



TURKISH CAPITAL
MARKETS ASSOCIATION

**HANDBOOK OF
THE TURKISH
CAPITAL MARKETS
2017**



**HANDBOOK OF THE TURKISH
CAPITAL MARKETS
2017**

HANDBOOK OF THE TURKISH CAPITAL MARKETS 2017

EDITED BY
Ekin Fıkırkoca

WRITTEN BY
Gökben Altaş
Mustafa Özer

Istanbul, March 2017
TCMA Publication No. 81
For online version
please visit TCMA's website at;
www.tspb.org.tr



This report was prepared by TCMA for information purposes only. TCMA exerts maximum effort to ensure that the information published in this report is obtained from reliable sources, is up-to-date and accurate. However, TCMA cannot guarantee the accuracy, adequacy or integrity of the data or information. Information, comments and recommendations should not be construed as investment advice. TCMA does not accept any responsibility for any losses or damage that could result from the use of any information in this report. This report may be used without prior permission, provided that it is appropriately quoted.

TABLE OF CONTENTS

CHAPTER 1: OVERVIEW OF THE TURKISH CAPITAL MARKETS	01
I MILESTONES	01
II REGULATORY STRUCTURE OF THE FINANCIAL SYSTEM	03
III REGULATORY FRAMEWORK OF THE CAPITAL MARKETS	04
A Capital Market Law	05
B Brokerage Firms and Minimum Capital Requirements	06
C Asset Management Companies and Minimum Capital Requirements	07
D Investment Trusts	07
E Exchanges and Market Operators	09
F Leveraged (Forex) Transactions	09
G Decree on the Value of the Turkish Currency	10
IV TAXATION	10
CHAPTER 2: CAPITAL MARKET INSTITUTIONS	12
I CAPITAL MARKETS BOARD	12
A Organization Structure	12
B Functions	12
II TURKISH CAPITAL MARKETS ASSOCIATION	13
A Organization Structure	13
B Objectives and Functions	14
III BORSA ISTANBUL	15
A Organization and Shareholder Structure	15
B Equity Market	16
C Debt Securities Market	20
D Futures and Options Market	23
E Precious Metals and Diamond Markets	29
F Indices	30
G Initial Public Offerings and Listing Requirements	33
IV TAKASBANK	38
A Organization and Shareholder Structure	38
B Functions	39
V MERKEZİ KAYIT ISTANBUL – CSD OF TURKEY	43
A Organization and Shareholder Structure	43
B Functions	43
C Public Disclosure Platform	44
VI INVESTOR COMPENSATION CENTER	45
VII CAPITAL MARKETS LICENSING AND TRAINING AGENCY	46
A Organization and Shareholder Structure	46
B Functions	46
C Licensing of Market Professionals	46
KEY INSTITUTIONS IN THE FINANCIAL MARKETS	49

CHAPTER 1

OVERVIEW OF THE TURKISH CAPITAL MARKETS

I. MILESTONES

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

1981	Capital Market 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. 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. MKK (CSD of Turkey) was established. Remote trading started at ISE.
2002	Private 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 (TurkDex) was established. Dematerialisation of equities was completed.
2006	Dematerialisation of mutual funds was completed. First corporate bond was issued.
2007	Opening auction was introduced at ISE for the equity market. Mortgage Law passed.

- 2008** Eurobond market was established within the ISE.
New IFRS regulation was adopted.
New anti-money laundering regulations in line with FATF recommendations were adopted.
- 2009** Public 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.
- 2012** Free Trade Platform was established within the ISE.
Single stock futures and exchange traded options were introduced at the ISE on December 2012.
First certificate was issued.
New Capital Market Law entered into force.
Dematerialization of government bonds started.
e-GEM (Electronic General Meeting System) introduced by MKK.
- 2013** ISE demutualised and merged with IGE under Borsa Istanbul.
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 Trading Platform of Turkey (TEFAS) began to operate.
Borsa Istanbul started to perform equity market transactions on BISTECH trading platform on November 2015.
- 2016** TCMA arbitration committees established.
New regulation for leveraged transactions enhancing transparency in the forex market entered into force.
Takasbank became CCP in the Stock Lending Market.
Türkiye Wealth Fund established.
- 2017** Auto-enrolment in the private pension system entered into force gradually, starting with large companies.
New regulation for leveraged transactions reduced the maximum allowed leverage ratio.

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 insurance industry is overseen by the **Undersecretariat of Treasury**. For each segment of the financial industry, there are self-regulatory organisations, to which membership is compulsory for market participants.

On the other hand, the **Central Bank of the Republic of Turkey** (CBRT) regulates money and foreign exchange markets and oversees both price stability and financial stability. The bank is also responsible for the secure functioning of payment, security transfer and settlement systems. In that sense, Istanbul Settlement and Custody Bank (Takasbank) and Merkezi Kayıt Kuruluşu (Merkezi Kayıt İstanbul - CSD of Turkey) are under CBRT oversight. **Financial Crimes Investigation Board** (MASAK) under Ministry of Finance aims to prevent and combat money laundering and financing of terrorism to enhance market integrity.

Major institutions are briefly introduced below and a chart is provided on the next page with an illustration of jurisdictions. The role of capital markets institutions will be explained in detail in the following sections.

In the capital markets, **Capital Markets Board of Turkey (CMB)** regulates and supervises public companies, listed companies, investment companies, exchanges (including Borsa İstanbul), mutual, closed-end and pension funds, leveraged transactions on foreign exchange and precious metals, Takasbank, Turkish Capital Markets Association (TCMA), Merkezi Kayıt İstanbul - CSD of Turkey, 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.

Borsa İstanbul has the authority to regulate its own markets, listed companies and member firms.

Turkish Capital Markets Association (TCMA) is a self-regulatory organization. All brokerage firms, banks that are authorized for capital market operations, asset management companies and investment trusts should become members of the Association. TCMA sets professional rules and monitors the members to provide a fair and orderly capital market.

Capital Markets Licensing and Training Agency organizes licensing exams and offers training programs for the market professionals.

Türkiye Wealth Fund was established in August 2016 to effectively manage the selected assets of the Republic of Turkey. The fund is expected to contribute to the development of the domestic capital markets.

REGULATORY STRUCTURE OF THE TURKISH FINANCIAL SYSTEM



In the banking industry, the **Banking Regulation and Supervision Agency** 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.

Banks Association of Turkey is the self-regulatory organization for deposit banks, development and investment banks (including Takasbank). **Participation Banks Association of Turkey** is the self-regulatory body for participation banks under which operate interest free (Islamic) banking principles. The **Association of Financial Institutions** is the self-regulatory organization for financial leasing, factoring and financing companies.

The regulatory and supervisory authority for the insurance sector and the private pension system is the **Undersecretariat of Treasury**. The **Insurance Association of Turkey** is the self-regulatory organization for insurance, reinsurance and pension companies.

III. REGULATORY FRAMEWORK OF THE CAPITAL MARKETS

The Capital Market Law 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

The new law prepared in accordance with the EU acquis 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 Capital Market Law.

Joint stock companies which have more than 500 shareholders or which offer their shares to the public are subject to the Capital Market Law. 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 Capital Market Law defines capital market activities as well as the types of institutions allowed to operate in capital markets, and empowers the Capital Markets Board 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,
- 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 Capital Market Law as follows:

- Investment firms (banks and brokerage 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.

B. Brokerage Firms and Minimum Capital Requirements

According to the new Capital Market Law, brokerage firms are categorized according to their activities as below.

