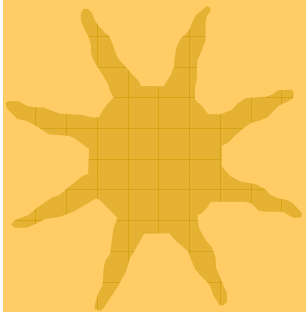
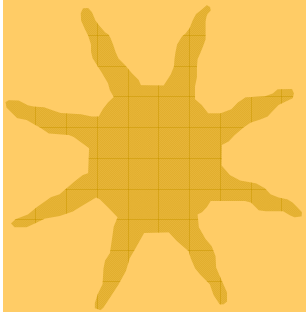
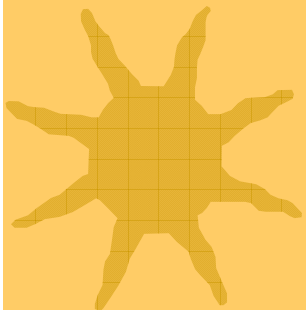
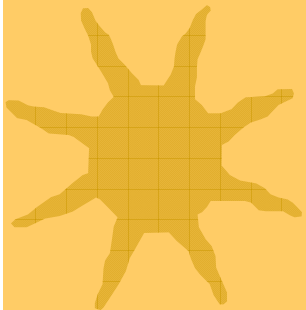
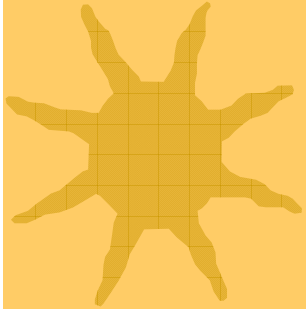


*OVERVIEW OF TURKISH ECONOMY & CAPITAL
MARKETS,
POLICIES AND NOVELTIES DURING THE EU
ADJUSTMENT PROCESS,
TURKEY – GERMANY INTERACTIONS IN TERMS
OF CAPITAL MARKET COMPLIANCE*



Meltem ULUSAN, PhD

ISTANBUL KÜLTÜR UNIVERSITY



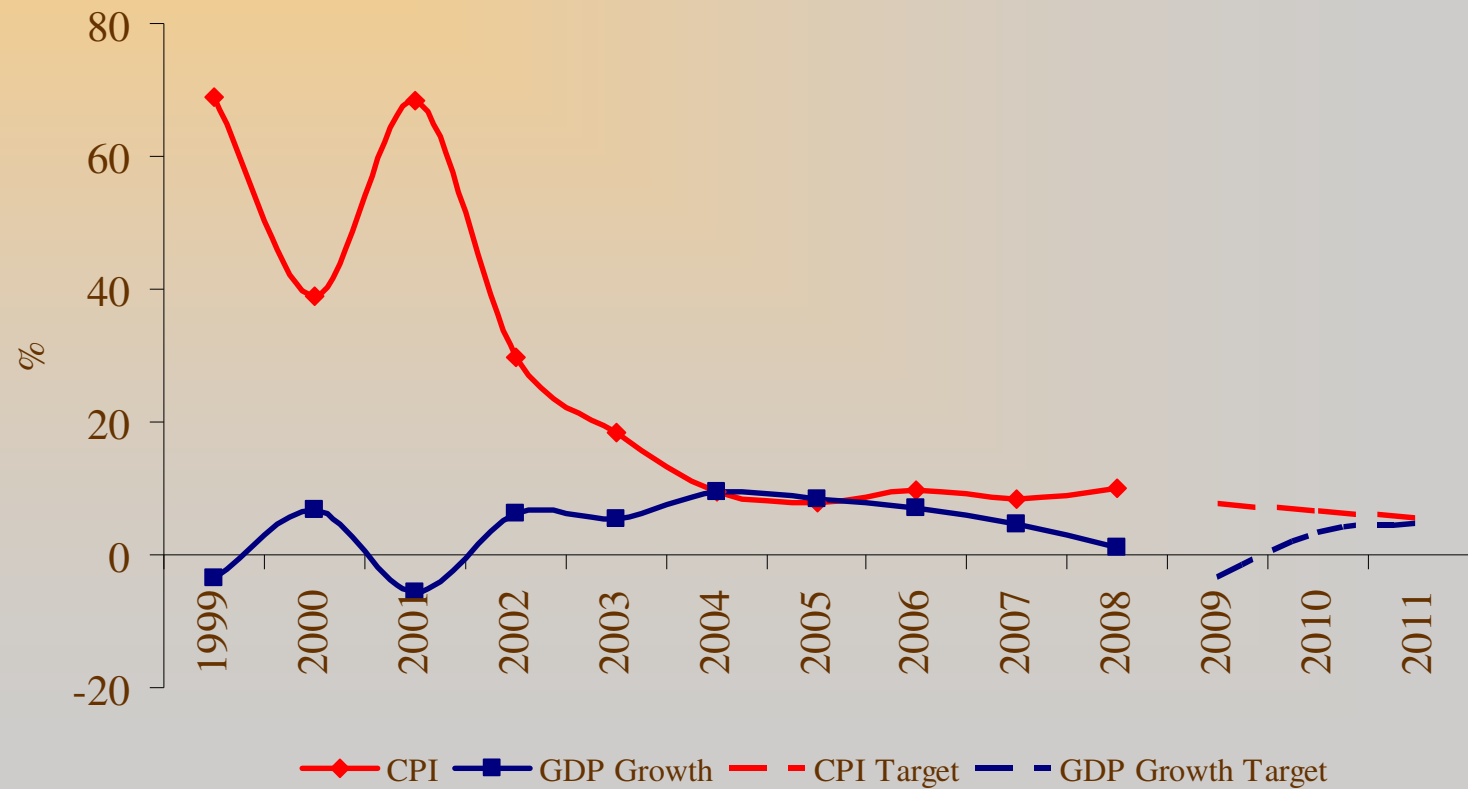
TURKISH ECONOMIC OUTLOOK



TURKISH ECONOMY

CPI:
May 2009: 5.24%

The Course of CPI and GDP Growth



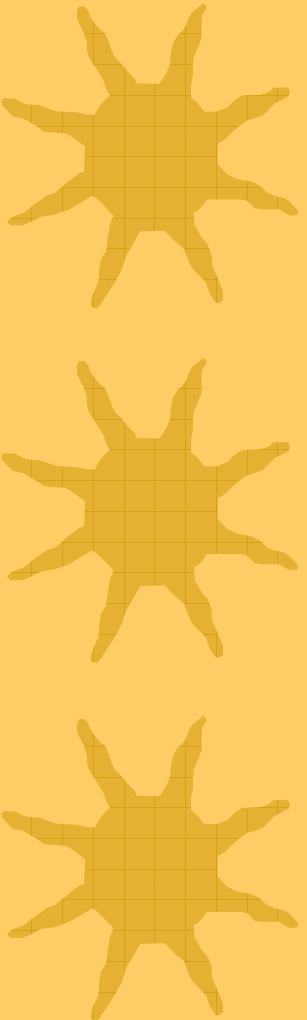
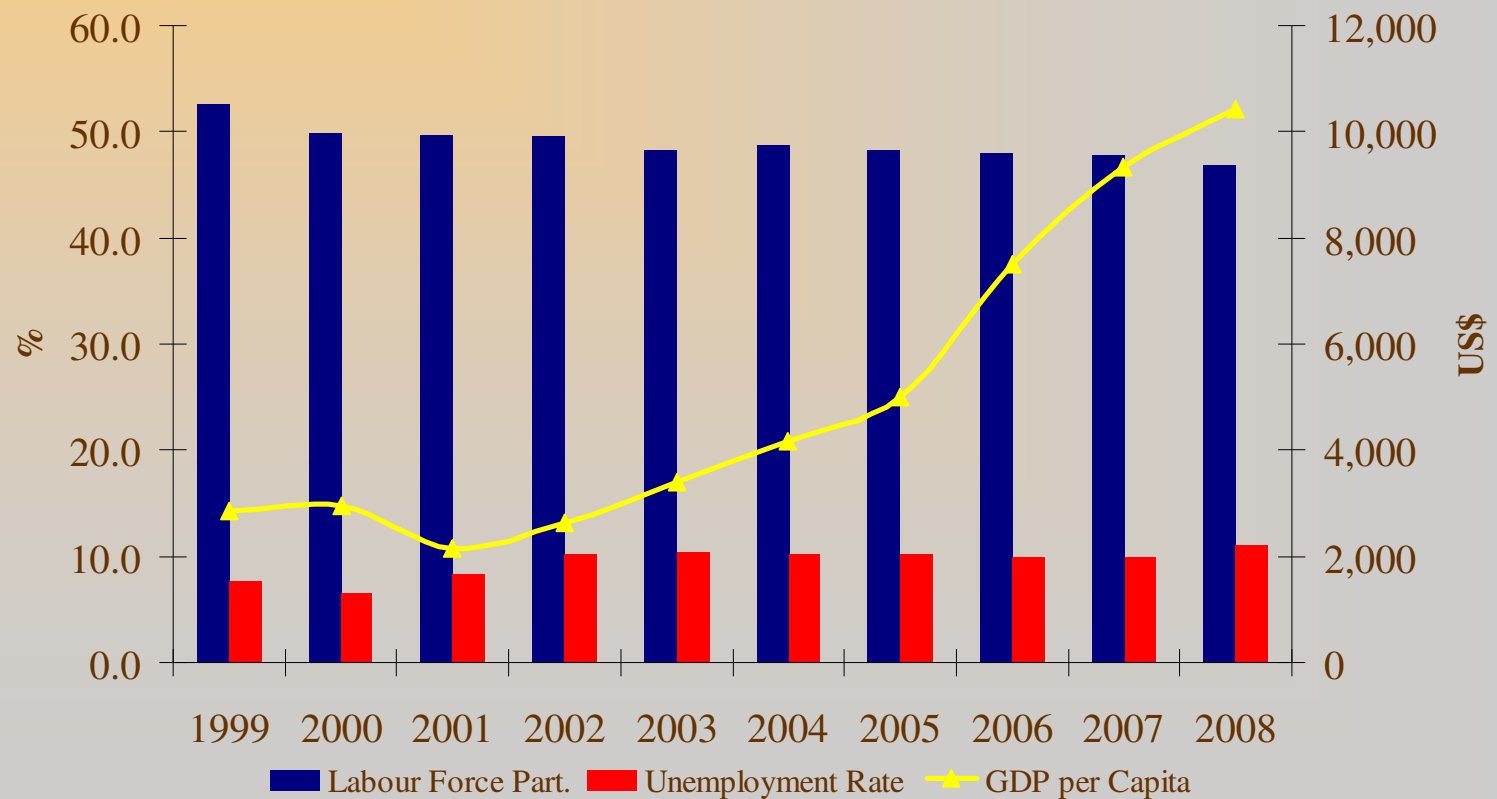


