

The top of the slide features a horizontal strip with four panels. From left to right: a solid light blue square, a blurred image of hands in business attire, a solid dark blue square, and a low-angle shot of modern skyscrapers against a bright sky with the sun.

# **BROKERAGE INDUSTRY & INVESTMENT SERVICES IN TURKEY**

## **GERMAN EQUITY FORUM**

**November 22, 2011 Frankfurt**



# Contents

- TSPAKB
- Financial Intermediaries
- Economy & Markets
- The Future



# TSPAKB

- ❖ **Founded in April 2001 by law, as a self-regulatory organization.**
- ❖ **The Association currently has 143 members:**
  - ✓ 102 brokerage firms
  - ✓ 1 derivatives brokerage firm
  - ✓ 40 banks
- ❖ **We;**
  - ✓ Regulate and oversee the intermediaries,
  - ✓ Issue licenses to market professionals,
  - ✓ Offer training programs,
  - ✓ Publish a variety of research,
  - ✓ Cooperate with foreign institutions.



# Financial Intermediaries

## Brokerage Firms

- Derivatives Market
- Fixed Income Market
- Equity Market

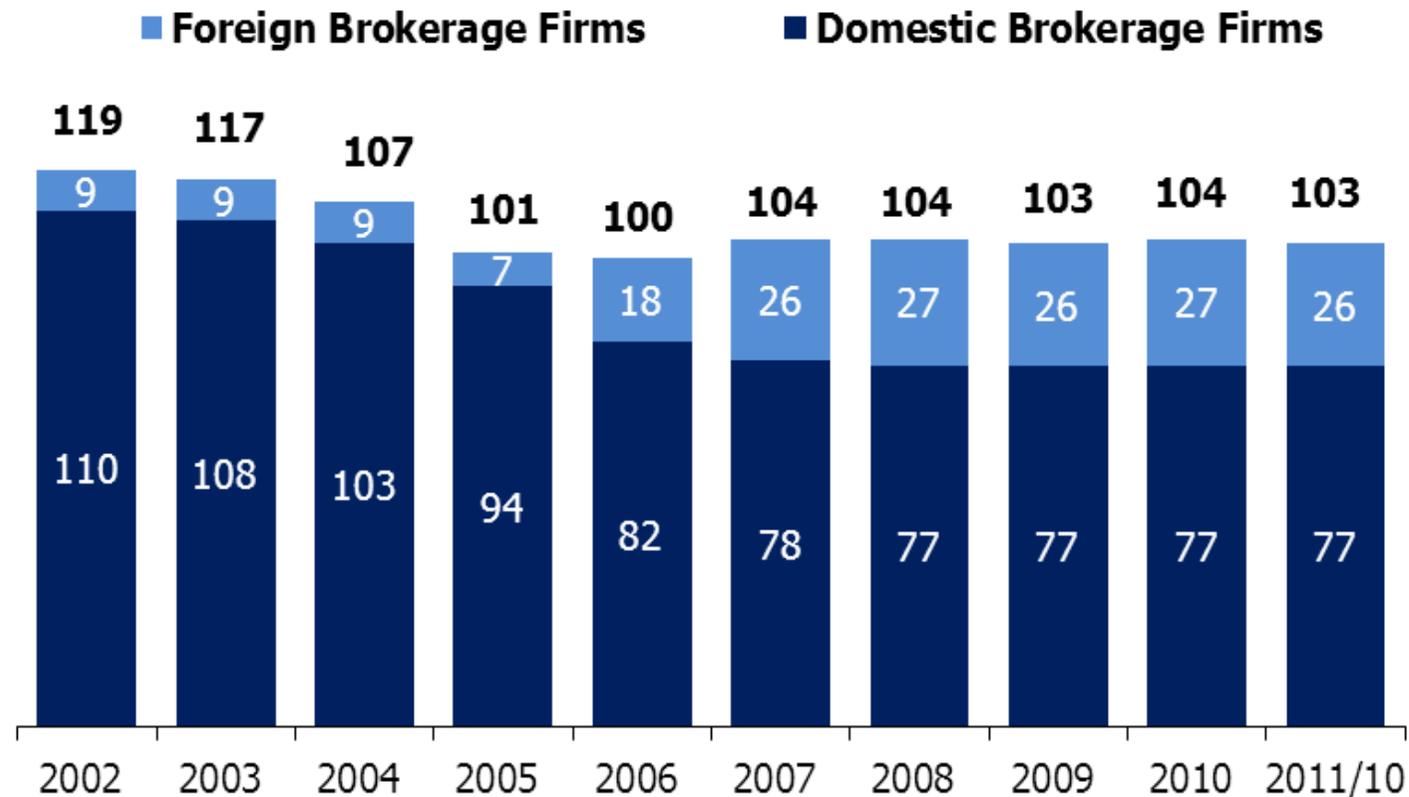
## Banks

- Derivatives Market
- Fixed Income Market

## Derivatives Brokerage Firms

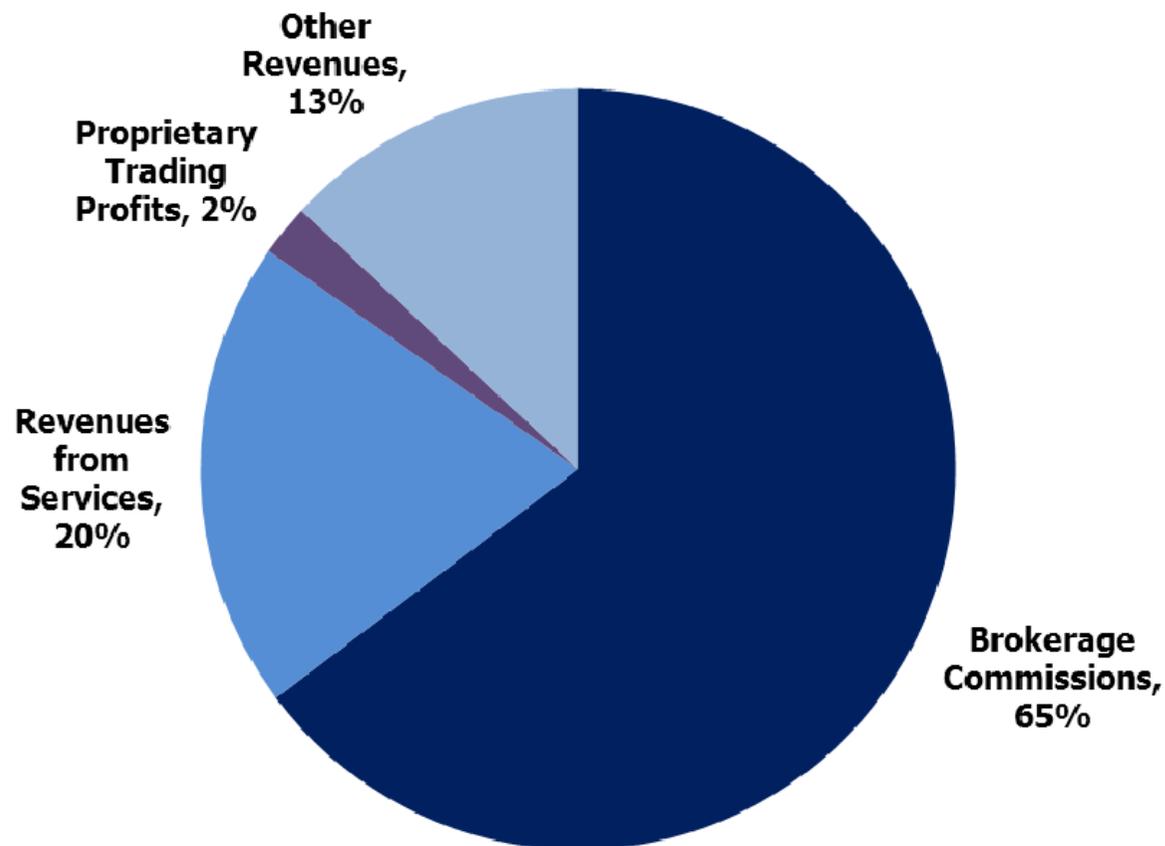
- Derivatives Market

# Brokerage Firms



- ❖ There are 102 brokerage firms and 1 derivatives brokerage firm. 90 of them are active, 13 of them are dormant as of today.
- ❖ Foreign ownership increased significantly after 2005.

# Revenue Structure (2011/06)



- ❖ Commissions are the major revenue source for the industry.
- ❖ Brokerage commissions were liberalized in 2006.