- **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 designated for different types of brokerage firms are presented in the following table. It is worth to mention that currently the Capital Markets Board requires a minimum capital of TL 25,472,637 (the amount that corresponds to the Market Makers) for the establishment of new brokerage firms.

Minimum Capital Requirements of Brokerage Firms (TL; 2017)	
License Type	
Introducing brokers	2,037,811
Execution brokers	10,189,055
Market makers	25,472,637

Source: CMB

In addition to the minimum capital requirements, brokerage firms shall meet the minimum liquidity requirement. Risk adjusted capital, calculated by deducting the firm's fixed assets and receivables from related parties

from initial capital, must exceed 60% of the minimum capital to meet this requirement.

Brokerage firms can operate in the equity, fixed income and derivatives markets, and in leveraged (forex) transactions. Banks are prohibited to operate in the equity market, and cannot engage in equity-linked derivatives or leveraged transactions.

C. Asset Management Companies and Minimum Capital Requirements

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

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

Minimum capital amount for asset management companies are determined according to the assets under management (the last three months' arithmetic average is taken into account) as shown in the table.

Minimum Capital Requirements of Asset Management Companies (TL; 2017)		
Type	Asset Management Co.	Real Estate & VC Co.
AUM < TL 100 million	2,000,000	1,000,000
TL 100 million < AUM < TL 500 million	3,000,000	1,500,000
TL 500 million < AUM < TL 5 billion	5,000,000	2,500,000
AUM > TL 5 billion	10,000,000	5,000,000

Source: CMB

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

An asset management company can be founded exclusively to establish and manage venture capital investment funds or real estate investment funds. These companies cannot offer retail asset management or investment advisory services. Only qualified investors can invest in real estate or venture capital investment funds.

D. Investment Trusts

There are fundamentally two types of investment trusts in Turkey: Closed-end and open-end (ICVC–Investment Company with Variable Capital).

Closed-end investment trusts must fulfil the following criteria:

- The initial capital of a closed-end trust must be at least TL 20 million. All shares must be issued for cash in full.
- At least one natural or legal person must be designated as the “principle investor”. The principle investor(s) must possess a minimum of 25% of all shares issued.
 - i. If the principle investor is a single person, the market value of total assets must be minimum TL 10 million. If the principle investor is a group of natural persons, the market value of total assets must be at least TL 20 million.
 - ii. If the principle investor is a legal entity, the company must have been in operation for at least 3 years, its latest financial statements must have been audited, its equity must be at least twice and its net assets must be at least three times that of the investment trust. An upper limit of TL 100 million is applied for the shareholders’ equity requirement and an upper limit of TL 200 million is applied for the total assets requirement. In case of multiple investors, all must fulfil these requirements separately.
- The investment trust must offer at least 49% of its shares to the public, following its establishment.

Open-end investment trusts (investment company with variable capital) must fulfil the following criteria:

- The initial capital of an open-end trust must be at least TL 2 million. All shares must be issued for cash in full. The trust must guarantee that it will raise its net total assets to a minimum of TL 4 million following its public offering.
- Open-end trusts have two types of shares: Issuer shares and investor shares. Investor shares vest dividend rights and liquidation privileges, whereas issuer shares provide additional rights such as attending the general assembly, voting, etc.

Real estate investment trusts (REITs) must fulfil the following criteria:

- The initial capital of the joint-stock company must be at least TL 60 million. If the firm will have a portfolio consisting of infrastructure investments only, the capital cannot be less than TL 100 million.
- 25% of the initial capital must be offered to the public or qualified investors.
- At least 75% of total assets of REITs must be real estate investments.

Venture capital and/or private equity trusts must meet the following conditions in order to obtain authorization from the Capital Markets Board:

- The minimum capital of the joint-stock company must be at least TL 20 million.
- 25% of the initial capital must be offered to the public or qualified investors.

- A leading shareholder must be defined for publicly traded venture capital/private equity companies.
 - i. Natural person leading shareholder should have a minimum experience of five years in related fields, and have assets of at least TL 10 million.
 - ii. Legal entity leading shareholder should operate for at least three years; and its financial statements must have been audited, its shareholders' equity must be at least twice and its total assets must be at least three times the capital of the venture capital/private equity. An upper limit of TL 100 million is applied for the shareholders' equity requirement and an upper limit of TL 200 million is applied for the total assets requirement.

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 Istanbul 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 By-law on the Establishment, Operation and Supervision Principles of Exchanges and Market Operators. Accordingly, the establishment of securities exchanges and market operators is subject to the approval of the Council of Ministers, upon the recommendation of the Capital Markets Board.

F. Leveraged (Forex) Transactions

Leveraged trading is defined as the purchase and sale of foreign exchange, commodities, precious metals and other assets to be determined by the Capital Markets Board (CMB), with a specified leverage ratio. Only market maker brokerage firms can provide forex transactions whereas execution brokers can quote orders to market makers.

The regulation regarding those transactions was revised in February 2017 to reduce the maximum allowed leverage ratio to 10:1. Prior to this change, the maximum leverage was 50:1 for investors with less than TL 20,000 margin deposit for EUR and USD denominated transactions, and

25:1 for the other currencies. In addition to the leverage cap, the required margin deposit was raised to TL 50,000 from TL 20,000.

Margins deposited by investors are kept at the Istanbul Settlement and Custody Bank (Takasbank). Also investors are required to initiate at least 50 transactions in a demo account with real-time prices for 6 days. Furthermore, in order to promote market transparency brokerage firms have to post profit/loss ratios in their website and submit daily price information to the Turkish Capital Markets Association starting from July 2016.

G. 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 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. The foreign currency transactions of the brokerage firms are defined by an amendment to this Decree in 2008. Accordingly, an investment firm can buy and sell foreign currency as long as it is done with clients, limited to their capital market activities.

IV. TAXATION

Turkey has a liberal foreign investment policy and 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 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 be eligible for exemptions.

Taxation of Selected Investment Instruments in Turkey (2017)				
Investment	Individuals		Corporations	
	Residents	Non-residents	Residents	Non-residents
Bank Deposits	Maturity		TL Deposits	FX Deposits ¹
	< 6 months		15%	18%
	6 months<maturity<1 year		12%	15%
	>1 year		10%	13%
Reverse Repo	15% withholding tax. ¹			
Bonds (Capital Gains and Interest)	10% withholding tax.		0% withholding tax. ¹	
Listed Equities ⁴ (Capital gains)	0% withholding tax.		0% withholding tax. ¹	
Mutual Funds and Exchange Traded Funds	10% withholding tax. ^{2, 3}		0% withholding tax. ¹	
Investment Trusts	10% withholding tax. ^{2,4}		0% withholding tax. ¹	
Covered Warrants	Withholding tax rate is 0% for covered warrants on equities or equity indices and 10% for others.		0% withholding tax. ¹	
Dividends on Equities	15% withholding tax. ⁵		Not subject to withholding tax. Exempt from corporate tax for domestic equities.	15% withholding tax.
Listed Futures and Options	0% withholding tax for contracts on equities or equity indices, 10% for other underlying instruments.		0% withholding tax. ¹	

1: Earnings are subject to 20% corporate tax for domestic corporations, but withholding tax is deducted.
2: Withholding tax is not applied to the gains from the mutual funds and investment trusts, if held for more than one year and if the equity portion of the fund's portfolio is at least 51% at all times.
3: 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%. Otherwise earnings are subject to 10% rate.
4: Capital gains from Real Estate Investment Trusts and Venture Capital Investment Trusts are subject to same requirements as equities.
5: If the total taxable income subject to declaration exceeds TL 30,000 in 2017 all income must be declared and will be subject to income tax. Half of the dividends are exempt from income tax. Withholding tax may be deducted from the income tax.