TURKISH ECONOMY

Unemployment:
I. Quarter 2009
16.1%

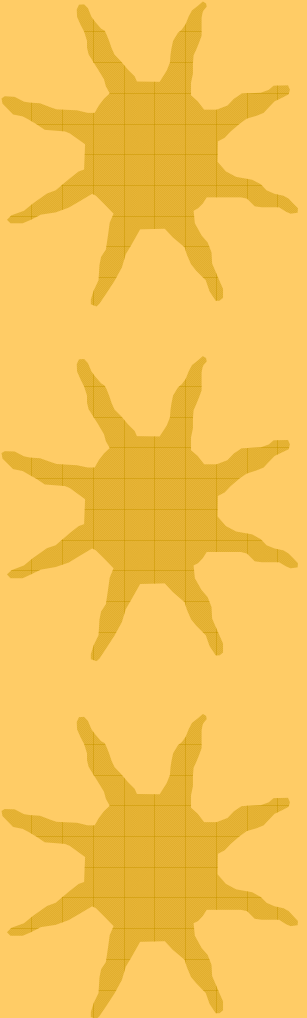
Population:
Dec. 2008
71,517,100

Employment Data & GDP per Capita

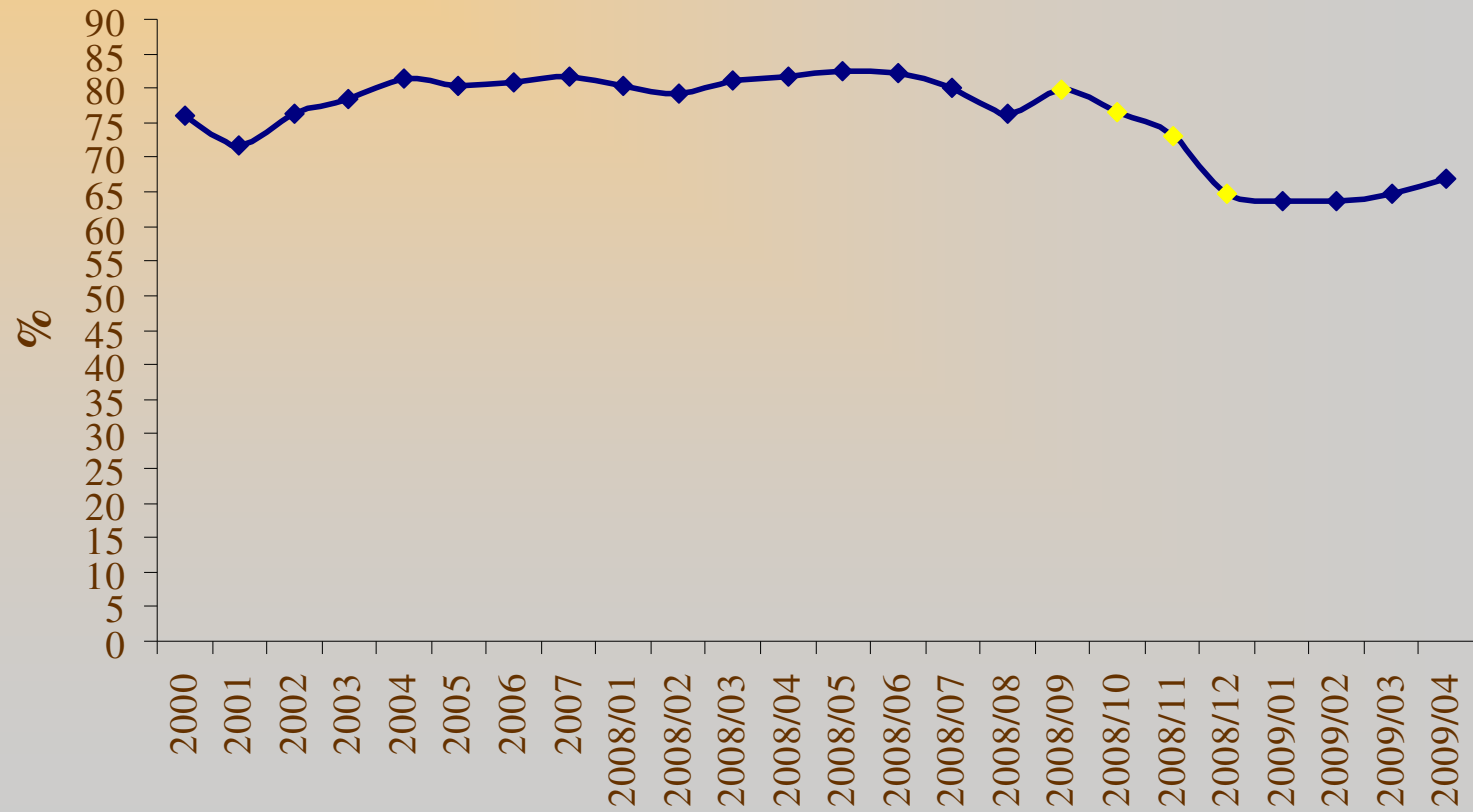




TURKISH ECONOMY



Manufacturing Industry Capacity Utilization Rates



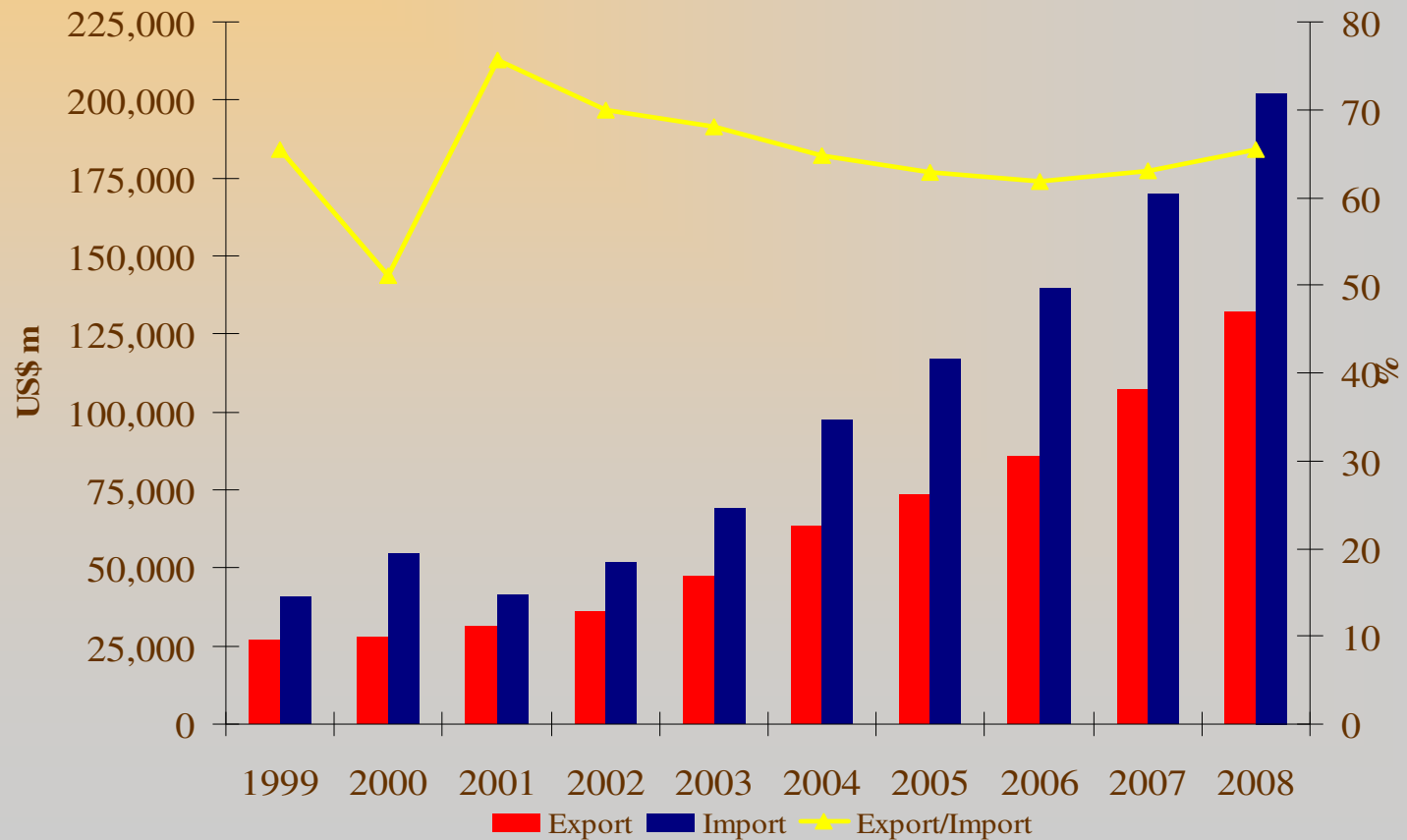


TURKISH ECONOMY

Export:
04 / 2009:
