirements

Public offering procedures and disclosure requirements of the public companies are regulated by the Capital Markets Board.

The preparation of prospectus and its approval by the Board is compulsory for the public offering of capital market instruments. The related processes and sales methods of shares are defined in the following regulations enacted in 2013;

- Communiqué Serial:II No:5.1 on Principles Regarding Prospectus and Issue Documents,
- Communiqué Serial:II No:5.2 on Principles Regarding Issue of Capital Market Instruments.

1. Public Offering of Equities

According to the Capital Markets Law, public companies are defined as joint stock corporations whose shares are offered to the public or which are considered to have been offered to the public. If the number of shareholders exceeds 500, the shares of a joint stock company are considered to be offered to the public and these corporations are subject to the Capital Markets Law. According to new Capital Markets Law, public companies should apply to trade on a stock exchange within two years.

a. Application Procedure

For the public offering of equities, the capital of the company should be all paid-in and the shares should be freely transferable. The company should apply to CMB to receive approval of the prospectus, and at the same time apply to Borsa Istanbul to be listed on the relevant market. In this regard, companies amend their articles of association in order to comply with the capital market regulation. If public offering is done through capital increase, general assembly limit pre-emptive purchase rights of its existing shareholders.

The main document of public offering is the prospectus. Other fundamental documents are the financial statements and the independent auditors' reports. Audited financial statements according to the CMB's accounting standards (in line with IFRS) for the last 3 financial years and the latest interim financial statements, if available, should be provided.

The prospectus may be issued in the form of one or multiple documents containing information about the issuer, the issued shares and a summary section.

The summary section consists of brief, clear and comprehensible statements associated with the issuer, the guarantor if any, the nature of the guarantee and the essential characteristics, rights and risks of the capital market instruments to be issued.

The applications to the CMB are evaluated through consideration of whether or not the prospectus truly and fully reflects the information on the company and the shares to be offered to public. If the information is found to be insufficient or false, the CMB may refrain from approving the prospectus by providing a formal explanation. Otherwise, the prospectus is approved. Following approval, the prospectus must be published in line with the principles of the CMB.

The public offer should be initiated within 3 days after the publication of the prospectus. The sale period may last between 2 to 20 business days.

In order to issue equities without public offering, an issue document should be approved by the Capital Market Board. It contains brief and clear information about the capital market instruments and the sale conditions.

The stocks of public companies that are not listed on the Exchange can be traded without going through the usual public offering procedures. With the approval of the Executive Council of the Exchange, these companies can be traded on the Second National Market. These companies have to apply to the Central Registry Agency to dematerialise their stocks. If they fulfil the National Market Listing Criteria, they can be traded on this market with the decision of the Executive Council of the Exchange.

b. Selling Methods

The sale of shares to investors is conducted in three ways: book building (underwriting), sales on the stock exchange and sale without book building (under specific conditions).

In the book building method, investors' demand for shares is collected through fixed price, price bids or a price spread. In underwriting with a fixed price, a single price is determined by the company or the shareholder and investors submit their demand for the number of shares only. In underwriting with price bids, a minimum price is determined and investors' price bids and share demands are collected. Underwriting with a price spread is similar to the above method, but with an additional upper limit. Investors bid prices within a predetermined price spread. The spread cannot exceed 20%.

In sales on the stock exchange, Borsa Istanbul Primary Market serves issuers that opt to offer their shares to the public directly. Companies, whose shares will be traded on the Emerging Companies Market (ECM) for the first time, must use sales on the exchange method. As stated by the CMB regulations, such companies are not allowed to use the book building method. Any company seeking to utilize this method should file an application with the Exchange.

Sale without book building can be used by specific companies or under specific conditions. Publicly held, but unlisted companies may sell their shares and become exchange-listed via this method. It can also be used for unsold parts of underwritten offerings.