Source: Arkan & Engin

CHAPTER 2

CAPITAL MARKET INSTITUTIONS

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. 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 (TCMA) in April 2014.

According to this new regulatory framework, in addition to brokerage 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 revenues of the Association are provided mainly from membership fees.

The association is funded by the membership fees of its members. The Association has 231 members as of December 2016; 88 brokerage firms, 43 banks, 52 asset management companies, 8 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 <https://www.tspb.org.tr/en>

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 according to member categories and two of them are elected from the independent candidates list determined by a committee formed by the chairpersons of the Capital Markets Board, Borsa Istanbul and the Association. Board members are in charge for two years.

- Three members from brokerage firms,
- Two members from banks,
- Two members from asset management companies,
- One member from investment trusts,
- Two independent members,
- One member from the Appraisal Experts Association of Turkey.

The Board of Auditors also serve for two years and has five members;

- Two members from brokerage firms,
- One member from banks,
- One member from asset management companies
- One member from investment trusts.

TCMA hosts 5 standing committees based on members' activities. In addition to those standing committees, financial education committee

gathers members to brainstorm on themes related to financial literacy and investor education.

The Secretary General of the Association carries out the daily management and administration of the Association. The Association' operations are run through the following departments:

- Compliance and Surveillance,
- Legal Affairs,
- Research and Statistics,
- Training,
- Membership Affairs,
- Corporate Communications,
- Information Technologies,
- Human Resources, Administrative and Financial Affairs.

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:

- Establish professional rules and regulations in order to ensure fair and honest conduct of business,
- Monitor and inspect the activities of the members,
- Monitor related regulations, make proposals for changes in the existing or draft regulations,
- Conduct financial literacy activities,
- Resolve investor complaints on damage and loss compensation via arbitration committees,
- Promote transparency in the forex market through publishing investor complaint ratio of leveraged transactions, list of service providers and profit/loss ratio,
- Compile quarterly statistical data from its members,
- Conduct research activities, publish periodic reports,
- Organise training programs towards professional development of industry professionals,
- Organise meetings in order to foster the development of capital markets,

III. BORSA ISTANBUL

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

The capital markets exchanges operating in Turkey, namely Istanbul Stock Exchange, Istanbul Gold Exchange and 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 traded on Borsa Istanbul markets are as follows:

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

A. Organization and Shareholder Structure

As of February 2017, the company's shareholding structure is outlined in the below table.

Shareholders of Borsa Istanbul		
Türkiye Wealth Fund	A	0.01%
Türkiye Wealth Fund	B	73.59%
European Bank for Reconstruction and Development	B	10.00%
NASDAQ OMX	B	7.00%
Turkish Capital Markets Association	C	1.30%
87 Brokerage Firms	C	4.26%
31 Banks	C	1.44%
Union of Chambers and Commodity Exchanges of Turkey	C	1.25%
İzmir Commodity Exchange	C	0.85%
63 Precious Metal Firms	C	0.29%
Istanbul Gold Refinery	C	0.0035%
Türkiye Wealth Fund	C	0.00%
Total		100.0%

Source: Borsa Istanbul

Only shares in the groups B and C can be transferred. Undersecretariat of Treasury was the main shareholder of Borsa Istanbul with a share of 73.6%. In February 2017, these shares were transferred to newly established Türkiye Wealth Fund.

In accordance with the strategic partnership agreement signed between Borsa Istanbul and Nasdaq OMX on December 31, 2013 5% of Borsa Istanbul shares were transferred to Nasdaq OMX in January 2014. In line with the agreement, the shareholding percentage of Nasdaq raised to 7% in 2015. In December 2015, the European Bank for Reconstruction and Development acquired 10% share in Borsa Istanbul, through another strategic partnership agreement.

General Assembly (Shareholders' Meeting) is the supreme decision-making body of Borsa Istanbul, as the case for joint stock companies. Its decisions are subject to ratification and review of the CMB. General Assembly also takes resolutions on some of the major issues related to management and administration of Borsa Istanbul.

Borsa Istanbul is managed and represented by Board of Directors which is comprised of 10 members elected by General Assembly. Three board members are nominated by group C shareholders (members of Borsa Istanbul constitute the majority) and two board members are nominated by group A shareholder (formerly Treasury). According to Articles of Incorporation, there are no other privileges in nomination of the remaining five Board members. The members serve for three years and can be re-elected. The chairman of Board of Directors is elected by General Assembly. In 2016, an Executive Committee, chaired by Chairman, was instituted to ease the workload of Board of Directors.

B. Equity Market

1. Markets

Equities, warrants, certificates, rights coupons and exchange-traded funds are traded on the equity market.

Only brokerage firms are allowed to trade equities. The size of the equity market is given in the table below:

Borsa Istanbul Equity Market	
Dec 31, 2016	No. of Companies
BIST Stars	120
BIST Main	169
BIST Emerging Companies	18
Collective and Structured Products	56
Watchlist	36
Pre-Market Trading Platform	15
Total	414

Source: Borsa Istanbul

a. *BIST Stars Market*

BIST Stars is the market for blue chip companies. In order to be traded in BIST Stars, market capitalization of offered shares must be greater than TL 100 million or the company must be included in the BIST-100 Index.

Average free float market capitalization of the BIST Stars companies are reviewed biannually in January and July. If a company fails to meet the minimum criteria, it is then transferred to the BIST Main market.

b. BIST Main Market

BIST Main Market was established for companies with a market capitalization of offered shares greater than TL 25 million and smaller than TL 100 million.

c. BIST Emerging Companies Market

BIST Emerging Companies market is designed for companies that have high growth and development potential. Companies with a market capitalization of offered shares smaller than TL 25 million are listed in this market. These companies can be transferred to BIST Main provided that they meet the required criteria. The Executive Board of Borsa Istanbul decides on the listing of a company in this market. There are no quantitative admission criteria, such as profitability, paid-in capital, market capitalisation or offering size, etc.

d. Collective and Structured Products Market

Certificates of investment trusts, real estate investment trusts, venture capital trusts, exchange traded funds, covered warrants, and turbo certificates are traded in this market.

e. Watchlist Market

The Watchlist 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.

f. Pre-Market Trading Platform

Pre-Market Trading Platform was established for trading of unlisted public companies. Eligible equities for trading on this platform are determined by the Capital Market Board.

g. Other Markets

In the **Equity Market for Qualified Investors**, shares issued by corporations for direct sale to qualified investors without being offered to public are traded among qualified investors.

The **Wholesale Market** provides a platform for large trades. Equities of listed companies of shares of companies held by the Privatisation Administration can be traded in this market.

Initial public offerings of companies and 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.

Preemptive Rights Transactions 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.

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. Those transactions take place in the **Official Auction Market**. The price is either set by these official authorities or determined at an auction in this market.

BIST Private Market is an online member-based platform that enables investors to buy and sell shares of private companies.

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.

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.

Exchange traded funds, warrants and certificates are required to be traded with continuous auction with market making method. Other equities that are not included in BIST 100 Index and traded on the Collective Products Market, with the exclusion of the equities traded on the Watchlist Market, Pre-Market Trading Platform and Equity Market for Qualified Investors, equities with a free-floating market capitalization of less than TL 10 million may be subject to market making. Securities included in BIST 100 Index are always traded with continuous auction system.