-27.9%

Import:
04 / 2009:
-42%

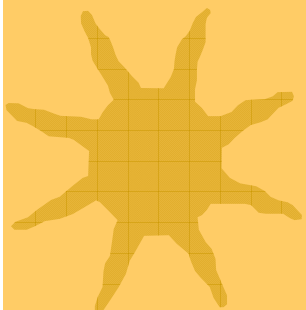
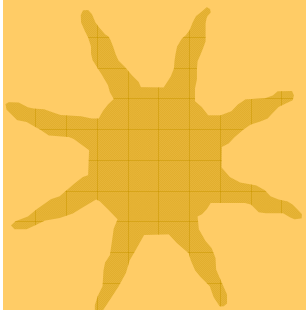
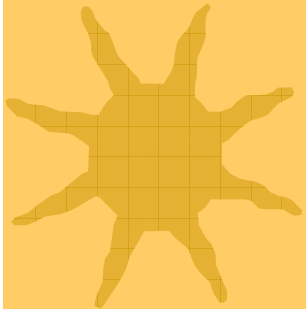
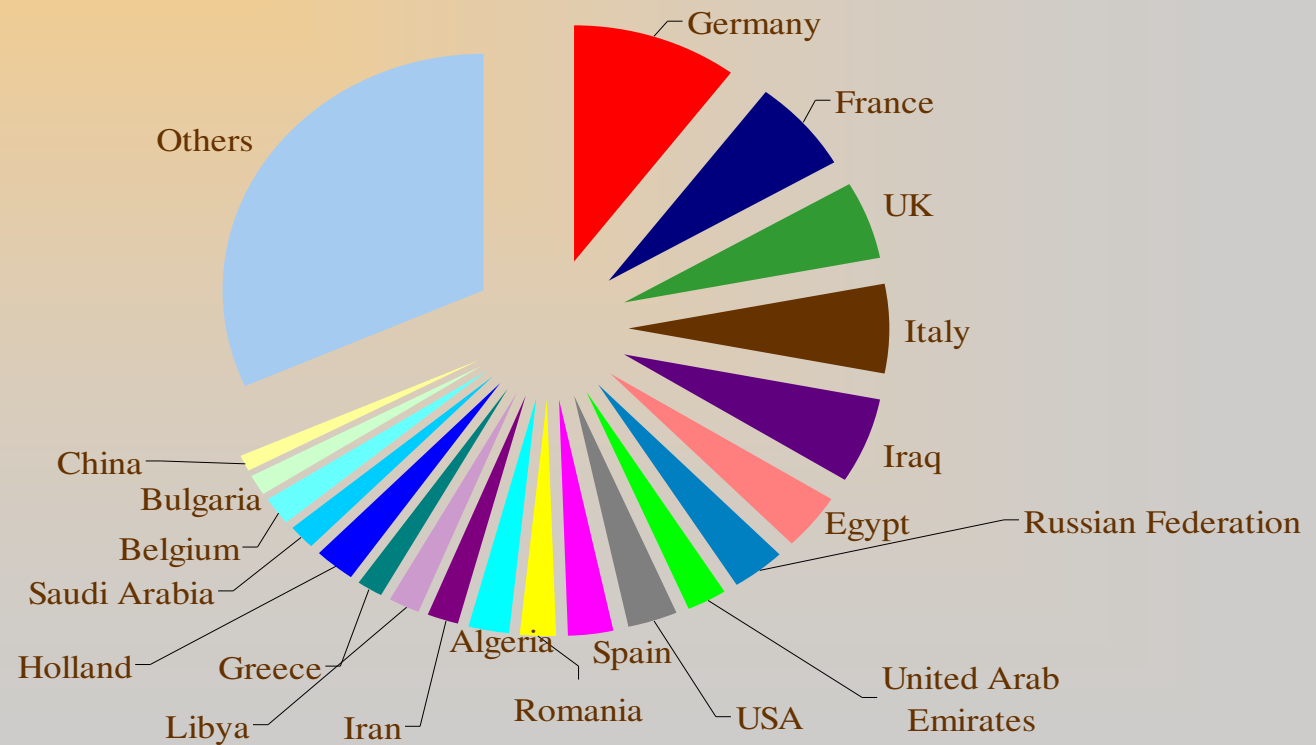
The Course of Export and Import





TURKISH ECONOMY

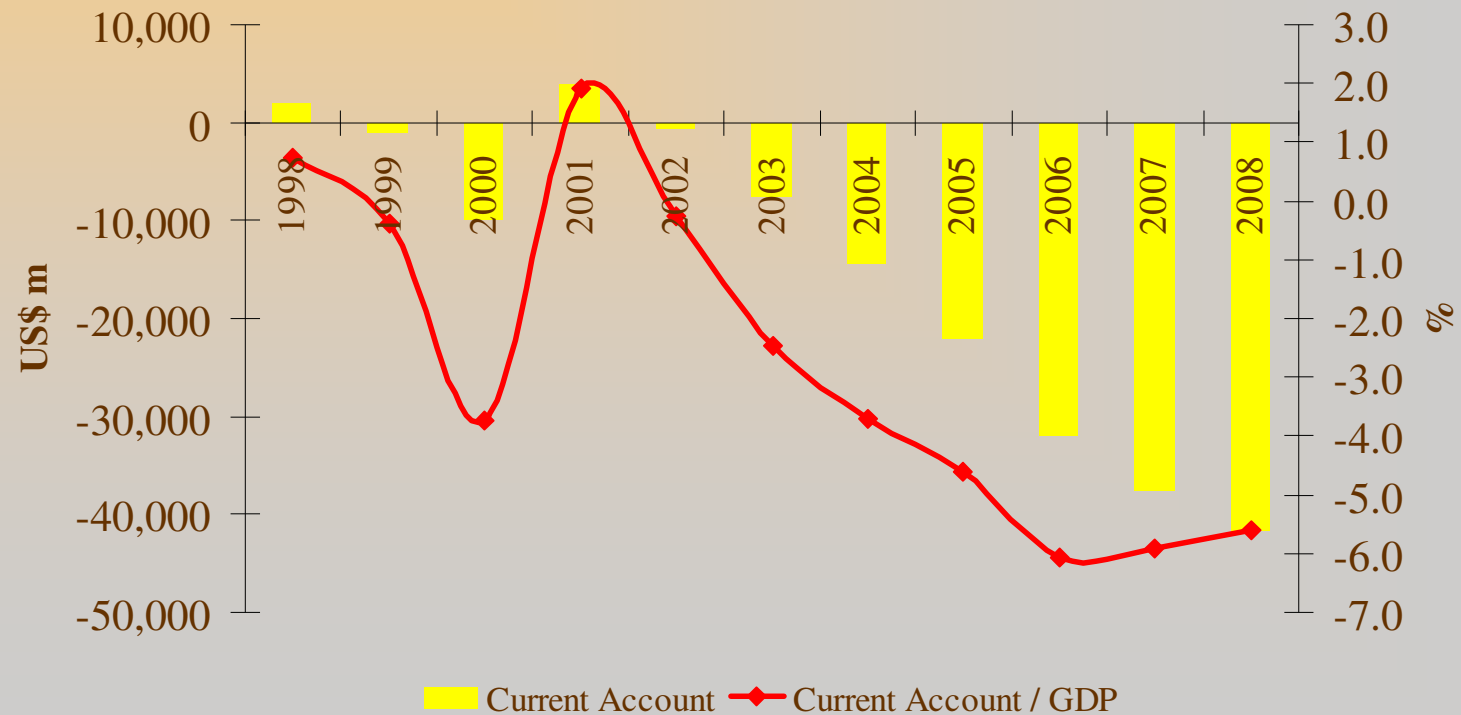
Country - Based Breakdown of Turkish Exports
(May 2009)