In public offerings, it is allowed to define allocations for different investor groups. However, it is mandatory to allocate at least 10% of the offering to domestic individuals and 20% to domestic institutional investors. The limits are not applicable for the sales on the exchange. For private placement of equities on the ECM, the number of buyers cannot exceed 100 and the transaction should be executed on the exchange.

c. Listing Requirements

The company should apply to Borsa Istanbul to be listed. Borsa Istanbul experts conduct an examination and the final decision is made by the Executive Council. The decision and the relevant information, including the prospectus, etc. are announced on the daily bulletin and/ or public disclosure platform (www.kap.gov.tr). Equities start trading on the next business day after the announcement.

The Equity Market of Borsa Istanbul is divided into two sub-markets: National Market is the biggest market of Borsa Istanbul where the shares of companies that satisfy the requirements shown on the table, are traded.

Borsa Istanbul Listing Requirements			
	Group 1	Group 2	Group 3
MCap of Offered Shares (TL Million)	149	75	37
Profit-Before-Tax	At least one of last 2 years		Last 2 years
Min. Free-Float Rate (%)	-	5%	25%
Shareholders' Equity (TL Million)	37	24.5	15
Source: Borsa Istanbul			

Second National Market is designed for small and medium sized companies, which fail to meet the listing criteria of the National Market. The stocks of public companies that are not listed on the exchange can be traded without going through the public offering procedures. With the approval of the Executive Council of the Exchange, these companies can be traded on the Second National Market. These companies have to apply to the Central Registry Agency to dematerialise their stocks. If they fulfil the national market listing criteria, they can be traded on this market with the decision of the Executive Council.

The following conditions and documents are required to be provided for listing on the Equity Market:

- The audited financial statements for the last three years and the latest quarter if applicable,
- The company's Articles of Incorporation must not include any provisions restricting the transfer or circulation of the securities to be traded on the Exchange or preventing the shareholders from exercising their rights,
- There should be no open or pending legal disputes of significant size which might affect the company's production and/or activities,
- The company must not have suspended its activities for more than three months during the previous year.

The companies that fail to meet Borsa Istanbul listing requirements are traded on the Emerging Companies Market (ECM), which is designed mainly for small and medium size companies. Equities which will be traded on the ECM are admitted to the ECM Directory. According to Borsa Istanbul regulations, emerging companies must appoint a market advisor. Admission to the ECM Directory should be filled in and signed jointly by the issuer and the advisor. Investment institutions, asset management companies, venture capital firms and independent audit companies, which fulfil Borsa Istanbul's criteria, can serve as advisors. The market advisor assists the company during the application to the ECM. Unlike regular listings, Borsa Istanbul does not examine the company. Due diligence is done by the market advisor.

Moreover, advisor's responsibilities, such as providing services to the company for compliance with the capital markets regulations, continue after listing. Advisory agreement should be signed for at least two years. In order to reduce the costs of initial public offering and listing, emerging companies are eligible for some exemptions and discounts. For example, if the nominal value of the publicly offered equities is less than TL 3 million, emerging companies are not required to publish a prospectus. Emerging companies are also exempt from disclosing interim financial statements for the first and third quarters.

d. Delisting

Securities may be delisted upon the decision of the Executive Council through consultation with the Listing Committee, for the cases listed below:

- Negative shareholders' equity,
- Non-compliance with the rules and regulations, especially violation of disclosure and insider trading regulations,
- Filing for bankruptcy or suspending operations for more than three months,
- Dissolution of the company,
- Company facing difficulties in paying its debts or in financial distress,
- Company not fulfilling the fee obligations of the Exchange,
- Cancellation or invalidation of any permits, licenses or agreements of the company, crucial to its operations,
- An independent auditor gives a negative opinion or refrains from giving an opinion for the last two financial periods,
- Loss of 2/3 of the operational capacity due to any disaster such as fire, war, terrorism, etc,
- Defaulting on debt securities.