Market makers are expected to prevent any extreme price movements and to provide liquidity to the market on a continuous basis to promote efficiency of the continuous auction. Liquidity providers were introduced especially to contribute to the liquidity of equities with low traded value. All brokerage firms except for introducing brokers can be market maker in the equity market, given that the number of defaults with a size exceeding TL 1 million is at most five in the last twelve months. All brokerage firms except for introducing brokers can be liquidity provider.

Liquidity providing is applicable for all equities other than those traded on the BIST Star, BIST Main and Collective Products Market, except for equities included in BIST 30 Index, and those traded with continuous auction with market making and single price trading methods.

Listed equities are classified under four groups that are determined semi-annually in January and July. The equities in the equity market are classified as group A, B and C, except for the equities trading in Pre-Market Trading Platform, Qualified Investor Market and Watchlist Market which are labelled as group D. In accordance with this arrangement, each group is subject to different trading rules. The classification is made according to the criteria shown in the table. Disclosure of prices also varies among classes.

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	Single Price
Margin Trading & Short Selling	Yes	Yes	No	No
* If there is a market maker or liquidity provider				
Source: Borsa Istanbul				

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 in Pre-Market Trading Platform, Qualified Investor Market and Watchlist Market are classified as Group D.

In Borsa Istanbul, starting from November 2015, equity trading is done in a single session. An opening auction (single price) is carried out at the beginning of the session. 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 at the end of the session.

Short selling or giving a sale order, for capital market instruments that are not actually owned is possible. Short-selling transactions are done at Borsa Istanbul. The securities, transaction prices and volumes are announced at the end of the day on Borsa Istanbul's website.

Only the equities classified as Group A and B by Borsa Istanbul can be used for margin trading and short selling. These groups cover equities listed on Borsa Istanbul Equity Market, whose adjusted free float exceed TL 10 million. Brokerage firms also offer margin trading and may open a

credit line for their customers to purchase securities.

Trading Hours at Borsa Istanbul Equity Market	
Trading Sessions	Hours
Opening (Call Auction) (All instruments and markets except ETFs, Warrants, Certificates and Rights Coupons)	09:40-09:55 (+)
Continuous Trading	10:00-13:00
Midday (Call Auction) (All instruments and markets except ETFs, Warrants, Certificates and Rights Coupons)	13:00-13:55 (+)
Continuous Trading	14:00-18:00
Closing (Call Auction) (All instruments and markets except ETFs, Warrants, Certificates and Rights Coupons)	18:00-18:05 (+)
Trades at Closing Price	18:07-18:10
ETFs, Warrants, Certificates and Rights Coupons	10:00-13:00 14:00-18:00
Primary Market	10:30-13:00
Official Auction	10:00-13:00 14:00-18:00
(+): Indicates a time that may differ according to the completion of transactions. Source: Borsa Istanbul	

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 Merkezi Kayit Istanbul - CSD of Turkey. Merkezi Kayit Istanbul and Takasbank systems are fully interconnected in real time basis, so that securities' transfers are reflected in Merkezi Kayit Istanbul instantaneously. Settlement is realized along with the details transferred from Merkezi Kayit Istanbul.

C. Debt Securities Market

1. Markets

Banks and brokerage firms are allowed to operate in the Debt Securities Market. Government bonds, T-bills, corporate bonds, Islamic bonds (sukuk) and asset backed securities are traded in these markets.

In addition to organised markets, debt securities can be traded in the OTC market. However, OTC market transactions must be reported to Borsa Istanbul. The settlement of OTC transactions is conducted through banks' accounts at the Central Bank, or brokerage firms' accounts at Takasbank, or through the system of MKK, CSD of Turkey.

a. *Outright Purchase and Sales Market*

In the Outright 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.

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. The beginning value date of orders varies from zero to seven days.

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.

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 as an organized repo market only for banks and the CBRT, where brokerage 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. *Borsa Istanbul Money Market*

In this market, banks and brokerage firms may perform collateralized borrowing and lending transactions. The maturity of transactions are determined as 1 month (30 days) and 3 months (90 days).

Takasbank provides central counterparty (CCP) service for the Market and guarantees the settlement finality by acting as buyer to the seller and seller to the buyer for any transaction executed.

f. *Equity Repo Market*

The shares of BIST-30 index companies are eligible for repo transactions

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.

g. Offering Market for Qualified Investors

The Offering Market for Qualified Investors is the market where the debt securities of the issuers are 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.

h. International Bonds Market

Listed Turkish sovereign eurobonds are traded at the International Bonds Market. The value date of the orders can be between 1 and 15 days.

i. Negotiated Repo Deals Market

Negotiated Repo Deals Market was established in order to enable the members to do transaction with the commitment of repurchase or resell with their preferred counterparty.

2. Trading

The Central Bank, banks and brokerage 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
Outright Purchases and Sales Market	09:30-14:00	09:30-17:30
Repo/Reverse Repo Market		
Repo Market for Specified Securities		
Interbank Repo Reverse Repo Market		
Negotiated Repo Deals		
Offering Market for Qualified Investors		09:30-14:00
Equity Repo Market	10:00-12:00	10:00-17:30
International Bonds Market	-	
Negotiated Eurobond Deals Platform	-	09:30-17:30

*The lunch break is between 12:00 and 13:00 for all markets except for Equity Repo Market where lunch break is between 12:00 and 14:15.
Source: Borsa Istanbul

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+1. Like equity market, to prevent late payments or protect counterparty in case of default, Borsa Istanbul established a "Guarantee Account" for debt securities.

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.

D. 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 with Borsa Istanbul in August 2013, the product range has widened.

Banks and brokerage firms are permitted to trade on this market. However, banks cannot trade equity linked 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 thirteen sub-markets under this market. The sub-markets and current underlying assets are given below;

1. Equity Futures Main Board (20 stocks)
2. Equity Index Futures Main Board (BIST-30 index)
3. Single Stock Options
4. Equity Index Options Main Board (BIST-30, Mini BIST-30)
5. Currency Futures Main Board (USD/TL, EUR/TL and EUR/USD)
6. Currency Options Main Board (USD/TL)
7. Precious Metals Futures Main Board (TL/gr gold, USD/ounce gold)
8. Commodity Futures Main Board (cotton, wheat)
9. Power Futures Main Board (base load electricity)
10. Foreign Indices Futures Main Board (SASX-10: The Sarajevo Stock Exchange Index)
11. Metal Futures Main Board (steel scrap)
12. ETF Futures Main Board (FTSE Istanbul bond FBIST)
13. Overnight Repo Rate Futures Board (monthly and quarterly O/N repo)

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 09:30 to 18:10 for equity index contracts.

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 for banks and TL 10 million for brokerage firms. There are two types of membership in the market. Direct clearing members are allowed to realise their own and customers' transactions. In addition to direct clearing, general clearing members are allowed to realise other market participants' transactions.

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 16:45 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 and Islamic bonds (sukuk) issued by the Turkish Treasury,
- BIST-30 shares and exchange traded funds,
- Investment funds,
- Gold.

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. All members are required to contribute to the guarantee fund. 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 100% 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 15:00 on day T+1. Takasbank also calculates the risk ratio for each portfolio as follows:

$$\text{Risk Ratio} = \text{Maintenance Margin} / [\text{Collateral} \pm \text{Temporary Profit/Loss}]$$

Four risk levels are defined between 0 and 3, as shown in the table.

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 "risky", 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.