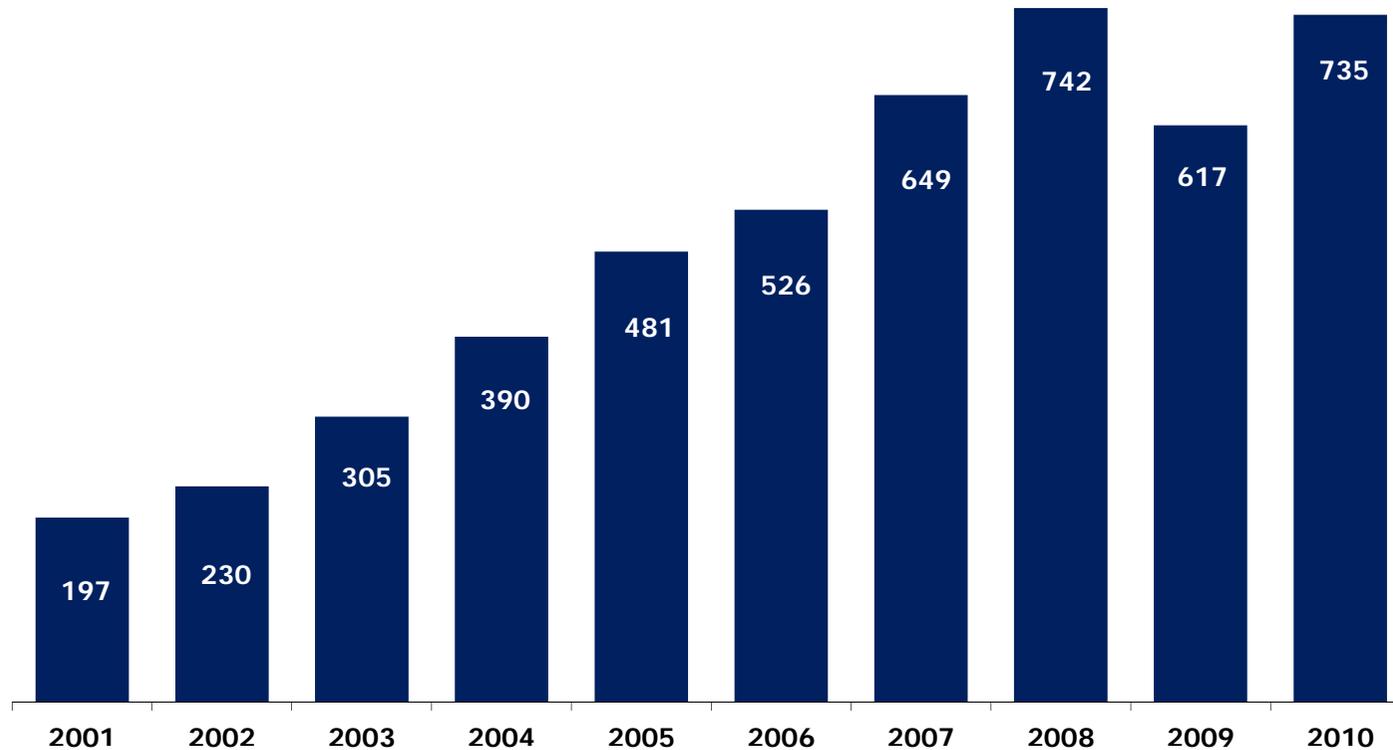


# Background

- ❖ The Turkish Capital Market Board and the Istanbul Stock Exchange were established in 1982 and 1986, respectively.
- ❖ Turkey struggled with chronic double-digit inflation, high deficits and political uncertainties during the following two decades.
- ❖ These factors caused high volatility and gigantic nominal and real interest rates.
- ❖ As a protection against inflation, investors shifted to foreign exchange and gold-type assets.
- ❖ The development of the Turkish Capital Markets were seriously hindered by the above.



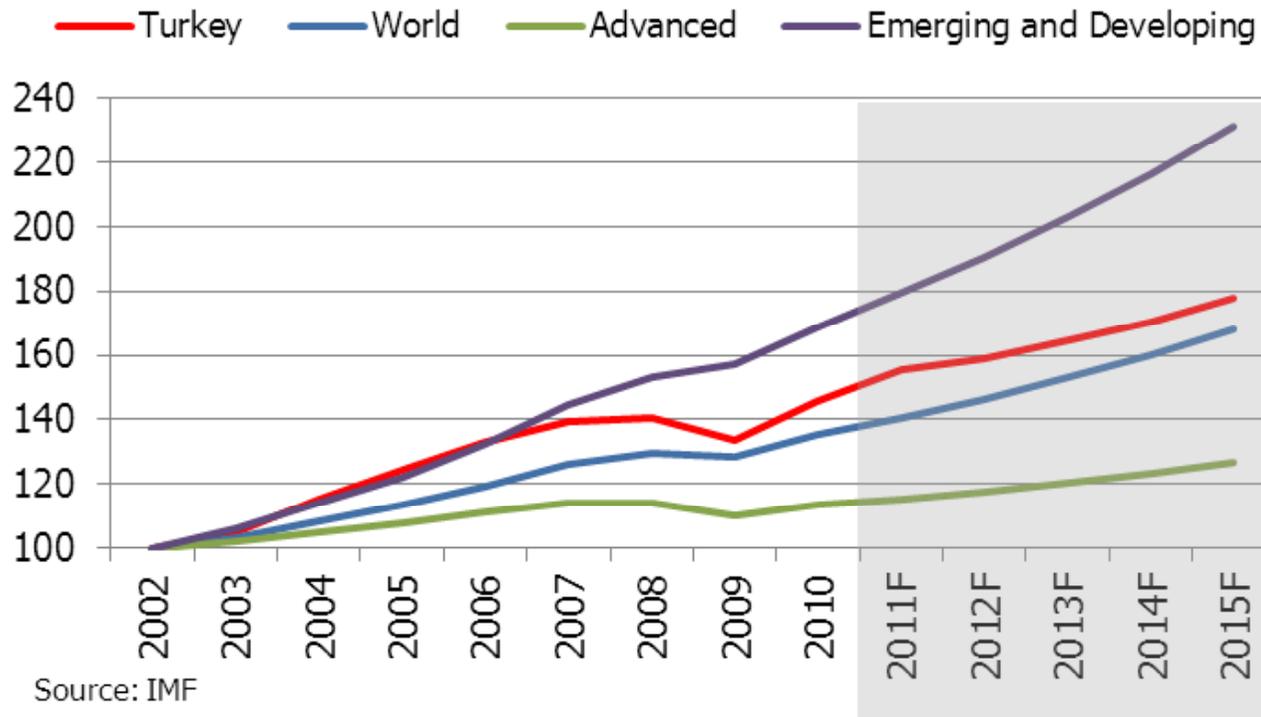
## GDP (billion \$)



- ❖ Turkey is the 16th largest economy in the world.
- ❖ In the last decade, average growth rate has been 5%. In 2010, it was 9%. Expectations are around 6-7% for 2011.