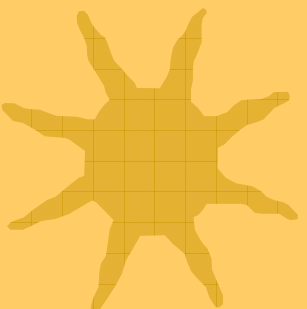
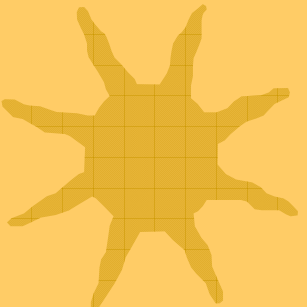
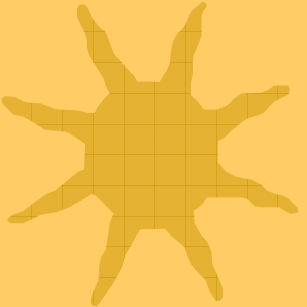
TURKISH ECONOMY

Balance of Payments - The Course of Current Account and Its Share in GDP

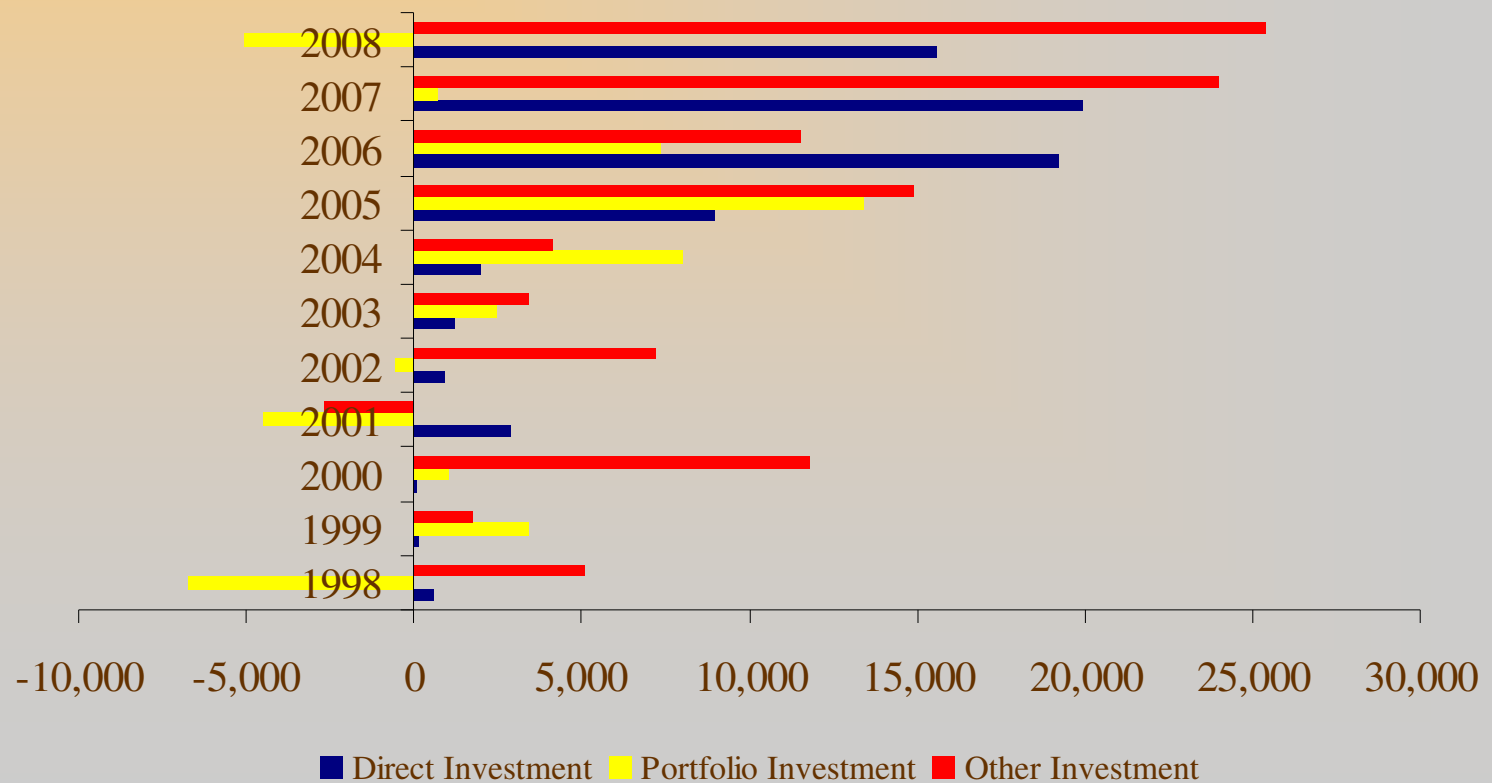




TURKISH ECONOMY

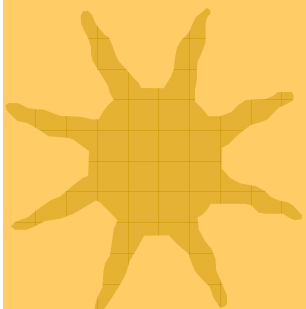
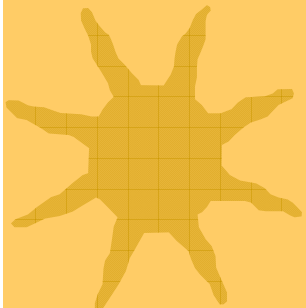
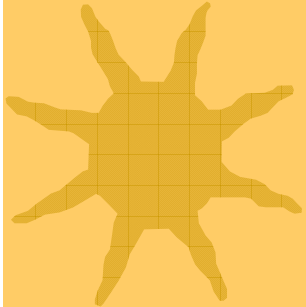


Balance of Payments - The Course of Financial Account (US\$ m)