5. Contract Specifications

Specifications of futures and option contracts are summarized below:

Contract Specifications			
Equity Index	BIST 30 Index Future	BIST 30 Index Options	Mini BIST 30 Index Options
Underlying Asset	BIST-30 stock price index		
Contract Size	10% of the index in TL		0.1% of the index in TL
Price Quotation	0.1% of index with three decimals.	Premium value of one underlying security with two decimals.	
Tick Size	2.5 TL (25 index points)	1 TL	0.01 TL
Trading Hours	09:30-18:15		
Contract Months	3 nearest months of February, April, June, August, October and December. If December is not one of those three months, an extra contract with an expiration month of December shall be launched.		
Settlement Period	Cash settlement, T+1		
Final Settlement	Last business day of each contract month		
Exercise Style	-	European	
Equity	Equity Futures	Equity Options	
Underlying Asset	BIST 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	09:30-18:10		
Contract Months	Three nearest months of all calendar months. If December is not one of those three months, an extra contract with an expiration month of December shall be launched.		
Settlement Period	Physical settlement, T+3 for physical delivery and T+1 for other operations		
Final Settlement	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	Turkish Lira per USD significant to four decimals	Turkish Lira per Euro significant to four decimals	USD per Euro significant to four decimals	Premium value in terms of TL significant to one decimal for 1,000 USD	
Tick Size	0.0001=0.1 TL		0.0001=0.1 USD	0.1 TL	
Trading Hours	09:30-18:15				
Contract Months	February, April, June, August, October and December. Four contracts whose expiration months are the current month, the next calendar month, the next cycle month and December shall be concurrently traded. If there are less than four contracts, an extra contract with an expiration month of December of the next year shall be launched.			2 nearest months to the current month	
Settlement Period	Cash settlement, T+1				
Final Settlement	Last business day of each contract month				
Exercise Style	-	-	-	European	
Commodity	Aegean Cotton Futures	Anatolian Red Wheat Futures	Durum Wheat Futures	Gold Futures	USD/Ounce Gold Futures
Underlying Asset	Aegean Standard 1 Cotton	Second Degree Anatolian Hard Red Wheat	Third Degree Durum Wheat	Pure Gold	Pure Gold
Contract Size	1 tonne	5 tons		1 gram	1 ounce
Price Quotation	Per kg with three decimals (1.825 or 1.830 TL)	Per kg with four decimals. Last decimal shall be either 0 or 5. (0.3865 or 0.3870 TL)		Per gram with two decimals (99.27 TL)	Per ounce with two decimals (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	09:30-18:15				
Contract Months	2 nearest months of March, May, July, October, December.	3 nearest months of January, February, May, July, September and December. If September is not one of those three months, an extra contract with an expiration month of September shall be launched.		3 nearest months of February, April, June, August, October, December.	
Settlement Period	Cash settlement, T+1	T+5 for physical delivery, T+1 for other operations.		Cash settlement, T+1	
Final Settlement	Last business day of each contract month				

Energy		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 e.g.:contract size for 30 day contract month is 72 (=30x24x0.1 MWh)		
Price Quotation	1 MWh of electricity with two decimals. (ex: 121.20)		
Tick Size	0.1 TL		
Trading Hours	09:30-18:15		
Contract Months	Current and next fifteen months		
Settlement Period	Cash settlement, T+1		
Final Settlement	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 decimals		
Tick Size	0.25 TL		
Trading Hours	09:30-18:15		
Contract Months	2 nearest months of February, April, June, August, October, December		
Settlement Period	Cash settlement, T+1		
Final Settlement	Last business day of each contract month		
Metal		Steel Scrap Futures	
Underlying Asset	HMS 1&2 80:20 CFR Iskenderun Steel Scrap Index		
Contract Size	10 tonnes		
Price Quotation	Value of 1 ton in US Dollars with two decimals		
Tick Size	0.01 USD		
Trading Hours	09:30-18:15		
Contract Months	Cycle months are March, June, September and December.		
Settlement Period	Cash settlement, T+1		
Final Settlement	Last business day of each contract month		
Exchange Traded Fund		FBIST ETF Futures	
Underlying Asset	Finans Portföy FTSE Istanbul Bono FBIST ETF		
Contract Size	10 FBIST ETF share traded at Borsa Istanbul		
Price Quotation	One unit of underlying asset with two decimals		
Tick Size	0.25 TL		
Trading Hours	09:30-18:15		
Contract Months	2 nearest months of February, April, June, August, October, December		
Settlement Period	Cash settlement, T+1		
Final Settlement	Last business day of each contract month		

Overnight Repo Rate	Monthly Overnight Repo Rate Futures	Quarterly Overnight Repo Rate Futures
Underlying Asset	The monthly compounding average of weighted average overnight repo rate with same value date at Borsa Istanbul Interbank Repo Reverse Repo Market.	The quarterly compounding average of weighted average overnight repo rate with same value date at Borsa Istanbul Interbank Repo Reverse Repo Market.
Contract Size	Nominal Value = TL 1.000.000 Contract Size = $1,000,000 \times (N/365) \times 0.01$ where N is the number of calendar days in a contract month	
Price Quotation	two digit value of interest rate multiplied by 100	
Tick Size	0.01	
Trading Hours	09:30-18:15	
Contract Months	The current month and 3 nearest months of all calendar months	Contract months are March, June, September, December. The nearest eight contract months can be concurrently traded.
Settlement Period	Cash settlement, T+1	
Final Settlement	Last business day of each contract month	
Source: Borsa Istanbul		

E. 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 jewellery 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.

Members of the market are 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	24	11	55
Currency Offices	43	-	
Precious Metals Brokerage Houses	20	-	
Precious Metals Producing and Marketing Companies	12	2	
Jewellery Companies	-	-	
TOTAL	99	13	461
Source: Borsa Istanbul			

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	7/24 continuous session from 04:00 pm.
Precious Metals Lending Market	09:45 and 17:30 on business days
Diamond and Precious Stone Market	09:45 and 17:30 on business days
Source: Borsa Istanbul	

The orders are given through an internet based trading system. Trading units are Turkish lira/kg, USD/ounce, and EUR/ounce.

In the Precious Metals Market the value dates of the transactions are from T+0 up to T+90 days. Financial obligations are fulfilled until 17:15 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 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.

F. Indices

1. Equity Indices

All equity indices are calculated as price and total return indices. Price indices are free float capitalization weighted.

While BIST-100 and BIST-30 are computed every second other indices are

computed throughout the trading session every 10 seconds. Return indices and foreign currency based indices are calculated and announced at the end of the session only.

BIST equity indices do not comprise any of the stocks that are in D list or traded in the Pre-Market Trading Platform and the Watchlist Market. In addition to that, companies in the C list that trade on BIST Emerging Companies markets are only included in BIST SME Industrial Index.

Some of the basic indices are explained below:

BIST-100 has been calculated since the inception of the exchange. It comprises of the 100 selected companies listed on the BIST Stars and BIST Main markets, and real estate investment trusts and venture capital investment trusts listed on the Collective and Structured Products Market. Constituents are reviewed quarterly. BIST-100 Index includes equities covered in **BIST-50** and **BIST-30** indices.

BIST Dividend Index consists of companies listed on BIST Stars and BIST Main markets, and REITs and venture capital investment trusts listed on the Collective and Structured Products Market which distributed cash dividends in the last 3 years.

BIST Corporate Governance Index comprises of companies with a corporate governance rating of minimum 7 over 10 as a whole and minimum of 6.5 for each main section. Ratings are assigned by independent rating agencies authorized by the Capital Markets Board.