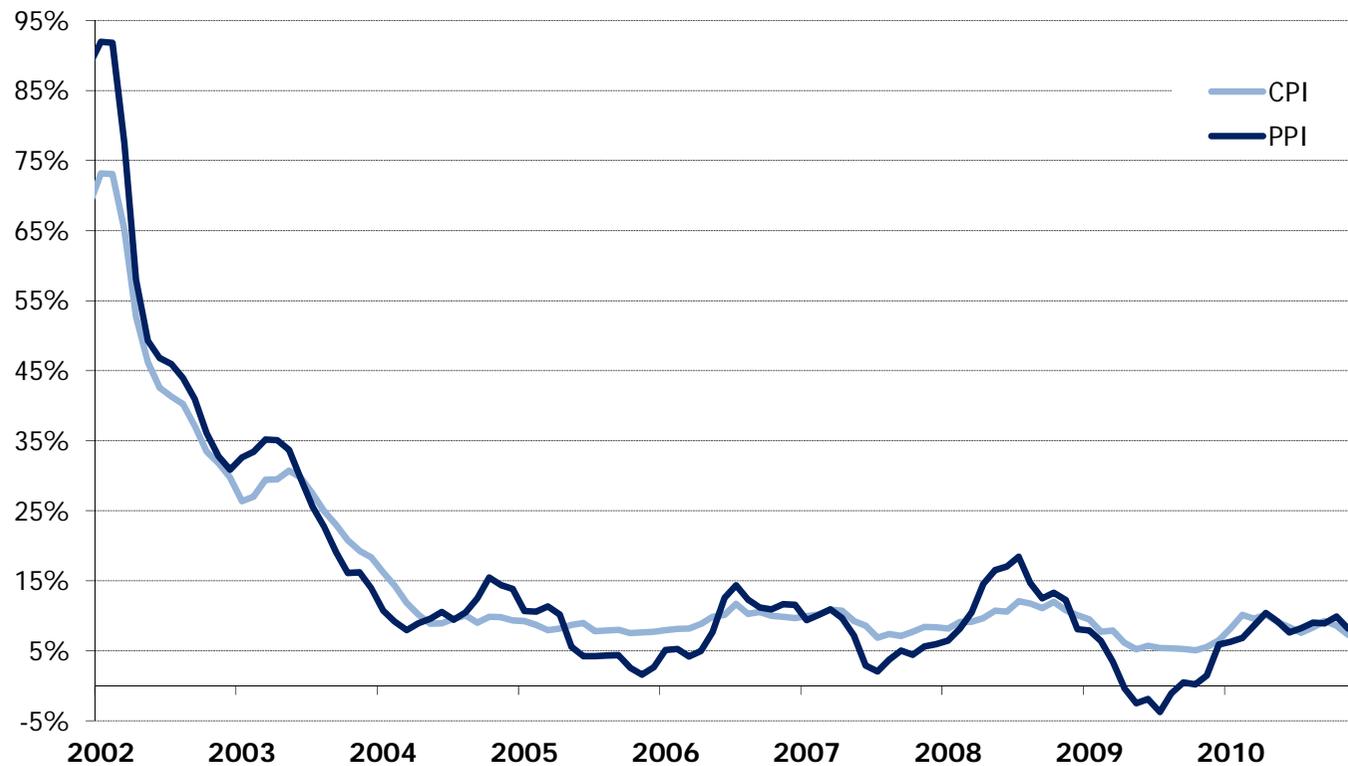
# Growth

## GDP Index (2002=100)



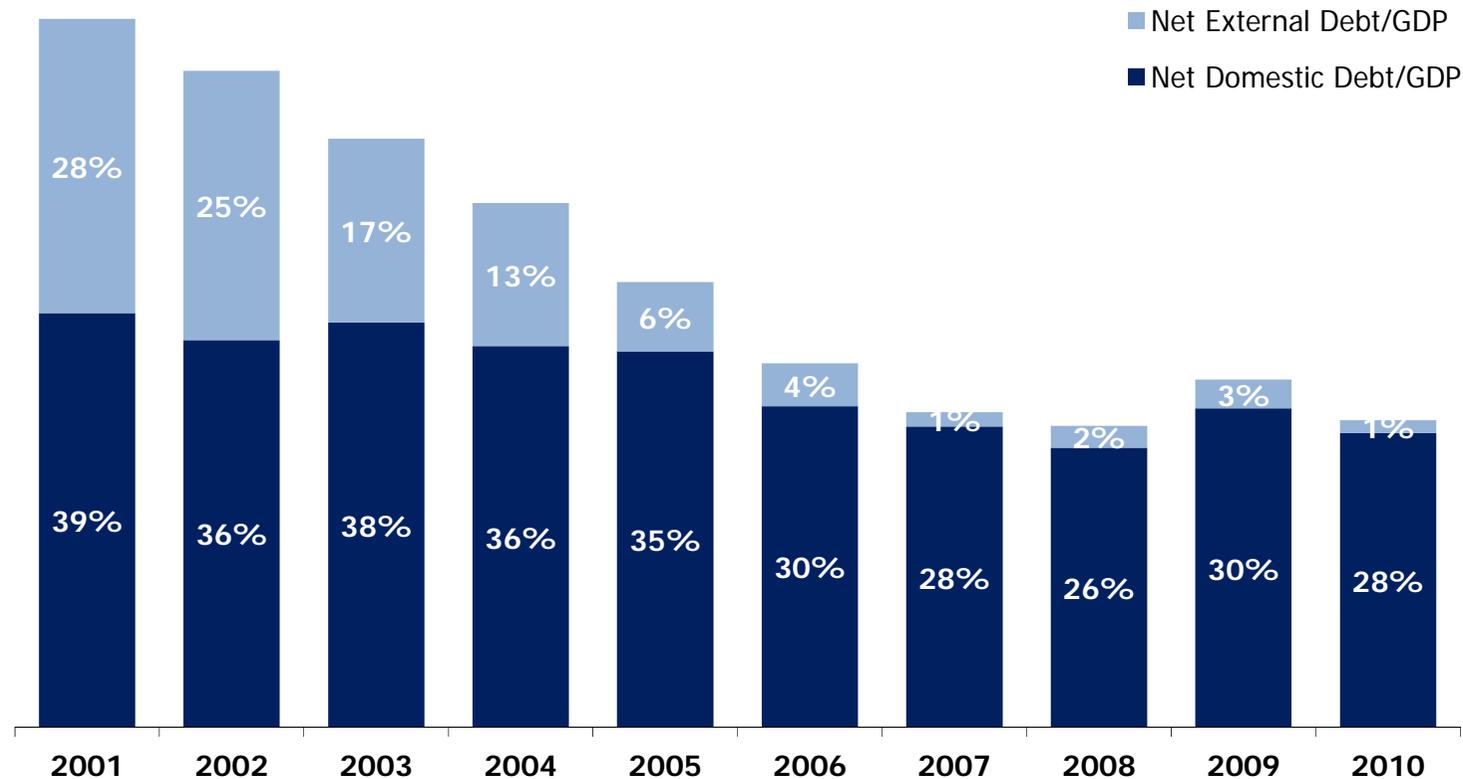
- ❖ Turkey's share in global GDP increased from %0.8 to %1.1 in the last decade.
- ❖ Turkey is expected to grow faster than the developed countries.

