

# Capital Markets Review 2020 Turkey

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# Welcome

**As the Capital Markets Team of BASEAK, we continue to share our remarks on the Equity Markets, the Debt Markets, and updates on Regulatory Changes in Turkish capital markets legislation that took place in 2020.**

Following a year marked by unprecedented challenges caused by the COVID-19 pandemic and a hopeful start of 2021 thanks to vaccine rollouts, it is time for us to look back and share our remarks on Turkish Capitals Markets in 2020.

2020 has been a year unlike any other in nearly every sense. Despite all disruption and uncertainty in the real economy, the capital markets acted as a lifeline for businesses to finance their operations and keep them afloat during the pandemic storm.

Global equity market was certainly active in 2020, with IPOs raising a total of USD 330 billion, a significant increase compared to USD 199 billion in 2019. Turkey's IPO market performed even stronger, with total value of IPOs reaching TRY 1.1 billion (approx. USD 156 billion). This marked a significant 420% annual increase. The investor count in Turkey almost doubled in 2020 and hit 1.9 million mark, which supported the IPO market on the demand side.

Secondary equity markets also reflected the resilience of the financial markets. In 2020, S&P 500 Index was up by more than 16%, bouncing back from the significant drops in March caused by the Covid-19 pandemic. The MSCI Emerging Markets Index was up 18%. While the USD based returns for Borsa İstanbul was lower than other emerging markets with a rate of 3.3%, this was mainly due to the drop in TRY/USD. TRY based performance of the Borsa İstanbul was high, with 29% return on the BIST 100.

Debt markets were negatively affected by the pandemic in 2020. In Turkey, private sector bond issuances witnessed a decrease in terms of both volume and transaction count.

In 2020 both the Capital Markets Board of Turkey and Borsa İstanbul introduced some amendments in Turkish capital markets legislation. Important amendments included significant changes in the Capital Markets Law, amendments to the Mergers and Demergers Communiqué and new versions of the Communiqué on Significant Transactions and Retirement Right, the Communiqué on Squeeze Out and Sell Out Rights and the newly enacted Debt Instrument Holders' Communiqué. Borsa İstanbul market structure was changed and listing requirements were readjusted.