BIST IPO Index includes companies offered to public in the BIST Stars and BIST Main markets, as well as REITs and venture capital investment trusts, on their first trading day.

BIST SME Industrial Index includes industrial companies which satisfy at least one of the annual net sales or balance sheet size criteria stated in the Turkish legal SME definition.

BIST Sustainability Index was initiated in November 2014 with the aim of serving as a benchmark for Borsa Istanbul companies with high performance on corporate sustainability. Companies included in BIST-100 index are assessed according to the internationally recognized criteria based on environment, biodiversity, climate change, human rights, board practice, countering bribery and health & safety issues.

2. **BIST-KYD Indices**

BIST-KYD indices are calculated by Borsa Istanbul since July 2015, within the framework of the agreement signed with the Turkish Institutional Investment Managers' Association (KYD). BIST-KYD Indices are composed of 31 indices which measure daily returns of debt securities, gold, bank

deposits, Islamic bank deposits and mutual funds.

BIST-KYD indices are classified under the following groups based on the constituent financial instruments given as below:

- Government Debt Securities (GDS) Indices (8 indices)
- CPI Indexed Government Bond Indices (1 index)
- Lease Certificate Indices (2 indices)
- Corporate Bond Indices (2 indices)
- Eurobond Indices (4 indices)
- Repo Indices (2 indices)
- Gold Price Indices (2 indices)
- Fund Indices (2 indices)
- 1 Month Deposit Indices (3 indices)
- 1 Month Islamic Bank Deposit Indices (3 indices)
- Fund Indices (2 indices)

3. BIST Risk Control Indices

Risk Control Indices provide investors the opportunity to limit the volatility of their investment on an equity index and/or a market. These indices are composed of an underlying asset or index such as BIST-100, and another asset or index, which is assumed to be risk-free such as BIST-KYD Repo Index. By dynamically changing the weights of the underlying index and risk free index, the volatility level of the Risk Control Index is fixed at the predetermined level. In other words, weight of the underlying index is decreased during the highly volatile periods and increased when volatility declines.

BIST Risk Control Indices are calculated for the target volatility levels of 10%, 15%, 20%, 25%, and %30 and investors can choose the underlying index and target volatility level according to their investment strategy and risk perception.

4. Customer Indices

Borsa Istanbul calculates customer indices for corporations that wish to have indices calculated on their behalf. Participation Indices created for a brokerage firm measure the price and return of stocks selected based on Islamic banking principles. Isbank Affiliates Index created for a portfolio management company measures the price and return of Isbank and its affiliates' stocks traded in Borsa Istanbul. Ziraat Asset Management Participation Index created to measure price and return performance of stocks selected based on Islamic finance principles.

5. BIST Leveraged and Short Indices

Leveraged indices aim to reflect the return of the underlying reference index by multiple of the leverage factor (2X). In theory, the leverage is obtained by borrowing money and investing more in the underlying index.

Daily repo interest rates are assumed as the borrowing cost. The index is calculated by deducting the borrowing cost (return on BIST-KYD Repo (Net) Index) from the return on the underlying index.

Short indices aim to reflect the return of an underlying index assuming a short leverage factor (-1X, -2X). Daily repo rates are used as proxy for lending returns. The index is calculated by adding the return on lending (BIST-KYD Repo (Net) Index) to the return on the underlying index.

G. 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.

1. Public Offering of Equities

According to the Capital Market 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 Market Law. According to new Capital Market Law, public companies should apply to trade on a stock exchange within two years.

a. Prospectus and Issue Document

For the public offering of equities the main document to be prepared 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.

In order to issue equities for direct sale to qualified investors 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 shares 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 Borsa Istanbul, these companies can be traded on Main Market. These companies have to apply to Merkezi Kayıt İstanbul - CSD of Turkey to dematerialise their shares. Moreover, the European Securities and Markets Authority (ESMA) acknowledged in February 2016 the equivalency of Turkish equity prospectuses with the requirements of the Prospectus Directive.

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). Companies, whose shares will be traded on the BIST Emerging Companies market for the first time, must use sales on the exchange method. 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.

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 the public disclosure platform (www.kap.org.tr). Equities start trading on the next business day after the announcement.

Borsa Istanbul Listing Requirements				
	BIST-Stars Group 1	BIST-Stars Group 2	BIST-Main Group 1	BIST-Main Group 2
MCap of Offered Shares (TL Million)	250	100	50	25
Total MCap (TL Million)	1,000	400	-	-
Profit Before Tax	Last 2 years	Last 2 years	Last 2 years	Last 2 years
Min. Free-Float Rate (%)	5%	10%	15%	25%
Shareholder's Equity/Capital	>75%	>100%	>100%	>125%

Source: Borsa Istanbul

BIST Stars is the market for blue chip companies' equities and BIST Main is the market for smaller sized listings. BIST Stars and BIST Main are the biggest market of Borsa Istanbul where the shares of companies that satisfy the requirements shown on the table, are traded.

The companies that fail to meet BIST Main listing requirements are traded on the BIST Emerging Companies market, which is designed mainly for early-phase and post-start-up companies. There are no quantitative admission criteria, such as profitability, paid-in capital, company age, market capitalisation or offering size, etc.

The Executive Board of Borsa Istanbul decides on the transfer and listing of a company in BIST Emerging Companies market. However, unlike regular listings, Borsa Istanbul does not examine the company. Due diligence is done by the market advisor authorized by Borsa Istanbul. Market advisors

are required to assist issuers for the application to the BIST Emerging Companies market and to provide advisory services to issuers for compliance with the capital markets regulations. 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 following companies can be market advisors;

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

Listed companies must disclose their quarterly financial statements. BIST Emerging Companies and securities of unlisted companies that are traded among qualified investors are required to submit financial reports semi-annually.

d. Delisting

Securities may be delisted upon the decision of the Board of Directors in case of non-compliance with rules and regulations or financial distress.

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.

e. Costs

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

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 BIST Emerging Companies market, pay 0.02% of the total offering size to the CMB as registration fee.

Fees Paid to Borsa Istanbul: For listing application to equity market TL 10,900 application fee is charged. For the companies whose registered offices are located abroad, application fee is discounted by half. For companies applying to BIST Emerging Companies market, the fee is reduced to TL 2,700. Annual listing fee for the equity market is the total of 0.01% of the nominal value of the paid-in capital and 0.005% of the annual average market capitalization.

Fees Paid to Merkezi Kayıt Istanbul: Merkezi Kayıt Istanbul – CSD of Turkey charges an initial membership fee which is equal to 0.1% of the issued/paid-in capital (within TL 2,000 – 50,000 ranges) of the publicly-traded companies. A membership fee 0.1% (within TL 200 – 5,000 range)

is charged for the BIST Emerging Companies.

Fees Paid to Public Disclosure Platform: Listed companies are charged an annually fee of TL 2,170 (excluding VAT). Deductions varying from 10% to 35% are applied to equities classified as groups B, C and D.

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, etc. to the CMB. The CMB assesses the compliance of relevant documents to the public disclosure requirements. The issuer should apply to CMB within one year, starting from the date of the decision of the public offering. Like equities, debt securities are required to be dematerialized by Merkezi Kayıt Istanbul – CSD of Turkey.

The limits for issuing debt instruments are as;

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

b. Selling Methods

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

In order to list debt instruments at Borsa Istanbul, the entire amount of the issue must be offered to public. Also, the following conditions are required from the issuer:

- At least two calendar years must have passed since the establishment of the company.
- The company must have a profit-before-tax in one of the last two years' independently audited financial statements.
- Company must have a solid financial situation and no legal disputes that may hamper its operations.