# Inflation



❖ Inflation came down from above 70% to around 7% in the last decade.

# Public Debt



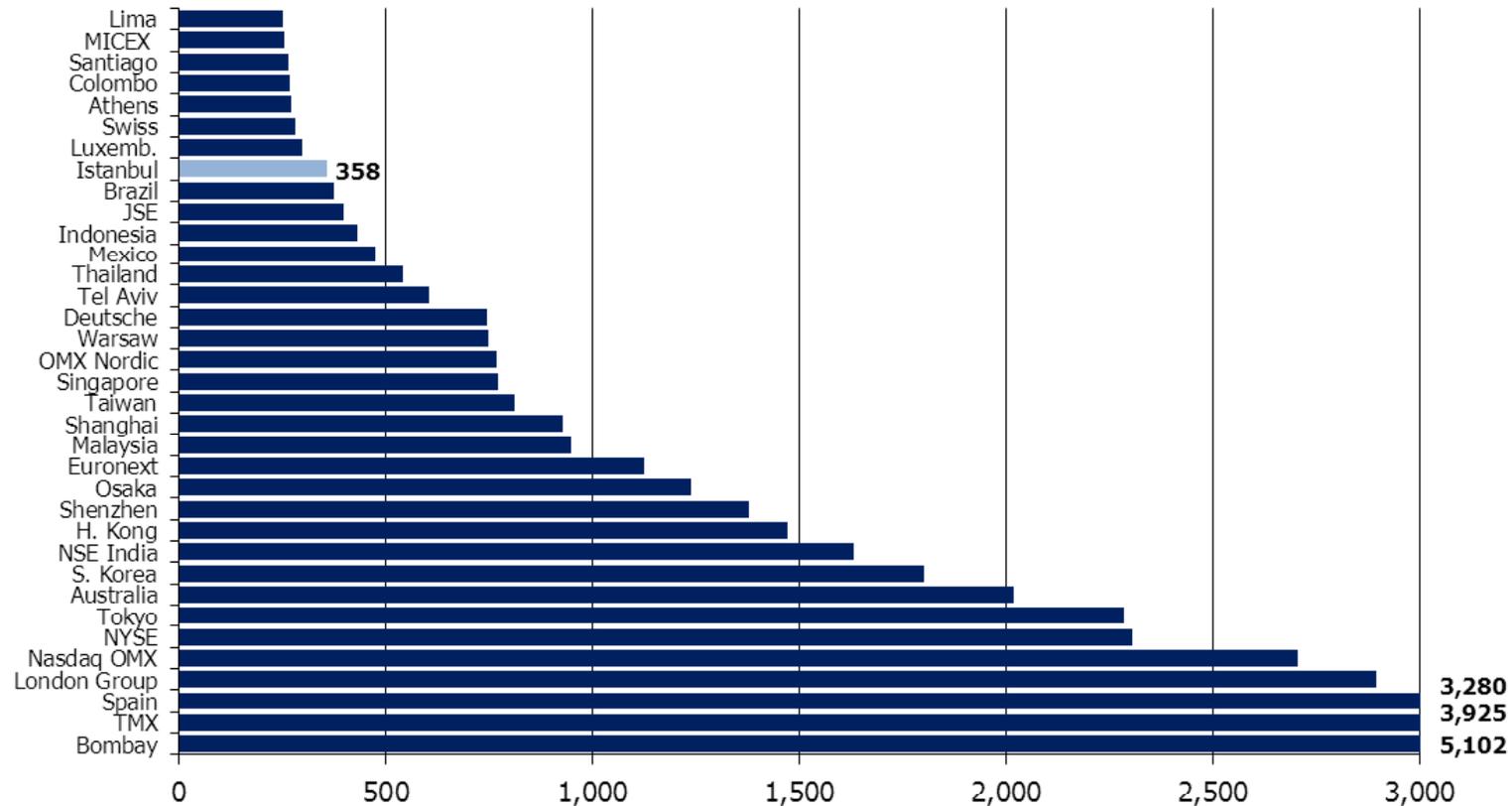
❖ Public Debt/GDP declined from 70% to around 30% in the last 10 years.