On the other hand, companies may voluntarily delist from Borsa Istanbul. Only companies (excluding investment trusts), whose main shareholders have at least 95% of the capital and/or voting rights, can be delisted. For a delisting request, the company must apply to both Borsa Istanbul and the CMB. The main shareholder(s) should make a tender offer to the minority shareholders. After the tender offer is completed, the company may be delisted.

e. Costs

The main cost components of the public offering and the listing of equities are as follows.

Fees Paid to Investment Firms: These fees are freely negotiable and depend on the services offered and the size of the offering.

Fees Paid to the Capital Markets Board: The CMB's registration fee is 0.2% of the total offering size. The companies, which will be traded on Emerging Companies Market, pay 0.02% of the total offering size to the CMB as registration fee.

Fees Paid to Borsa Istanbul: Listing fee for the National and Second National Market is 0.1% of the nominal value of the company's paid-in capital. The listing fee for the companies which will be traded on Emerging Companies Market is 0.01% of the nominal value of the company's paid-in capital.

Fees Paid to MKK: Central Registry Agency charges an initial membership fee which is equal to 0.1% of the issued/paid-in capital of the publicly-traded companies. MKK charges only a 0.01% membership fee (within TL 200 – 5,000 range) for ECM companies.

Other Costs: In addition to the above, the issuer generally bears the audit, due diligence, marketing and advertising expenses.

The annual listing fee of Borsa Istanbul is one fourth of the initial listing fee. For the companies that are included in BIST Corporate Governance Index, the annual listing fee is 50% of the tariff for the first two years, 75% of the tariff for the following two years and 90% of the tariff for the subsequent years.

2. Public Offering of Corporate Debt Securities

a. Application Procedure

During the application, the bond issuers are required to submit shareholder structure, articles of incorporation, financial statements of last two year, prospectus, circulars, etc. to the CMB. The CMB assesses the compliance of relevant documents to the public disclosure requirements. The CMB application has to be made within one year, starting from the date of the decision of the issuer. Like equities, debt securities are required to be dematerialized by the CRA.

The limits for issuing debt instruments are as;

- For listed companies, the total amount of outstanding bonds cannot exceed five times the shareholders' equity,
- For unlisted companies, the total amount of outstanding bonds cannot exceed three times the shareholders' equity.

b. Selling Method

Bonds are issued in two ways: public offering and private placement. In private placements, the total number of individual and institutional investors cannot exceed 150. The duration of the sale should not be less than two days.

c. Listing Requirements

There are two basic requirements to list debt instruments at Borsa Istanbul. First, the nominal value of the issue must be at least TL 1.35 million. Second, the entire amount of the issue must be offered to public. Also, there are other conditions required from the issuer:

- At least three calendar years must have passed since the establishment of the company,
- The latest financial statements should have been independently audited,
- The company must have a profit-before-tax in the last two years. If the company is already listed with free-float of at least 25%, only the previous year's profitability is required,
- The shareholders' equity must be at least TL 2.2 million,
- The company's Articles of Incorporation must not include any provisions restricting the transfer and circulation of the securities traded on the Exchange or preventing the shareholders from exercising their rights.

Furthermore, unlisted corporate bonds, which have been registered with the CMB can be traded on the Debt Securities Market with the decision of the Executive Council. These securities must be sold entirely through public offering.

d. Costs

The registration fee to be paid to CMB is determined according to the maturity of the bonds:

- 0.05% of the nominal value of the bonds with 180 days to maturity,
- 0.07% of the nominal value of the bonds with maturities between 181 days and 1 year,
- 0.1% of the nominal value of the bonds with maturities between 1 and 2 years,
- 0.2% of the nominal value of the bonds with more than 2 years to maturity.

The registration/initial listing fee of Borsa Istanbul is 0.1% of the nominal value of the bonds to be listed. This fee should not be less than TL 1,000 or more than TL 10,000. Annual listing fee is one fourth of initial listing fee. Similar to CMB, registration and custody fees of the CRA are determined according to the maturity of the bonds.