For bonds sold through public offering financial statements of the issuer must be disclosed quarterly. For sales to qualified investors bond issuers are required to disclose their financial statements only semi-annually.

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 initial listing fee of Borsa Istanbul ranges between TL 3,425 and TL 54,800 according to the issue size. For lease certificates, this fee is charged at 50% discount. For debt instruments, Borsa Istanbul also offers a 50% discount on listing fees for foreign issuers. The annual listing fee is TL 545. For bonds with maturity dates over three years, the annual listing fee is charged only for the first three years.

Merkezi Kayıt İstanbul – CSD of Turkey charges an initial membership fee of TL 20,000. In addition, there is an issuance fee of TL 1,875 for each new issue. The total annual fee for issuance cannot exceed TL 50,000.

IV. TAKASBANK

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 securities post-trade services in Turkey.

Takasbank is regulated by

- Capital Markets Board as central securities clearing and settlement institution and central counterparty,
- Central Bank of the Republic of Turkey as securities settlement system and bank,
- Banking Regulation and Supervision Authority as bank.

Takasbank's clearing and settlement regulations are formed by the communiqués that are set by the company and approved by the CMB.

Istanbul Settlement and Custody Bank or Takasbank is the clearing and settlement centre for Borsa Istanbul, the depository for pension funds' fund units, and the central custodian for portfolio assets of pension funds and collective investment schemes. Takasbank is also the national numbering agency of Turkey. Apart from these functions, Takasbank operates a money market, the stock lending market, the Turkish Fund Trading Platform (TEFAS), provides banking services including cash loans to members, and other services such as cross-border settlement and custody.

Takasbank currently provides central counterparty services for Borsa Istanbul Futures and Options Market, and Takasbank Stock Lending Market. Central counterparty services for equities market is scheduled to take place in 2017 and fixed income market in 2018.

Takasbank is deemed as qualified central counterparty by the Capital Markets Board, and applied to the European Securities Market Authority (ESMA) to be recognized as third country CCP. Takasbank's ESMA application is currently under review.

Takasbank is recognised as the securities settlement system for equities and fixed income markets in June 2015 by the Central Bank of the Republic of Turkey.

A. Organization and Shareholder Structure

Takasbank is owned by Borsa Istanbul and 53 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 as of December 2016 is given below:

Shareholders of Takasbank		
Borsa Istanbul	A	0.00%*
Borsa Istanbul	B	62.25%
13 Banks	B	17.78%
40 Brokerage Firms	B	19.97%
*: TL 200		
Source: Takasbank		

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 brokerage firms,
- President and CEO of Takasbank.

B. Functions

Takasbank's main functions are central clearing, settlement and custody.

1. Central Clearing and Settlement

Takasbank central clearing and settlement covers Borsa Istanbul equities, debt securities, foreign securities, derivatives and precious metals markets. It provides central counterparty (CCP) services for derivatives market. CCP services for equities market is planned to be provided in 2017, for fixed income market in 2018. CCP services are not and will not be provided for precious metals market.

Takasbank central clearing and settlement operations are in compliance with CPMI-IOSCO (Committee on Payments and Market Infrastructures - International Organization of Securities Commissions) principles. Delivery Versus Payment model 3 multilateral settlement is applied. Settlement cycle is T+2 for equities, varies from T+0 to T+90 for fixed income and T+3 for physical settlement of derivatives contracts.

In accordance with Borsa Istanbul initiative and cooperation with NASDAQ, clearing and settlement system of Takasbank is being transferred to a new technology platform "BISTECH". With this new platform, trade, clearing and settlement functions are technically integrated. Post-trade and at trade risk management are available for markets operated under BISTECH platform.

Collateral and guarantee funds are available for markets where CCP services are provided. Each member of Takasbank has to contribute to the guarantee fund. In case of default, first the defaulting member's collateral and contribution to guarantee fund is used and, if necessary, dedicated capital of Takasbank for covered risk (skin in the game), non-defaulting members' guarantee fund contributions, additional guarantee fund contributions from non-defaulting members, and commitment from remaining capital of Takasbank are used on a pro-rata basis. The guarantee fund is managed by Takasbank.

Default management and compensation schemes are available for the markets where CCP services are not provided.

2. Custody

Takasbank custody services include:

- Central custody for portfolio assets of pension funds and collective investment schemes,
- Depository services for pension funds' fund units,
- Global custody.

Through its global network in International Central Securities Depositories and global custodian banks, accounts at the Central Bank of the Republic of Turkey, Merkezi Kayıt İstanbul and gold vaults at Borsa İstanbul custody, Takasbank centrally safekeeps assets of funds' portfolio and reports the portfolio composition and valuation to CMB on daily basis.

Takasbank is the central depository for pension funds' fund units. Takasbank maintains "Pension Fund System" in which fund units are created and individual fund contribution accounts are maintained on real person basis. The pension fund system reports are open to public and have e-government integration so that individuals can monitor their pension fund contributions.

Takasbank provides global custody services to pension funds and collective investment schemes, as well as other financial institutions which are Takasbank members. Takasbank maintains a global account network with International Central Securities Depositories and global custodian banks. In 2017, links with unallocated gold centres have also been established. With this link, Takasbank member banks will be able to hold gold at Takasbank on an unallocated basis and make interbank transfers using Takasbank's gold transfer system which will go live in 2017.

3. Market Liquidity

Takasbank provides market liquidity mechanisms to support efficiency in post-trade operations in Turkish capital markets. These mechanisms include:

- Money Market,
- Stock Lending Market,
- Turkish Electronic Fund Trading Platform (TEFAS),
- Credit to members.

Takasbank Money Market is an organized market in which investment firms can trade. It was established in 1996. All banks and brokerage firms, which are members of Borsa Istanbul, may operate in this market where Takasbank guarantees settlement. Transactions take place between 09:30-12:00 and 13:00-15:30 where the orders are effective between 13:00-15:00. Maturities may vary from 1 to 60 days. In addition, they may also be formed as 2, 3 or 6 months. 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 at 17:00 each day.

Takasbank Stock Lending Market was established to facilitate short-selling and equity settlements. Only execution brokers and market maker brokerage firms can operate in this market. Securities that may be lent or borrowed are Group A and B equities, and ETFs traded on Borsa Istanbul. Takasbank provides CCP services for this market since 2013 and manages the guarantee fund.

Takasbank extends **cash loans** to its members. Credit limits are determined by Takasbank's internal credit rating system.

Electronic Fund Trading Platform of Turkey (TEFAS) is the central electronic platform for mutual funds to be sold and redistributed through any distribution agency. It is regarded as a supermarket for funds and it provides a transparent and efficient platform for all stakeholders in funds industry.

4. Banking and Other Services

Takasbank 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 and Settlement (ESTS) systems.

Takasbank is also the cash correspondent of Merkezi Kayıt Istanbul - CSD of Turkey.

Furthermore, Takasbank is the national numbering agency of Turkey since 1996, and allocates International Securities Identification Number (ISIN) and Classification of Financial Instrument (CFI) codes for securities issued in Turkey. It became a Local Operating Unit (p-LOU) in November 2013, and started to allocate Legal Entity Identifier (LEI) codes to financial institutions.

Takasbank also records leveraged transactions and keeps investor collaterals as an authorized trade repository institution for leveraged derivatives transactions, and reports them to the CMB.