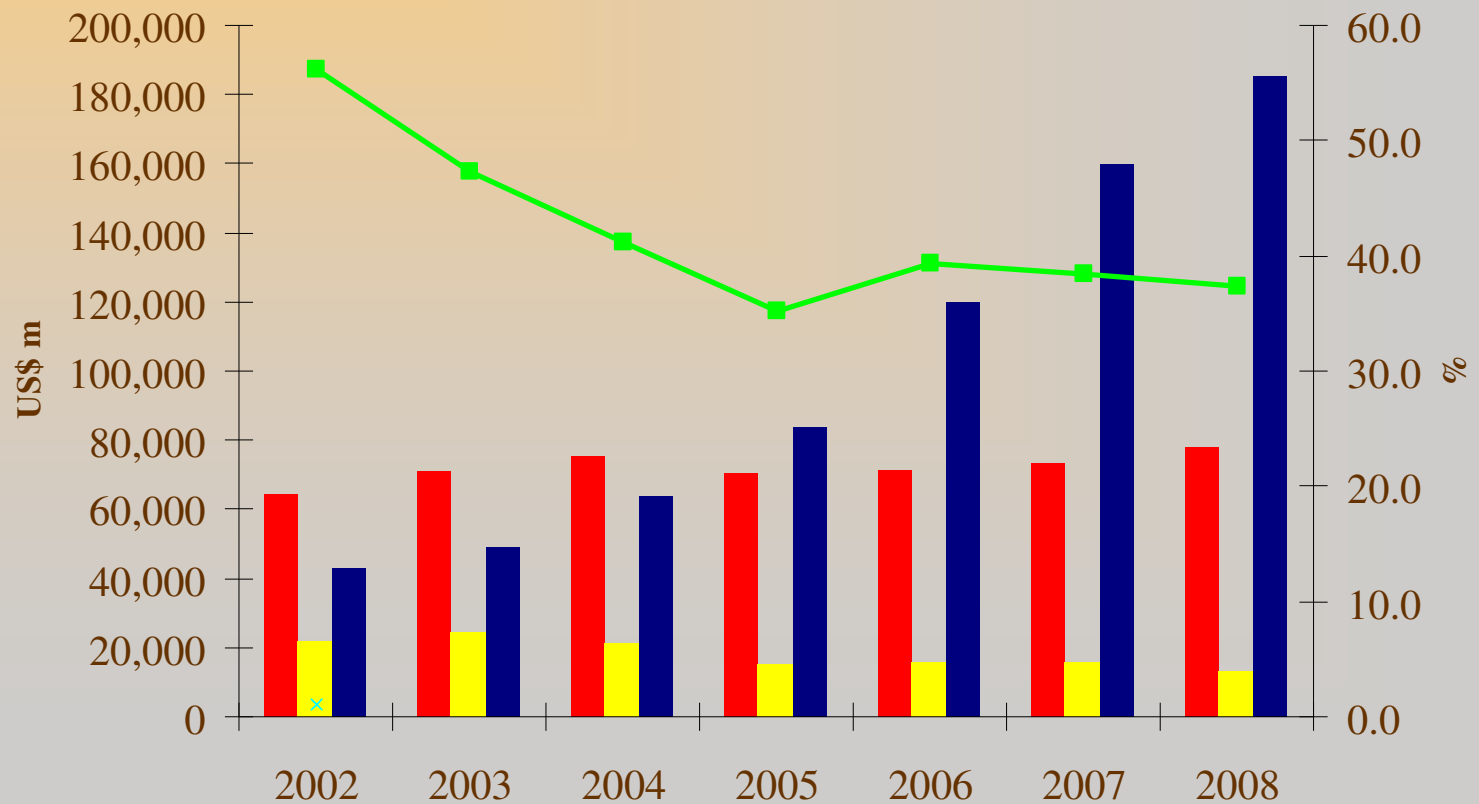




TURKISH ECONOMY

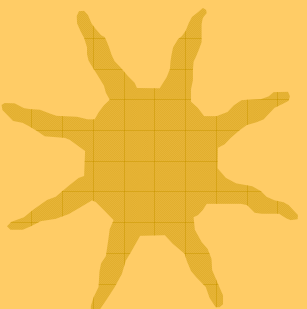
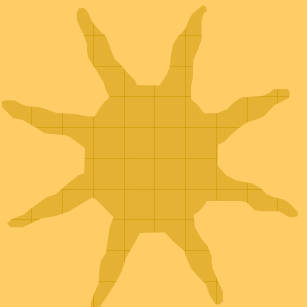
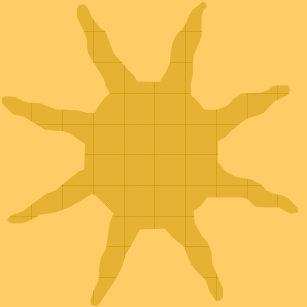


Breakdown of Gross External Debt & GED / GDP

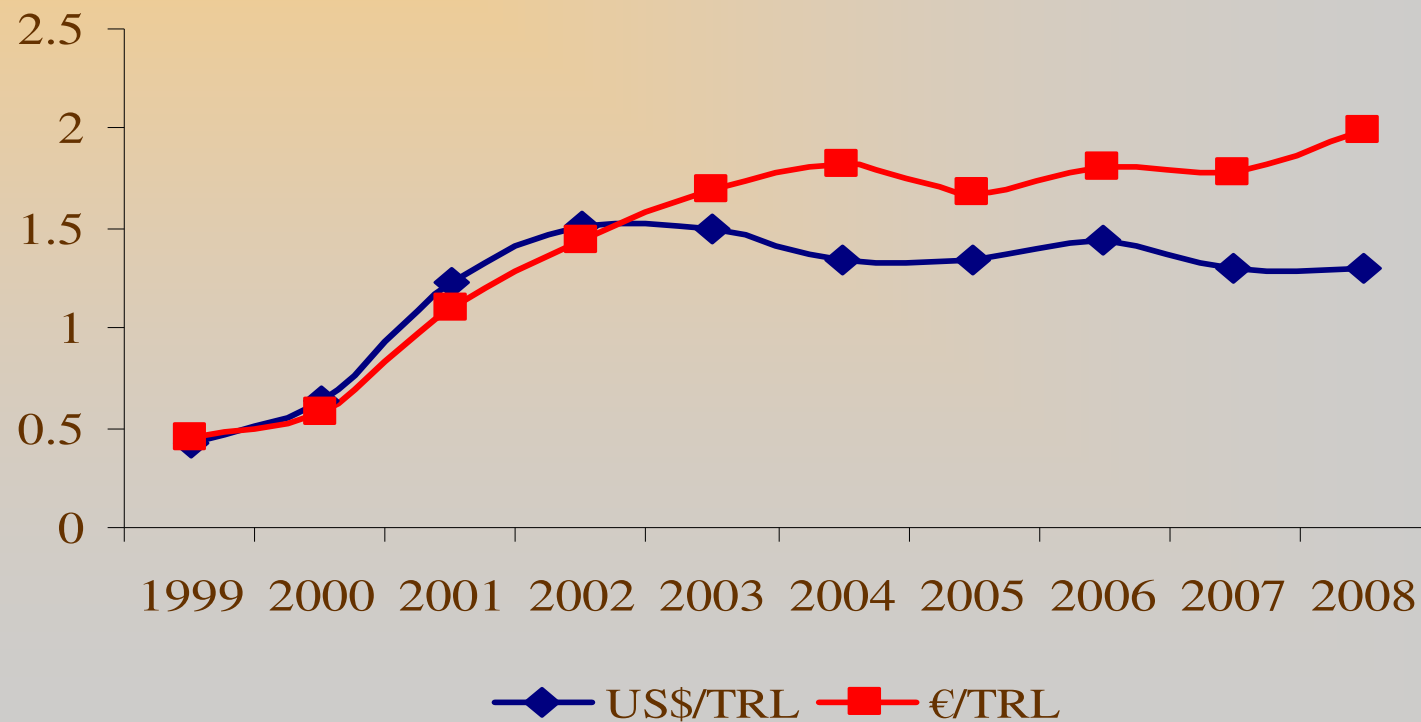


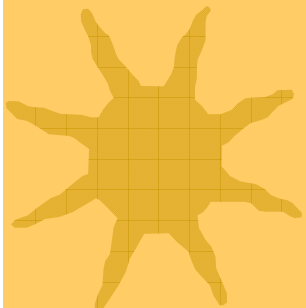
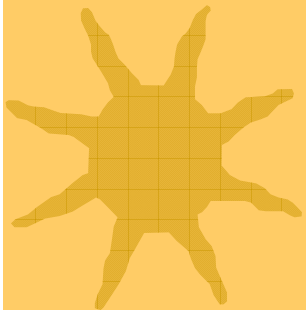
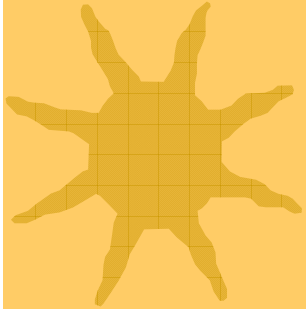


TURKISH ECONOMY



The Course of Foreign Exchange Rates



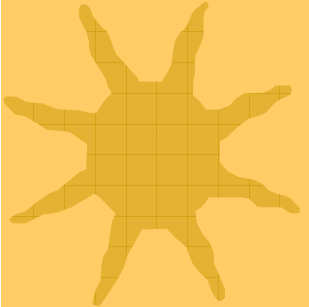


TURKISH CAPITAL MARKETS

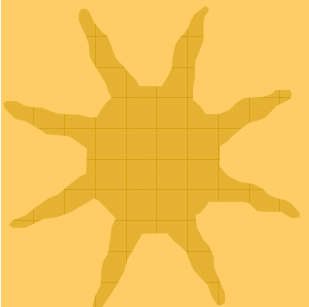
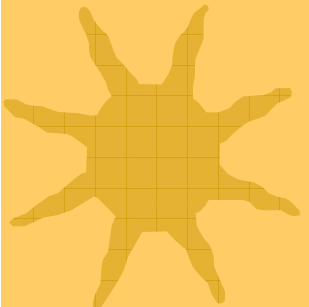
POLICIES & NOVELTIES
DURING THE EU
ADJUSTMENT PROCESS



A HISTORICAL PERSPECTIVE TO SECURITY MARKETS FROM THE OTTOMAN EMPIRE TO TURKISH REPUBLIC



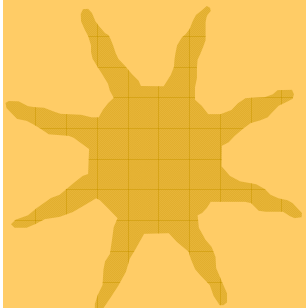
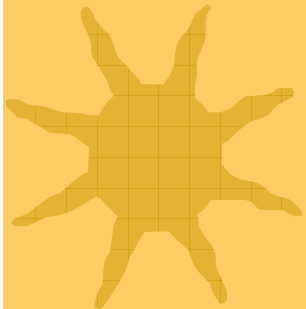
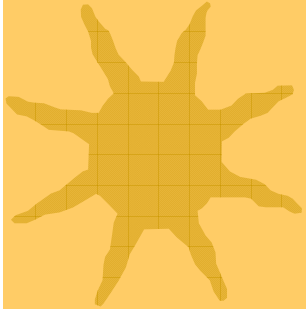
- Borrowing of the Ottoman Empire
 - Capitulations and Bond Issues
- Galata Bankers and Foreigners' Dominance on the Market
- “Dersaadet Securities Exchange”
- “Istanbul Securities and Foreign Exchange Bourse”
- Banker's Event
- 1981 Turkish Capital Market Law
- The establishment of the **ISE** (1986) and **TurkDEX** (2005)





PILLARS OF TURKISH CAPITAL MARKETS

- Stock Exchanges
 - Istanbul Stock Exchange (ISE)
 - Turkish Derivatives Exchange (TurkDEX)
- Legal Framework
- Companies
- Banks & Brokerage Houses as Intermediaries
- Investors