IV. TAKASBANK (ISTANBUL SETTLEMENT AND CUSTODY BANK)

Takasbank is the Clearing and Settlement Center for Borsa Istanbul and the national numbering agency of Turkey. Apart from these functions, Takasbank operates both the money market and the securities lending and borrowing market, provides banking services including cash loans to members, and other services such as cross-border settlement and custody.

Takasbank was founded in 1988 as a department of the exchange in order to provide settlement services for securities traded on Borsa Istanbul. In January 1992, a separate company was born, which took over the operations of this department. This company was renamed as Takasbank in 1996.

Established under the Turkish Banking Law and incorporated as a non-deposit taking bank, Takasbank is a specialized bank dedicated to security services in Turkey.

Clearing and settlement rules are specified by Borsa Istanbul, in accordance with the general rules and regulations of the CMB. Furthermore, due to its status as a bank, the Banking Regulation and Supervision Authority and the Central Bank of the Republic of Turkey also regulate Takasbank.

Settlement of transactions is done through Delivery Versus Payment, with daily netting.

Takasbank provides central counterparty services on Borsa Istanbul under the Futures and Options Market, and Takasbank Securities Lending and Borrowing Market. The bank plans to extend these services to other securities in line with the new Capital Market Law.

Takasbank is recognized by FSA (Financial Services Authority) in the UK as an "Approved Depository" and an "Approved Bank". It also complies with the "Eligible Foreign Custodian" definition of the SEC (U.S. Securities and Exchange Commission) in the US.

Furthermore, Takasbank became a globally endorsed Local Operating Unit (p-LOU) and started to allocate Legal Entity Identifier codes to financial institutions in November 2013.

A. Organization and Shareholder Structure

Takasbank is owned by Borsa Istanbul and 54 of its members. According to the Articles of Incorporation, no single shareholder can hold more than 5% stake, except for Borsa Istanbul. The shareholder structure of Takasbank is given below:

Shareholder Structure of Takasbank		
Borsa Istanbul	A	0.00%*
Borsa Istanbul	B	62.25%
13 Banks	B	17.78%
41 Investment Firms	B	19.97%
*: TL 200		

The Board of Directors is composed of nine members whose distribution is as follows:

- 4 representatives from the group A (Borsa Istanbul). 3 of them act as independent members. Besides, 2 persons among independent members should not be employed at Borsa Istanbul.
- 2 representatives from the shareholder banks,
- 2 representatives from the shareholder investment firms,
- President and CEO of Takasbank.

B. Functions

Main functions of Takasbank are as follows:

- Provides central clearing and settlement services for the organized markets of Borsa Istanbul,
- Acts as the central counterparty and clearing house for Borsa Istanbul Futures and Options Market and Takasbank Securities Lending and Borrowing Market,
- Operates the Money Market, an OTC market where exchange members can lend and borrow funds,
- Operates the Securities Lending and Borrowing Market, where members can lend and borrow securities,
- Provides cash loan services for exchange members,
- Enables investment firms to transfer securities (government bonds and Treasury bills) and cash electronically through Takasbank Electronic Transfer System (TETS) in connection with the Central Bank's "Electronic Fund Transfer" (EFT) and "Electronic Securities Transfer" systems,
- Assigns International Securities Identification Numbers (ISIN) to the securities issued in Turkey,
- Operates Electronic Fund Distribution Platform of Turkey (TEFAS) which is the central electronic platform for mutual funds,
- Records leveraged transactions and handles collateral management as an authorized trade repository institution for leveraged derivatives transactions, and reports them to the CMB,
- Provides portfolio custody service as an authorized portfolio depository.

Being established with the authorization of the CMB, TEFAS is one of the most recent capital market tools enabling online access to all mutual funds operating in Turkish capital markets via a single investment account. The platform started to operate in January 2015. Not only does it serve comparative information such as return on funds, management fees etc., but it also enables investors to

buy or sell funds marketed by other investment firms through their existing investment accounts.