V. MERKEZİ KAYIT ISTANBUL – CSD OF TURKEY

Merkezi Kayıt Istanbul is the central depository for all dematerialized capital market instruments. It was established in 2001 as a private company. The dematerialization process was completed in 2006 for equities, in 2007 for mutual funds and corporate bonds, in 2010 for covered warrants, in 2011 for asset backed and asset covered securities, and in 2012 for sukuks, certificates and electronic warehouse receipts. Real estate certificates are planned to be dematerialised in 2017.

The dematerialisation of government debt securities started in 2012. Merkezi Kayıt Istanbul dematerialized investors' (individual and legal entities) government debt holdings. The institutional investors' government debt holdings are registered at Takasbank. Banks have an option to register their own government debt holdings either at the Central Bank or at Merkezi Kayıt Istanbul. Brokerage firms have an option to register their own government debt holdings either at Takasbank or at Merkezi Kayıt Istanbul.

A. Organization and Shareholder Structure

The shareholders of Merkezi Kayıt Istanbul are as follows as of January 2017:

Shareholders of Merkezi Kayıt Istanbul	
Takasbank	64.9%
Borsa Istanbul	30.1%
TCMA	5.0%

Source: Merkezi Kayıt Istanbul

The Board of Directors is composed of:

- 3 members from Borsa Istanbul,
- 2 members from Takasbank,
- 1 member from TCMA,
- 1 member from the Ministry of Customs and Trade,
- CEO of Merkezi Kayıt Istanbul is a natural member of the Board,
- Chairperson, appointed by the Capital Markets Board, who is also the Chairperson of Borsa Istanbul.

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

B. Functions

Main functions of Merkezi Kayıt Istanbul 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).

In April 2015, Merkezi Kayıt İstanbul was assigned by the CMB the task to provide trade repository services. Merkezi Kayıt İstanbul will become electronic trade depository of Turkey for on and off exchange derivative agreements. The reporting is expected to begin in late 2017 based on processes of legislation and regulation. The reported data will be shared with supervisory and regulatory bodies to enable monitoring of the systemic risk in Turkish capital markets.

C. Public Disclosure Platform

The “Public Disclosure Platform” was introduced in 2009 by Borsa İstanbul. The Platform was designed as an electronic system enabling the companies traded on Borsa İstanbul, mutual funds and pension funds 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 Merkezi Kayıt İstanbul since February 2014. The platform was upgraded in June 2016 and the system covers over 749 companies and 773 funds and their 3,200 users all over Turkey.

Interested parties can access the company disclosures through internet at www.kap.org.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.

VI. INVESTOR COMPENSATION CENTER

The Investors' Protection Fund was first established in 2001. With the renewed Capital Market Law, the Investor Compensation Center, has replaced the Investors' Protection Fund. Assets of the Investors' Protection Fund were transferred to the Investor Compensation Center in 2013.

While the Investors' Protection Fund was managed by Merkezi Kayıt İstanbul, the Investor Compensation Center is now managed by the Capital Markets Board.

In contrast to the 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. There is an introductory fee for each new member (TL 54,812 as of 2017) and annual membership fees.

In case of liquidation or bankruptcy of investment institutions, the maximum coverage amount of all settlement obligations per investor is TL 125,451 for the year 2017.

VII. CAPITAL MARKETS LICENSING AND TRAINING AGENCY

Founded in 2011, Capital Markets Licensing and Training Agency 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 2016:

Shareholders of the Capital Markets Licensing and Training Agency	
Turkish Capital Markets Association	49.0%
Borsa Istanbul	20.0%
Merkezi Kayit Istanbul	10.5%
Takasbank	10.5%
Turkish Appraisers' Association	10.0%

Source: Cap. Mkts Licensing and Training Agency

The Board of Directors is composed of seven members as follows;

- 2 members from the Capital Markets Board (one is the chairperson of the Agency),
- 1 member from Borsa Istanbul,
- 2 members from Turkish Capital Markets Association,
- 1 member from Takasbank,
- General manager of the Agency.

The principles governing the duties, authority and operations of the Agency are defined in its Articles of Incorporation. The Agency 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 licensing 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.

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

C. Licensing of Market Professionals

The CMB introduced several types of licenses for market professionals. The first four of the below-listed licenses are required for employment at banks, brokerage firms, portfolio management companies or investment trusts,

and others for employment at other institutions such as rating agencies.

1. Capital Markets Activities Level 1: Required for customer representatives and settlement & operations personnel.
2. Capital Markets Activities Level 2: Required for internal auditors, branch managers and fund administration managers.
3. Capital Markets Activities Level 3: Required for the managerial staff of brokerage firms except for introducing brokers, research and corporate finance analysts, internal audit personnel.
4. Derivatives: Required for derivatives traders, managers and back office employees.
5. Corporate Governance Rating: Required for employees at corporate governance rating agencies and employees at investor relations departments of listed companies.
6. Credit Rating: Required for employees of credit rating agencies.
7. Residential Real Estate Appraisal: Required for mortgage and real estate appraisers.
8. Real Estate Appraisal: Required for mortgage and real estate appraisers.

Licensed persons must attend an online license renewal training program every three years. The renewal training programs are held by the Agency or agency-appointed organizations. Persons who do not renew their licenses are suspended and barred from working in capital market related positions until they attend the renewal training program. If a licensed person breaks the relevant laws and regulations, his/her licenses are revoked by the CMB, permanently or temporarily.

If the person allows the Agency to disclose his/her personal information to public, his/her name, licenses held, education, current position, previous work experience and criminal background are made public on the Agency's web site. If the license holder does not allow the Agency to disclose his/her personal information to public, only his/her name is displayed on the Agency's website. This indicates that s/he is registered at the Agency's database and his/her license information could be obtained by an application to the Agency.

Foreign persons and Turkish nationals who can document a minimum of 3 years of employment in foreign capital market institutions are awarded appropriate licenses as shown at the table below. The Board may also accept other certificates as equivalents, subject to review and approval.

Foreign License	Equivalent Turkish Licence
Chartered Financial Analyst Level 1	Level 1
Chartered Financial Analyst Level 2	Level 2
Chartered Financial Analyst Level 3	Level 3
General Securities Representative Examination (Series 7)	Level 1
Chartered Institute for Securities and Investment Level 2 Award in Fundamentals of Financial Services	Level 1
Chartered Institute for Securities and Investment Level 3 Certificate in Investment Operations	Level 2
Chartered Institute for Securities and Investment Level 3 Certificate in Investments (Securities and Financial Derivatives)	Level 3
Source: Capital Markets Licensing and Training Agency	

KEY INSTITUTIONS IN THE FINANCIAL 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
Merkezi Kayıt İstanbul – CSD of Turkey	www.mkk.com.tr
Investor Compensation Center	www.ytm.gov.tr
Public Disclosure Platform	www.kap.org.tr
Takasbank - Settlement and Custody Bank	www.takasbank.com.tr
Turkish Capital Markets Association	www.tspb.org.tr
Turkey Electronic Fund Trading Platform	www.tefas.gov.tr

Other 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

Other Professional Associations

Association of Financial Institutions	www.fkb.org.tr
Banks Association of Turkey	www.tbb.org.tr
Insurance Association of Turkey	www.tsb.org.tr
Participation Banks Association of Turkey	www.tkbb.org.tr

ISBN-978-975-6483-58-9



TURKISH CAPITAL MARKETS ASSOCIATION

Büyükdere Caddesi
No.173 1. Levent Plaza
A Blok Kat: 4 34394
Levent / İstanbul

+90 212 280 8567
+90 212 280 8589
info@tspb.org.tr
www.tspb.org.tr