# Challenges

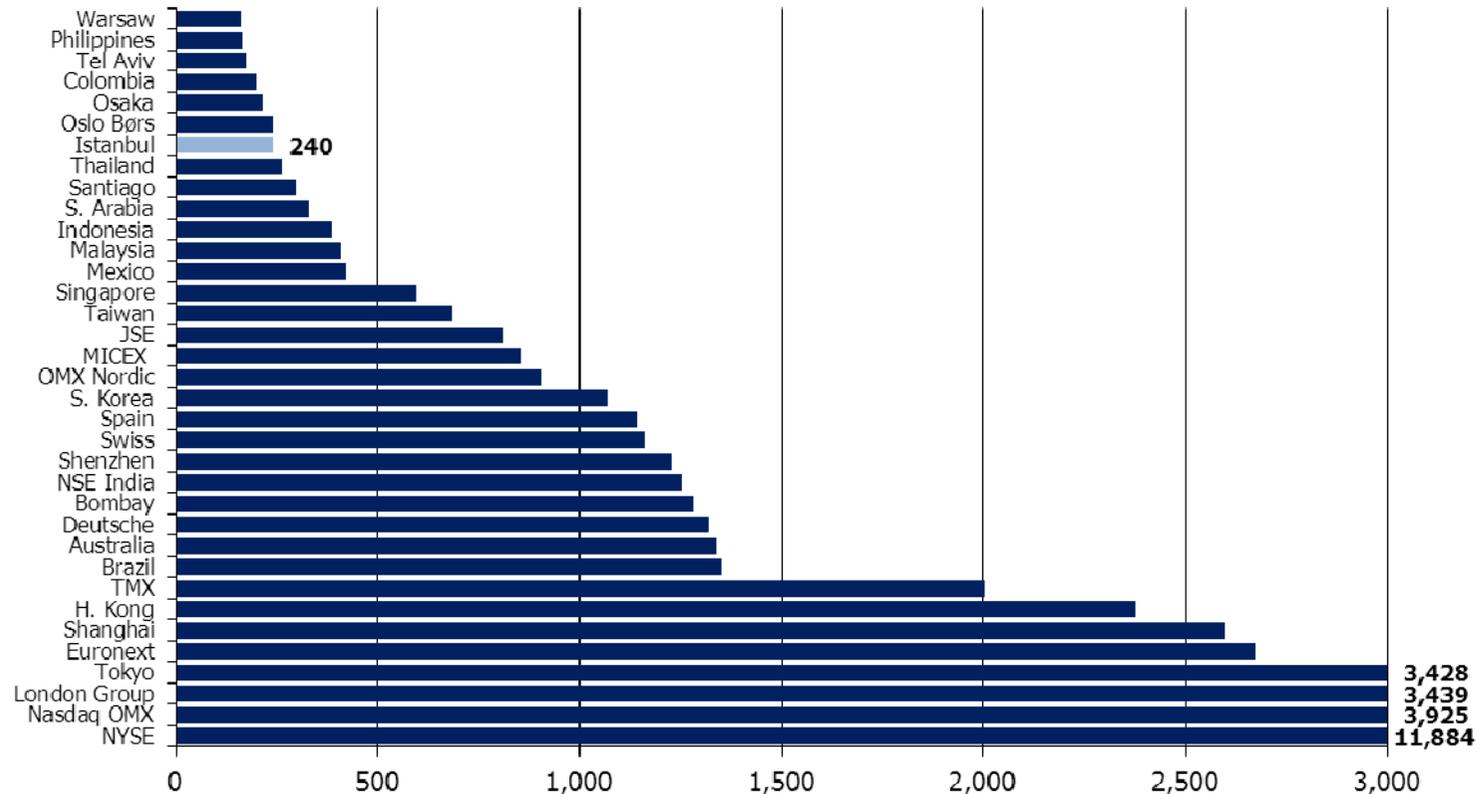
- ❖ The size of the Turkish capital markets is not in line with the size of its economy.
- ❖ Only 15% of the largest 1.000 companies are listed.
- ❖ Market capitalization is low.
  - Average free-float rate is 25%.
- ❖ Product diversity needs to be improved further.
- ❖ Investor base is low.
  - 1 million equity investors among a population of 74 million.
- ❖ Current investor generation is still under the influence of the pre-2000 economic and political instability period.

## Number of Listed Companies (2011/10)



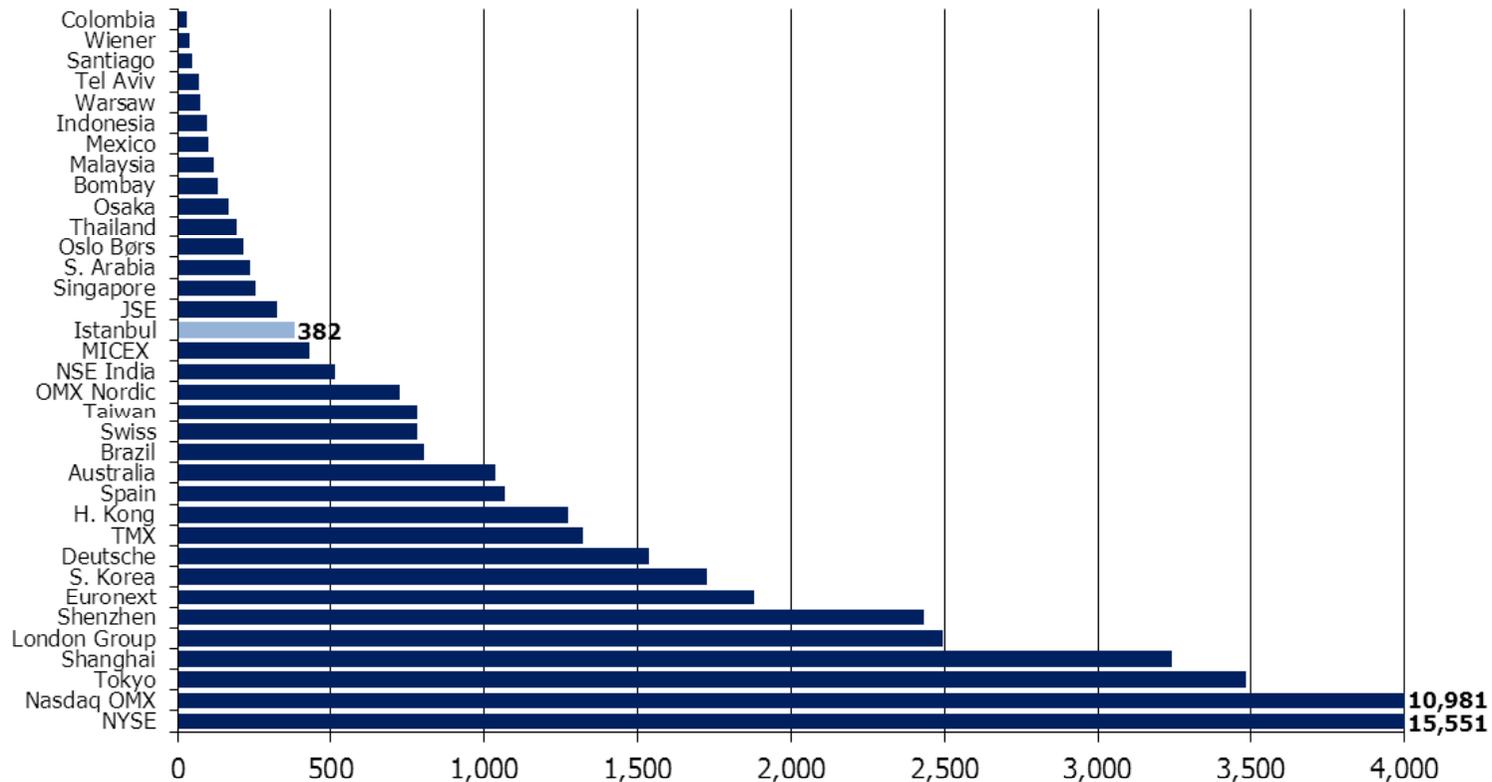
- ❖ There are 358 companies listed on the Istanbul Stock Exchange.
- ❖ ISE ranks 28th among 51 WFE members in number of listed companies.