C. Takasbank Money Market

Takasbank Money Market (TMM) began to operate in 1996. All banks and investment firms, which are members of Borsa Istanbul, may sign a Letter of Undertaking and may start lending or borrowing facilities in this market where Takasbank guarantees settlement.

1. Trading Limits

Transactions take place between 10:00-12:00 and 13:00-15:30 where the orders are effective between 10:00-15:30. Maturities may vary from 1 to 60 days. In addition, they may also be formed as 2, 3 or 6 months. The minimum trading amount is TL 5,000, with increments of TL 1,000. The tick size of orders is in 0.05% and its multiples.

In order to place their orders, investment firms may enter orders through Takasbank terminals located in their offices.

Orders are matched through the Takasbank system, based on price-time priorities. Best bid-ask rates are published online, on a real time basis. The settlement is done by 17:00 each day.

2. Collateral

The borrowing investment firm is requested to place 125% of the amount it would bid in the market. Collateral are marked-to-market, real-time. No collateral is requested from the lender.

The following assets are accepted as collateral:

- Cash (TL, FX),
- Letters of guarantee (TL, FX),
- Treasury bills, government bonds and Eurobonds,
- Mutual funds,
- Equities.

A 25% haircut is applied for collaterals that are in the form of equities and eurobonds. The others are valued at market prices. If the total value of collateral falls below 115% of the outstanding borrowing amount of the investment firm, Takasbank makes a margin call and requests the amount to be raised to 125%.

D. Securities Lending and Borrowing Market

Takasbank Securities Lending and Borrowing Market was established to facilitate short-selling and equity settlements. Only investment firms allowed by the CMB, may operate in this market. They sign a letter of undertaking with Takasbank and start lending or borrowing securities. Takasbank, however, does not guarantee the settlement; it only stands to operate the market.

1. Trading

Securities that may be lent or borrowed are Group A and B equities, and ETFs that are traded on Borsa Istanbul. The market value of the transaction is calculated by multiplying the weighted average price in the second session of the previous day and the number of securities to be borrowed or lent.

Prices are quoted as annual interest rates, which is also referred as the commission rate. The commission rates are freely determined by the parties. Commission increments are 0.01% (one basis points) and multiples.

Trading is carried out as two sessions; one between 09:30-12:00 and the other between 13:30-16:45.

The maturity of the orders may be in the one of the following form:

- between 1 and 7 days,
- 1, 2 and 3 weeks, or
- 1, 2, 3, 6, 9 and 12 months.

Investment firms may place their orders through Takasbank terminals located in their offices. If a lending order is entered into the system, securities are transferred from the customer's account to the Takasbank's account at the Central Registry Agency. Whenever a borrowing order is entered, the collateral is checked. The market value of a single order cannot exceed TL 1.5 million.

Based on price-time priorities, Orders are matched through the Takasbank system. Best bid-ask rates are published online, on a real time basis. Settlement (security and cash transfer) is done at the time of the transaction. Repayments are done by 17:00 on the maturity date.

The financial rights arose from the securities (rights issues, stock splits and dividends) remain with the lender; however, the managerial rights (voting rights) are transferred to the borrower.

2. Collateral

The minimum collateral rate for the borrower is 110% of the marked to market value of the borrowed amount. If the collateral value falls below minimum margin rate of 100% or when the cash collaterals fall below 60% of the total appreciated collateral, margin call is addressed and Takasbank asked the broker to restore its collateral to the initial margin rate.

The following are accepted as collateral:

- Cash (TL, FX),
- Letter of guarantee (TL, FX),
- Government bonds and bills,
- Mutual funds,
- Equities, ETFs,
- Standard traded gold on the exchanges.

The only collateral type that is free from haircut is cash in TL terms. The cash in the form of foreign exchange is subject to 6% haircut, whereas the haircut is 9% for government debt securities, 16% for gold and 24% for equities.

Borrowers may borrow any amount as long as their collateral is sufficient to do so, while there is no collateral required for lenders.