TURKISH CAPITAL MARKETS

MCaps and Trading Companies in Stock Exchanges - 2008





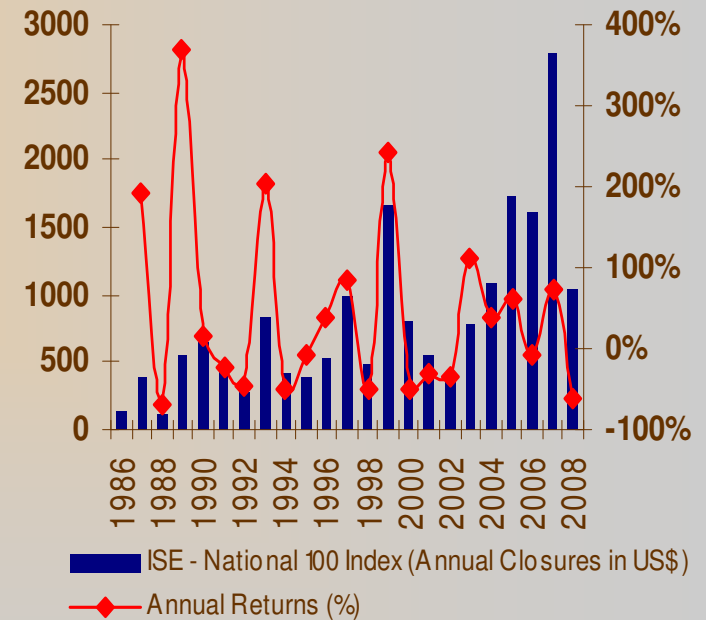
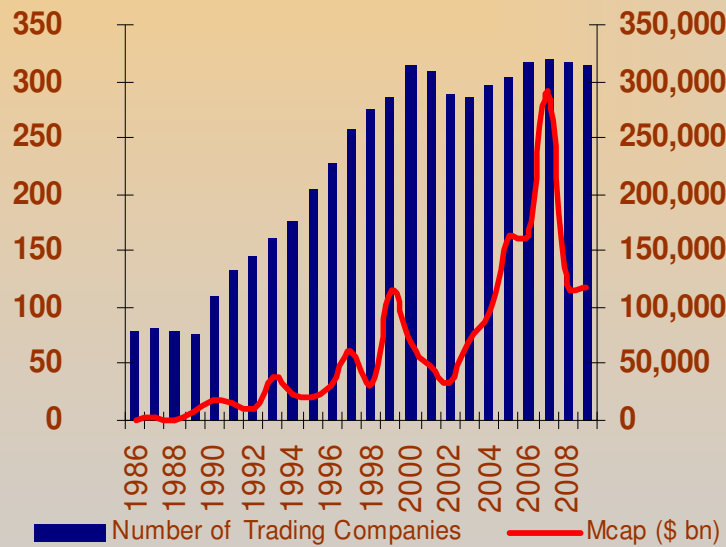
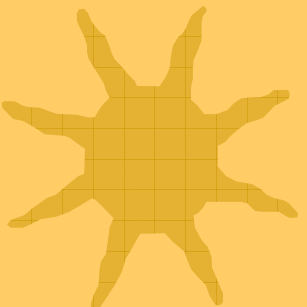
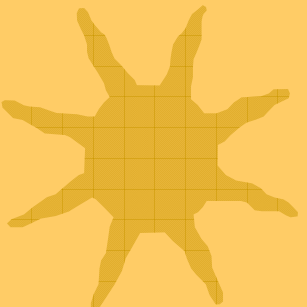
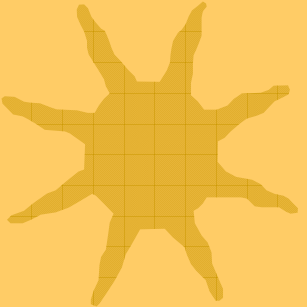
TURKISH CAPITAL MARKETS – ISTANBUL STOCK EXCHANGE (ISE)

- Established in 1986
- Markets
 - Stock Market
 - 1986: 80 companies, **938 mn \$ Mcap**, 13 mn \$ trading volume
 - 2009/06: 316 companies, **156 bn Mcap**, 106 bn \$ trading volume
 - Bonds & Bills Market
 - 1986: 312 mn \$ trading volume
 - 2009/06: 937 bn \$ trading volume
 - ISE Foreign Securities Market – Since April 2007
 - International Bond Market (Turkish Sovereign Bonds)



TURKISH CAPITAL MARKETS - ISE

**Market Value:
June '09
-45% compared to 2007**

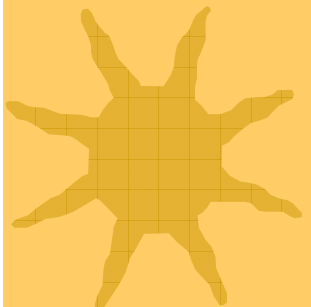
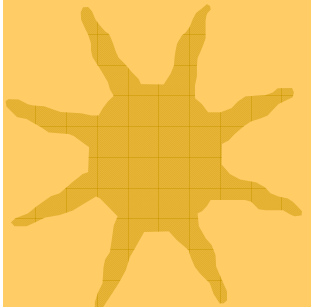
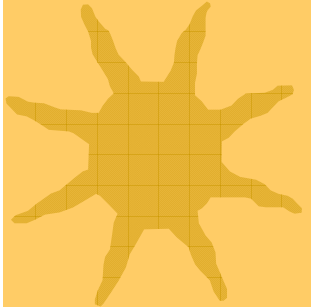




TURKISH CAPITAL MARKETS – TURKISH DERIVATIVES EXCHANGE (TURKDEX)

Option contracts are underway!!!

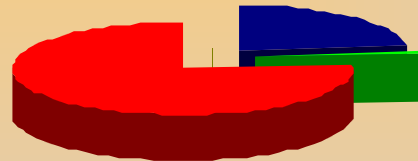
- Established in 2005
- Products
 - Equity Index **Futures** Contracts
 - Currency **Futures** Contracts
 - Interest Rate **Futures** Contracts
 - Commodity **Futures** Contracts
- Annual Trading Volume:
 - 2005: \$ 2,165 m
 - 2006: \$ 12,309 m
 - **2007: \$ 101,816 m**
 - 2008: \$ 136,655 m





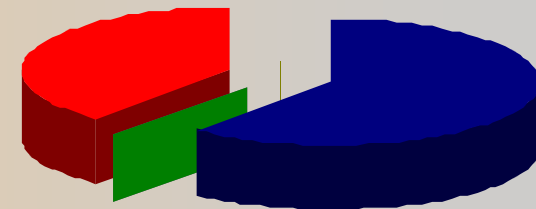
TURKISH CAPITAL MARKETS – TURKISH DERIVATIVES EXCHANGE (TURKDEX)

Breakdown of Transaction Volume in
TurkDEX (2005)



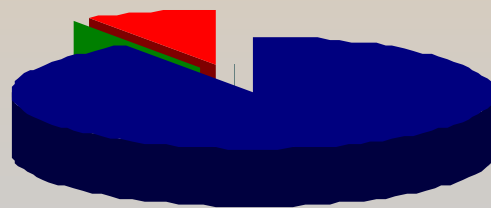
■ Equity Index ■ Interest ■ Currency ■ Commodity

Breakdown of Transaction Volume in
TurkDEX (2006)



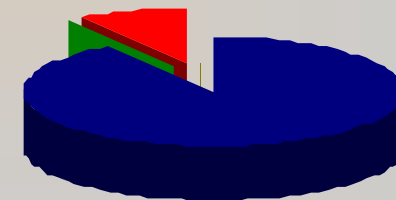
■ Equity Index ■ Interest ■ G-Bonds ■ Currency

Breakdown of Transaction Volume in
TurkDEX (2007)

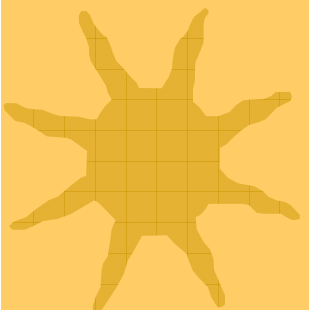
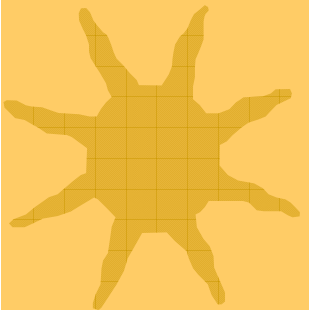
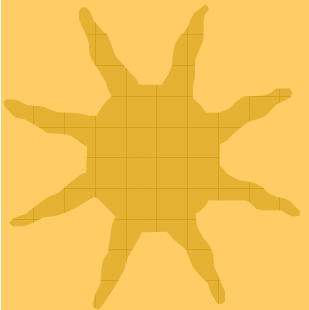


■ Equity Index ■ Interest ■ Currency
■ Commodity ■ Gold

Breakdown of Transaction Volume in
TurkDEX (2008)