# Domestic Market Capitalization (2011/10, Billion \$)



- ❖ Market capitalization is around \$ 240 bn. Mcap/GDP is 30%.
- ❖ ISE is the 29th exchange among 51 WFE members in Mcap.

# Equity Trading Volume (2011/10, Billion \$)



- ❖ Liquidity is the major strength of our market.
- ❖ ISE ranks 19th among 51 WFE members in trading volume.
- ❖ Domestic retail investors provide 70% of the liquidity.

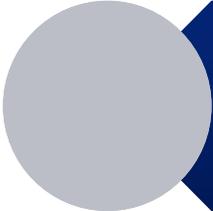


# Opportunities

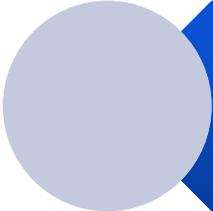
- ❖ **Young and vibrant generation: 51% of the population is below the age of 30.**
- ❖ **Economic stability and growth.**
- ❖ **Increasing interest from foreign asset management companies, brokers, investment banks.**
- ❖ **Introduction of new products and services.**
- ❖ **Very low penetration of investment products.**
- ❖ **Cooperation of capital market institutions for major projects.**



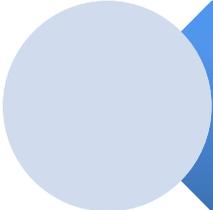
# Current Reforms



**Istanbul Regional  
Financial Center**



**IPO Campaign**



**Investor Education**



**New Products**



# Istanbul Regional Financial Center



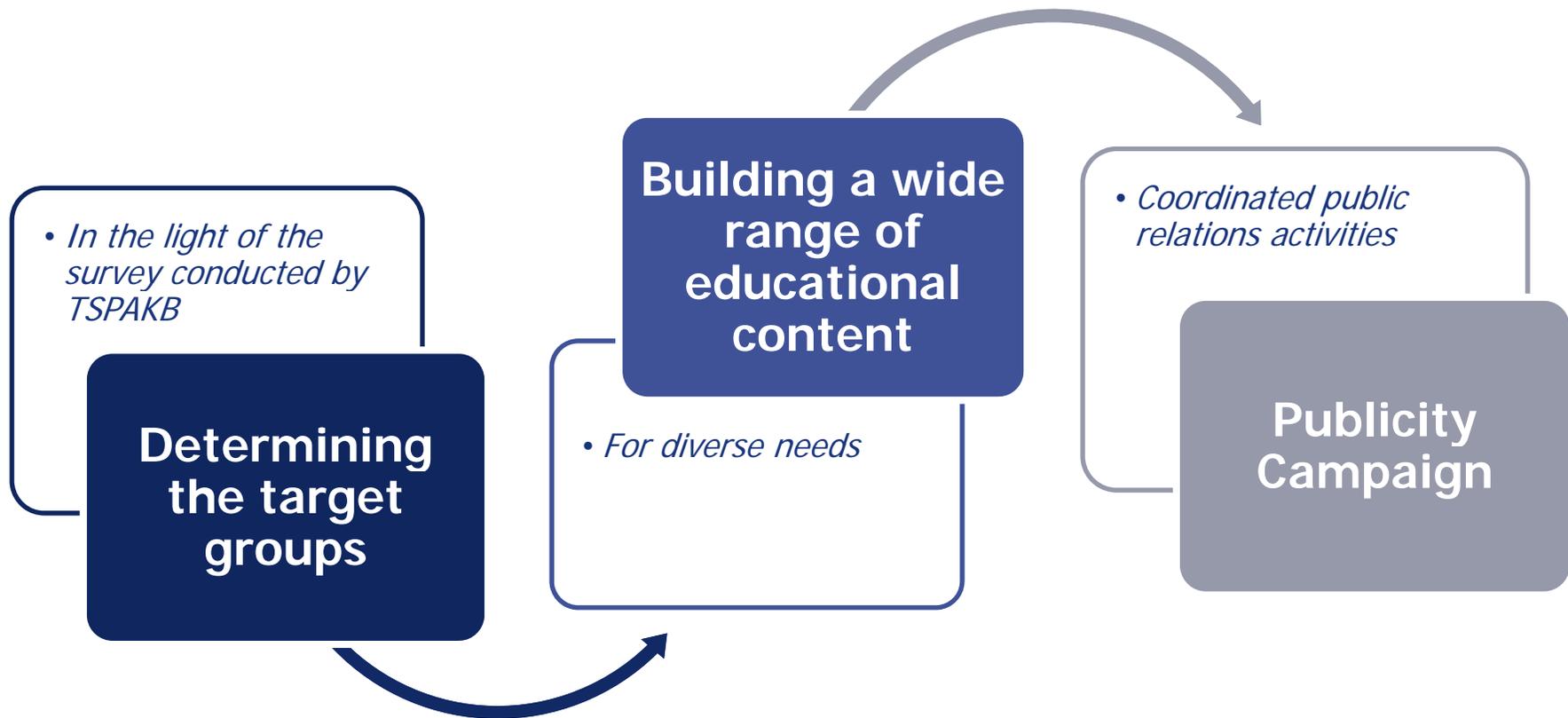
# IPO Campaign



- ❖ Minor regulatory amendments and PR campaign.
  - ❖ 24 IPOs completed as of October 2011.
  - ❖ 9 more IPO applications are awaiting approval.
- 
- ❖ 85% of top 1.000 industrial companies are not listed yet.



# Investor Education Roadmap





# New Products

## New Products

Warrants ✓

Foreign Exchange ✓

Electricity Futures ✓

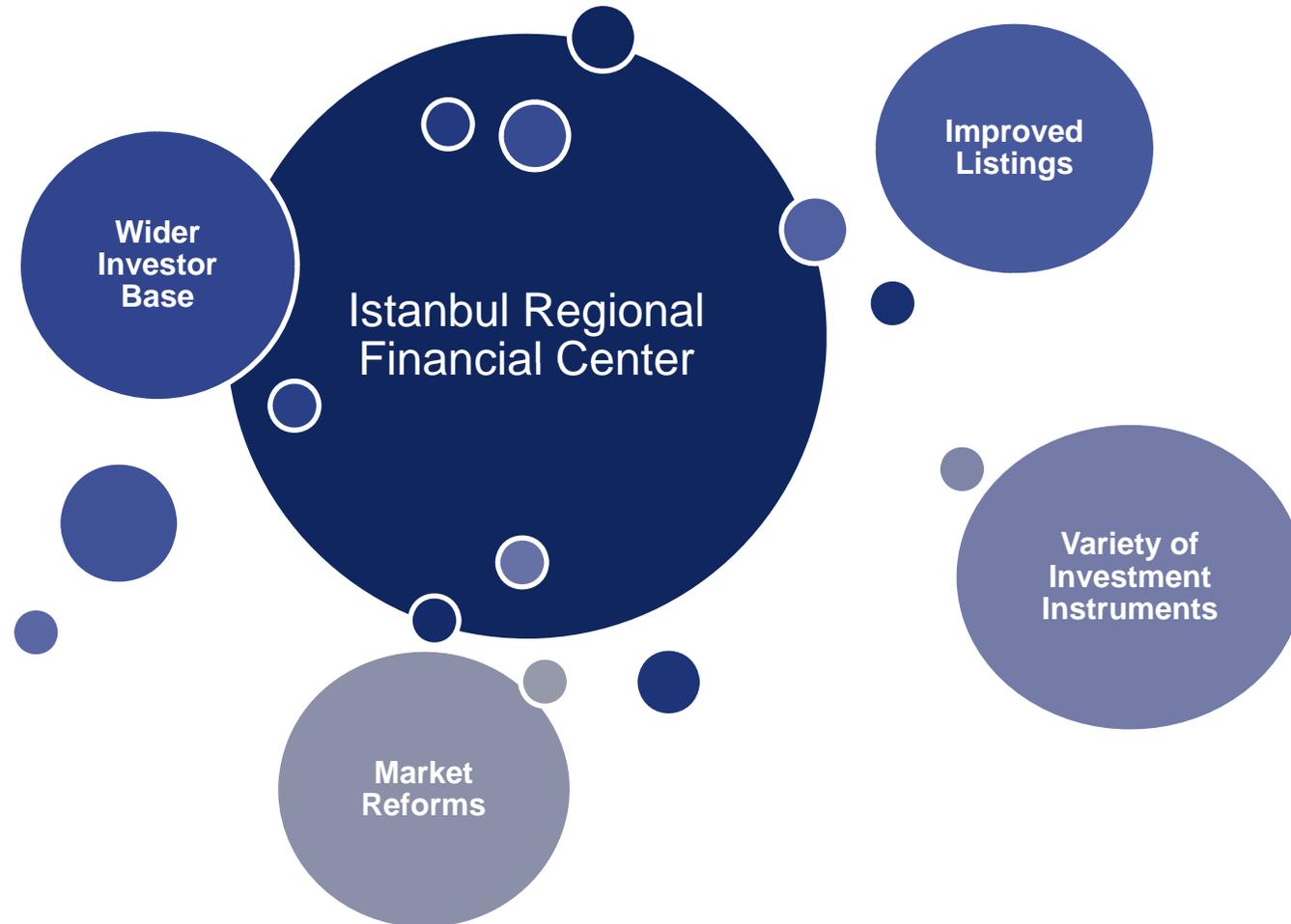
Islamic Bonds ✓

Single Stock Futures

Options



# The Future





# TSPAKB

THE ASSOCIATION OF CAPITAL MARKET  
INTERMEDIARY INSTITUTIONS OF TURKEY

# Thank You!

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