E. Guarantee Fund

Borsa Istanbul established a guarantee fund which aims to avoid delays and defaults in the settlement of transactions. This fund is financed by the fines collected from exchange members with late settlement deliveries.

Currently being managed by Takasbank, the guarantee fund, provides the initial liquidity for the settlement process every day. At the end of a settlement, if all the parties fulfil their obligations, the fund is released in full. Otherwise, it is used to cover the default. Therefore, the guarantee fund actually acts as a temporary liquidity facility for the settlement process.

Each member of Takasbank has to contribute to the guarantee fund. In case of default, first the defaulting member's contribution is used and, if necessary, non-defaulting members' contributions are used on a pro-rata basis.

V. THE CENTRAL REGISTRY AGENCY

The Central Registry Agency Inc. is the central depository for all dematerialized capital market instruments. It was established in 2001 as a private company. The communiqué about the terms and conditions for the registration of dematerialized capital market instruments was enacted in December 2002. The dematerialization process was completed in 2006 for equities, in 2007 for mutual funds and corporate bonds, in 2010 for covered warrants and in 2011 for asset backed and asset covered securities.

The dematerialisation of government debt securities started in 2012. The Central Registry Agency dematerialized investors' (individual and corporations) government debt holdings. The institutional investors' government debt holdings are registered at Takasbank. On the other hand, banks and investment firms have an option to register their own government debt holdings either at the Central Bank or at the Central Registry Agency.

A. Organization and Shareholder Structure

The shareholders of the Central Registry Agency are as follows as of January 2015:

Shareholder Structure of Central Registry Agency	
Takasbank	64.9%
Borsa Istanbul	30.1%
TCMA	5.0%

The 9 member Board of Directors is composed of:

- 2 members from Borsa Istanbul,
- 2 members from Takasbank,
- 1 member from TCMA,
- 1 member from the Ministry of Customs and Trade,
- 1 Borsa Istanbul member,
- Chairperson, who is also the Chairperson of Takasbank,
- General manager of the Central Registry Agency.

The principles governing the duties, authority and operations of the Central Registry Agency are defined in its Articles of Incorporation. The Central Registry Agency must seek the approval of the CMB for any modifications to its Articles of Incorporation.

B. Functions

Main functions of the Central Registry Agency are to::

- Dematerialize and register capital market instruments and the rights attached, in electronic form, with respect to issuers, intermediary institutions and rights holders,

- Protect the integrity and consistency of records,
- Ensure confidentiality of records,
- Operate the Public Disclosure Platform,
- Run various electronic services for investors and public companies such as; Investor Notification and Alert System (e-CAS), Companies Information Portal (e-Company), Electronic General Assembly (e-GEM), corporate management and investor relations portal (e-Governance) or Electronic Warehouse Receipt Center (e-Warehouse).

C. Public Disclosure Platform

Borsa Istanbul introduced the “Public Disclosure Platform” in 2009. The Platform was designed as an electronic system enabling the companies traded on Borsa Istanbul to release any information required to be publicly disclosed such as financial statements or material events, via internet and electronic signature technologies.

Public Disclosure Platform is being operated by the Central Registry Agency since February 2014. The system covers over 600 companies and their 3,000 users all over Turkey.

Interested parties can access the company disclosures through internet at www.kap.gov.tr. The system gives all users access to both the current and the past disclosures of a traded company, as well as other announcements and up-to-date information. The website serves both in Turkish and English.

VI. INVESTOR COMPENSATION CENTER

Being as a public legal entity, the Investors' Protection Fund was established in 2001. It was run by the Central Registry Agency.

With the renewed Capital Market Law, the Investor Compensation Center, has replaced the Investors' Protection Fund. The secondary regulation regarding the Investor Compensation Center was published in June 2013 and all the assets held by the Investors' Protection Fund was transferred to the Investor Compensation Center.

While the Investors' Protection Fund was managed by the Central Registry Agency, the Investor Compensation Center is now managed by the Capital Market Board.

In contrast to previous structure where only equities were covered, the newly formed body covers all capital market instruments. Investment firms, on the other hand have to participate in the Investor Compensation Center.