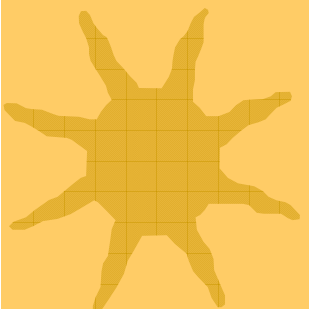
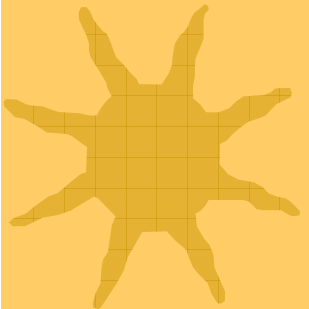
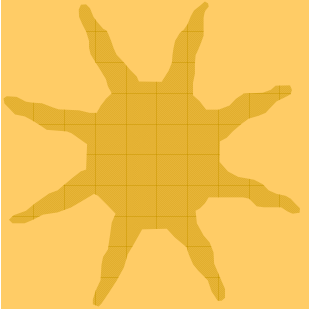
■ Equity Index ■ Interest ■ Currency ■ Commodity





TURKISH CAPITAL MARKETS – LEGAL FRAMEWORK

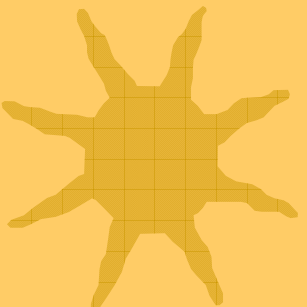
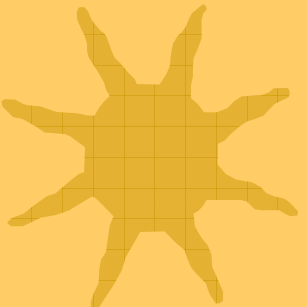
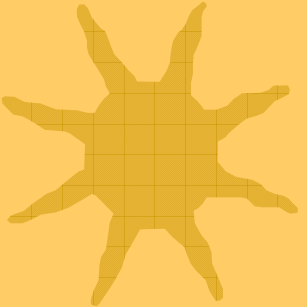
- Turkish Capital Market Law
 - regulate and control the secure, transparent and stable functioning of the capital market and to protect the rights and benefits of the investors
- Decree – by – Law
 - second legislation for capital markets
- ISE Regulations
 - regulating stock exchange quotation, work regulations, Courtage and discipline rules
- Communiqués, circulars and decrees of Council of Ministers





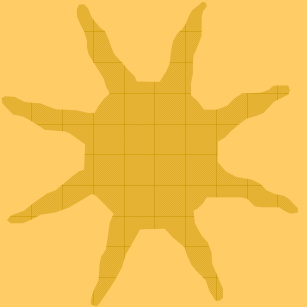
POLICIES & NOVELTIES REGARDING LEGAL FRAMEWORK DURING THE EU ADJUSTMENT PROCESS

- Public disclosure policy of Turkish CML
- Registration of capital market instruments
- ISE Quotation Regulation foresees major alterations;
 - capital base calculation
 - minimum equity requirement
 - free float rate
 - mandatory intermediation facilities
 - prospectus publication
- Amendments regarding UCITS Directives

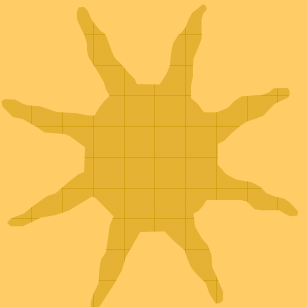




TURKISH CAPITAL MARKETS – TRADING COMPANIES, POLICIES & NOVELTIES

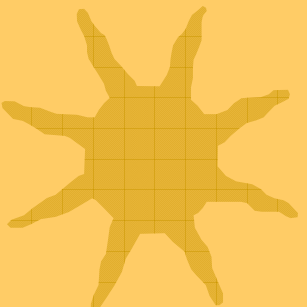


- Manufacturing firms and banks are dominant in the ISE trading volume



- A major step achieved, in terms of the EU compliance;

- **International Financial Statement Reporting (IFSR)**



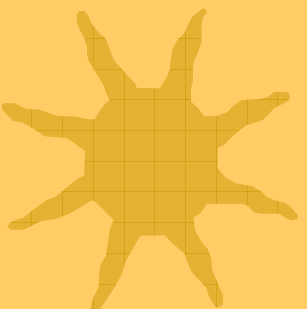
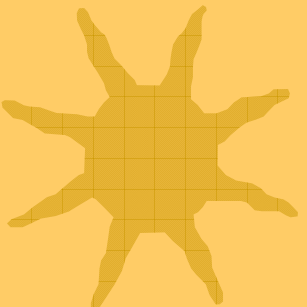
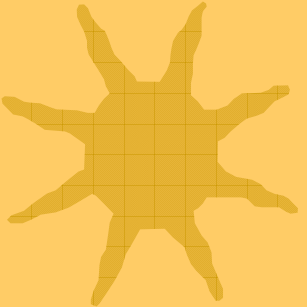
- Quite a long way to go through;
 - tax subsidies (corporate tax deductions)
 - corporate governance principles
 - merger & acquisition legislation
 - independent auditing standards
 - rating facilities



TURKISH CAPITAL MARKETS - INTERMEDIARIES, POLICIES & NOVELTIES

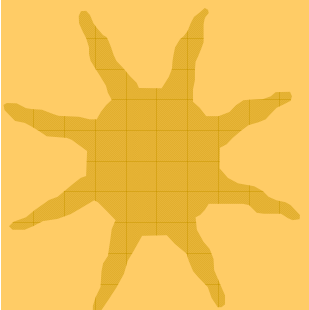
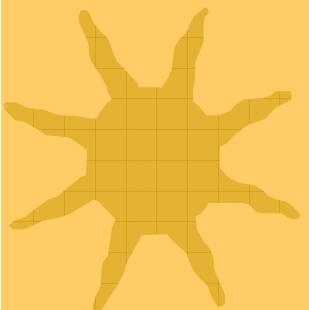
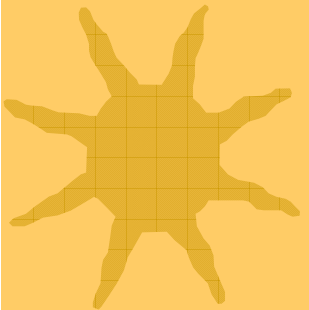
Number of Intermediaries	2006	2007	2008
ISE Stock Market	100	99	97
ISE Bonds & Bills Market	126	132	125
Banks	41	40	40
Brokerage Houses	85	92	85
TURKDEX	55	73	78
Banks	14	14	15
Brokerage Houses	41	59	63

- The course of Turkish banks' intermediary activities is required to be negotiated and arranged, in line with the EU legislation
- Minimum capital requirements, security borrowing facilities, foreign brokerage houses' allowance in terms of operating without Turkish partners could be the other major issues in the EU adjustment process, on behalf of intermediaries

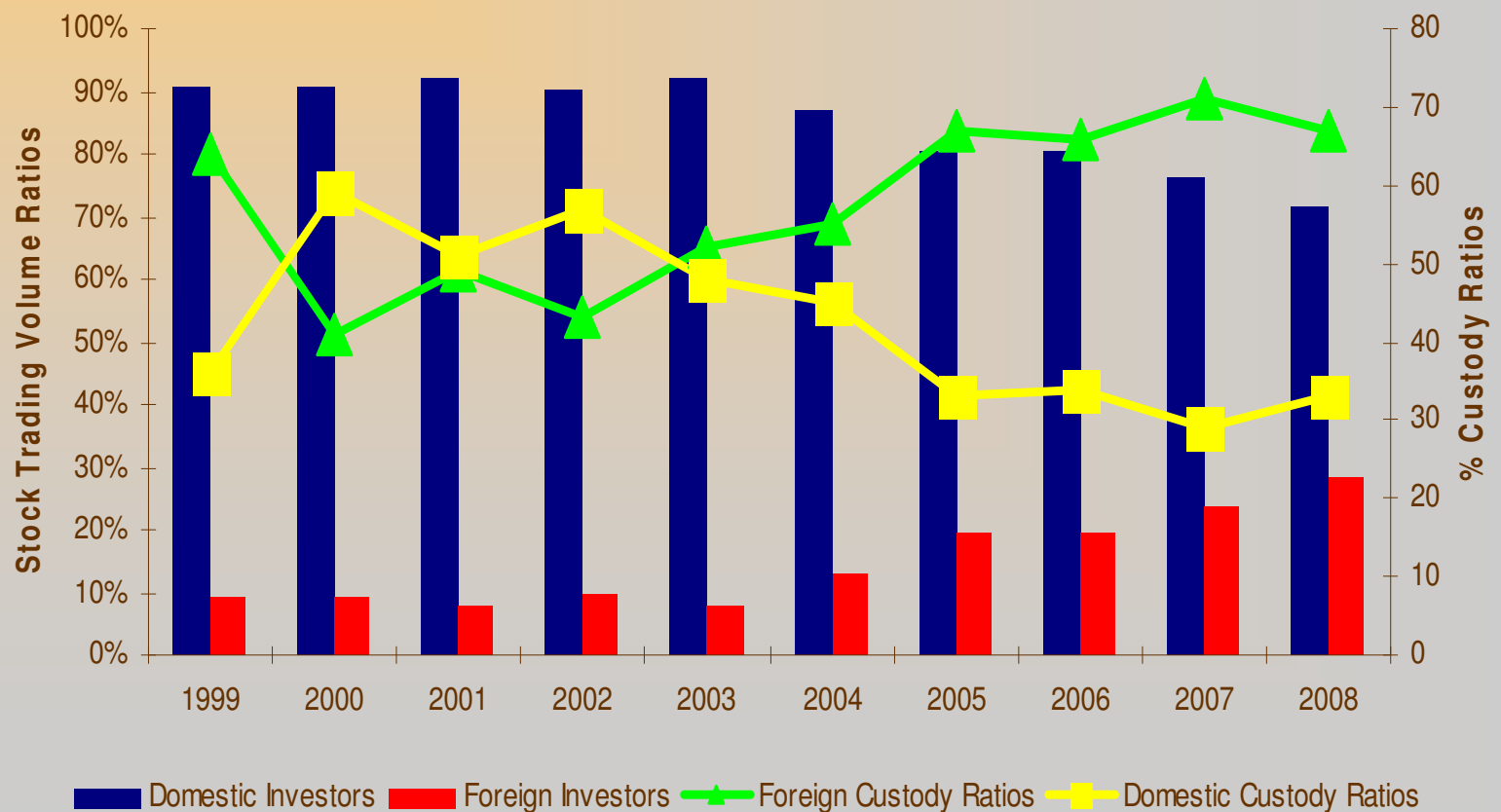




TURKISH CAPITAL MARKETS – INVESTORS

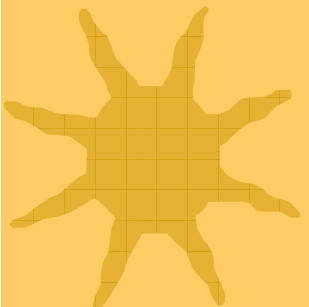
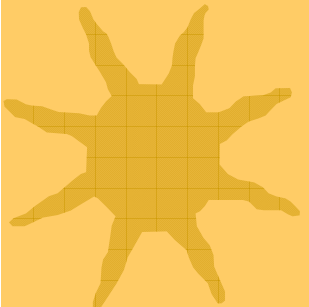
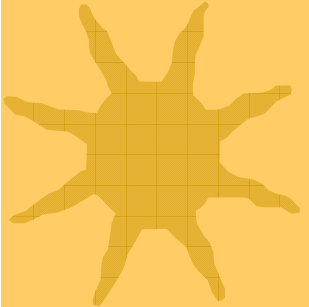


Breakdown of Stock Trading Volume and Custody Ratios among Investors on ISE Stock Market

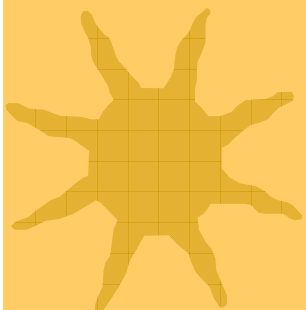
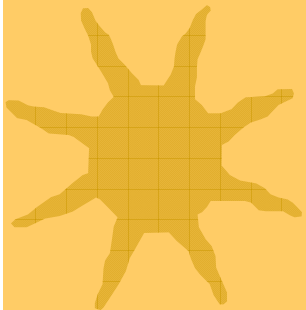
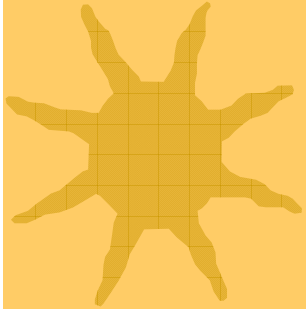




POLICIES & NOVELTIES REGARDING INVESTORS DURING THE EU ADJUSTMENT PROCESS



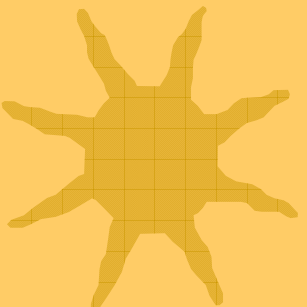
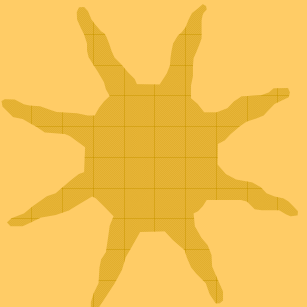
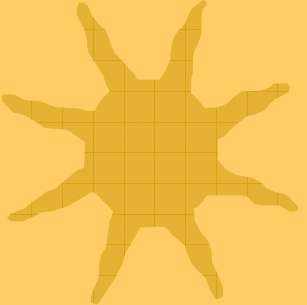
- Success Stories;
 - establishment of **Investor's Protection Fund** in 2001
 - Capital Markets Board's projects namely **guarantee funds** and **fund baskets**
- On our way to the EU compliance;
 - fund governance principles
 - private pension fund arrangements (taxation and the contribution of employer)
 - establishment of housing finance system supported by risk management measures
 - providing competition advantages for institutional investors,
 - enlargement of the coverage of "insider" term
 - setting up specialized courts, could be the major issues on behalf of investors



TURKEY – GERMANY
INTERACTIONS IN
TERMS OF CAPITAL
MARKET COMPLIANCE



TURKEY & GERMANY INTERACTIONS IN TERMS OF CAPITAL MARKET COMPLIANCE

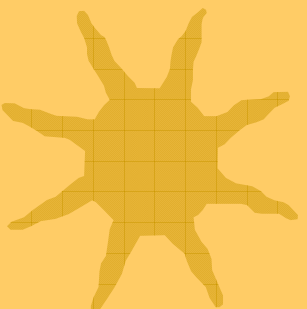
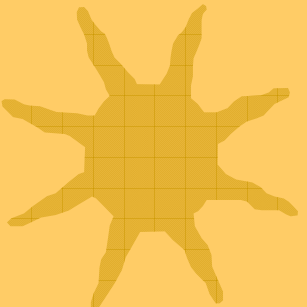
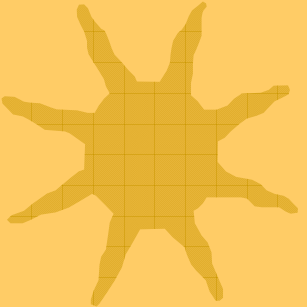


- Through a project launched in 2006, Germany and Turkey were chosen as “**twinning partners**”, in terms of Germany’s assisting Turkey’s Capital Markets Board to comply fully with the EU Capital Market standards.
 - **Amount:**€ 1.9 m **Duration:** 24 months (Jan. 2006 – Dec. 2007)
- Main components of the project:
 - Adaptation of Capital Markets Legislation in Conformity with the EU Acquis
 - Strengthening the Administrative Capacity of Capital Markets Board
 - Design of a Regulatory Impact Assessment System
 - Training
 - Public Awareness



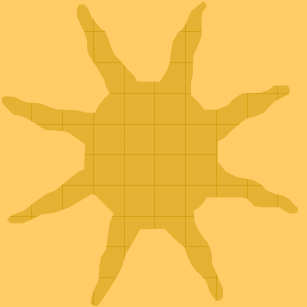
TURKEY & GERMANY INTERACTIONS IN TERMS OF CAPITAL MARKET COMPLIANCE

- **Results of legislation adaptation;**
 - the proposals of 15 new sections and several amendments of Capital Market Law, 4 new regulations and 15 new communiqués related with topics such as,
 - market abuse, public disclosure, manipulation, buy-back transactions, intermediary activities, prospectus, investor compensation, investment funds, auditing, clearing & settlement, capital adequacy, corporate law, take – over and transparency
- **Results of strengthening the CMB's administrative capacity;**
 - operational manuals were prepared and existing procedures were reviewed
- **Results of designing regulatory impact assessment system;**
 - required guidelines were approved
- **Results of training;**
 - training sessions were held for capital market staff
- **Results of public awareness;**
 - kick off, conferences and closing events were organized

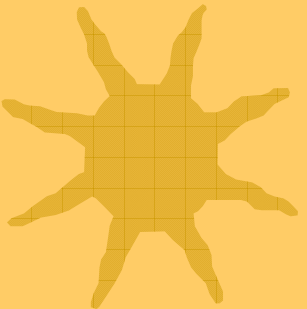




LESSONS TO BE LEARNED FROM GERMAN EXPERIENCE



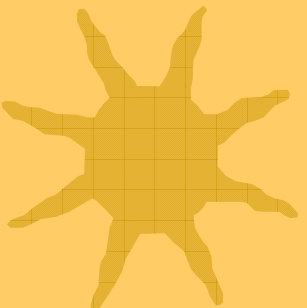
- **Germany:** unification of German financial market (banking, capital markets and insurance) under the roof of sole regulatory institution (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin)



Turkey: three separate institutions namely, Banking Regulatory and Supervisory Board, Capital Markets Board and Insurance Supervisory Board

- **Germany:** vertical integration structure of German Stock Exchange (Deutsche Börse)

Turkey: different facilities are being carried out by different institutions



- **Germany:** a publicly offered exchange: German Stock Exchange

Turkey: ISE's public offering ????



FINAL REMARKS

- It's a **long** but a **decisive** journey to the EU
- “Capital market compliance” is one of the stops
- The road map of capital market alignment has been composed and the process runs all along the line
- Turkey has a loyal and a confident accompany, namely Germany, for assistance and guidance, during this journey
- Following the full compliance, Turkish capital markets would be able to experience a fair competition on global basis