In case of liquidation or bankruptcy of investment institutions, the maximum coverage amount of all settlement obligations is TL 114,437 (~\$ 50,000) for the year 2015.

VII. CAPITAL MARKETS LICENSING AND TRAINING AGENCY

Founded in 2011, Capital Markets Licensing and Training Agency (CMLTA) organises licensing exams and offers training programs for market professionals.

A. Organization and Shareholder Structure

The shareholders of Capital Markets Licensing and Training Agency are as follows as of January 2015:

Shareholder Structure of CMLTA	
Turkish Capital Markets Association	49.0%
Borsa Istanbul	20.0%
Central Registry Agency	10.5%
Takasbank	10.5%
Turkish Appraisers' Association	10.0%

The Board of Directors is composed of seven members as;

- 1 member from the Capital Markets Board as the Chairman of CMLTA,
- 1 member from Borsa Istanbul,
- 2 members from Turkish Capital Markets Association,
- 1 member from the Central Registry Agency,
- 1 member from Takasbank,
- General manager of CMLTA.

The principles governing the duties, authority and operations of the Agency are defined in its Articles of Incorporation. The CMLTA must seek the approval of the CMB for any modifications to its Articles of Incorporation.

B. Functions

Since 2003, market professionals are required to get a license in order to be employed at the investment firms or other capital market institutions, such as asset management companies, real estate appraisers etc. In August 2014 the licencing system was revised as listed below. At least one of the licenses among the first three is required to be held for employment at any investment firm.

1. Capital Market Activities Level I (customer representative, margin trading associate, derivative back office etc.)
2. Capital Market Activities Level II (branch manager, fund manager, internal audit, client advisors, etc.)
3. Capital Market Activities Level III (directors, research, corporate finance, investment advisors etc.)
4. Derivatives (derivative traders, managers, back office, client advisors, etc.)
5. Real Estate Appraisal (mortgage and real estate appraisers)
6. Residential Real Estate Appraisal (mortgage and real estate appraisers)
7. Credit Rating (credit rating agencies)
8. Corporate Governance Rating (corporate governance rating agencies and investor relations officers at public companies).

After passing the licensing examination, the individual should apply to CMLTA with the required documents to get his/her license. Detailed information of each license holder is kept at the CMLTA's registry. The licenses should be renewed every 3 years by participating in a training program.

KEY INSTITUTIONS IN THE CAPITAL MARKETS

Capital Market Institutions

Borsa Istanbul	www.borsaistanbul.com
Capital Markets Board of Turkey	www.cmb.gov.tr
Capital Markets Licensing and Training Agency	www.spl.com.tr
Central Registry Agency	www.mkk.com.tr
Investor Compensation Center	www.ytm.gov.tr
Public Disclosure Platform	www.kap.gov.tr
Takasbank - Settlement and Custody Bank	www.takasbank.com.tr
Turkish Capital Markets Association	www.tspb.org.tr

Public Institutions

Banking Regulation and Supervision Agency	www.bddk.org.tr
Central Bank of the Republic of Turkey	www.tcmb.gov.tr
Financial Crimes Investigation Board	www.masak.gov.tr
Undersecretariat of Treasury	www.treasury.gov.tr

Professional Associations

Association of Equity Market Investors	www.boryad.org
Association of Financial Institutions	www.fkb.org.tr
Association of Investment Firms' Managers	www.bakyd.org.tr
Association of Publicly Traded Companies' Managers	www.koteder.org.tr
Banks Association of Turkey	www.tbb.org.tr
Corporate Governance Association of Turkey	www.tkyd.org
Insurance Association of Turkey	www.tsb.org.tr
Investor Relations Association of Turkey	www.tuyid.org
Participation Banks Association of Turkey	www.tkbb.org.tr
Turkish Appraisers' Association	www.tdub.org.tr
Turkish Institutional Investment Managers' Association	www.tkyd.org.tr

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