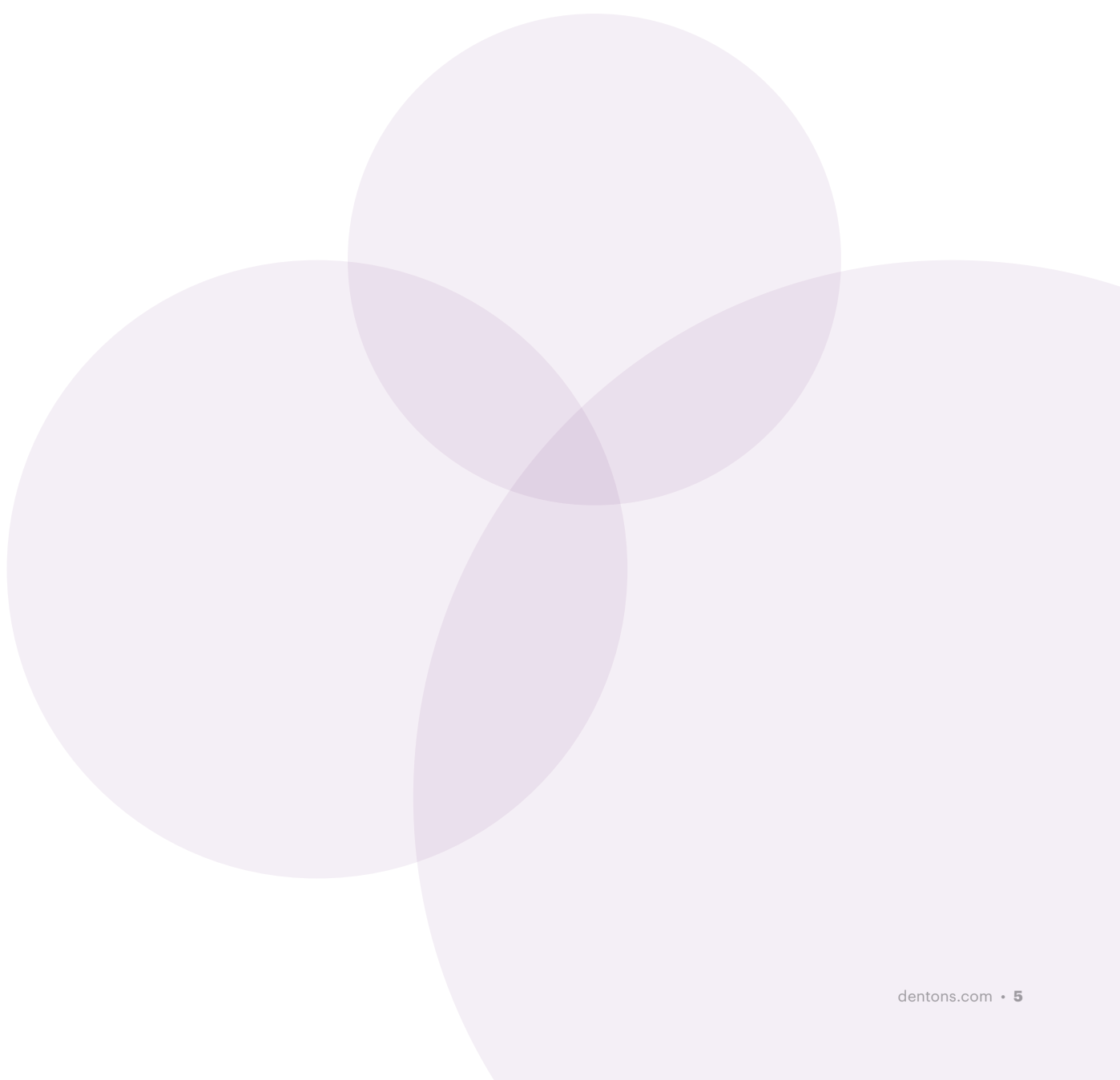
As always, we are happy to deliver this report covering the year 2020, and we look forward to the future together.

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# Overview of Equity Markets

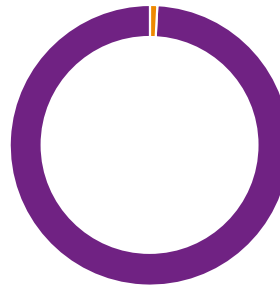


# Equity Markets

Turkish equity markets performed well in 2020, in TRY terms. The market capitalization increased by 60% and hit record high TRY 1.7 trillion. Stock market trading saw a remarkable %21 increase compared to 2019, and trading volume hit TRY 6.4 trillion. However, the performance was not as remarkable in USD terms, due to the depreciation of Turkish Lira against the US Dollar throughout the year. The number of investors increased by 65%; however, foreigners' share in the equity market fell to 49% in 2020, lowest ever since 2005.

In 2020, number of investors almost reached 2 million, with 780.000 new investors participating in the equity markets. In line with the stock market's relatively poor performance in USD terms, foreign investors' share in equity market fell to 49%, from its previous 60% level in 2019.

Number of Investors



■ Domestic ■ Foreign

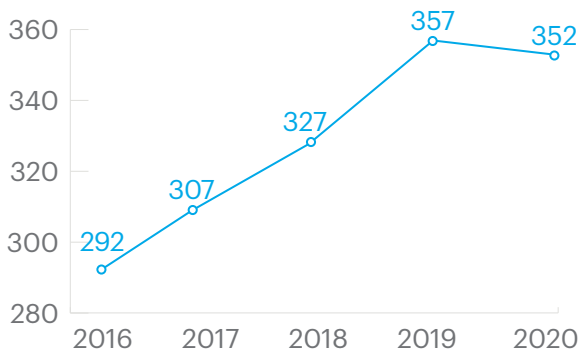
Market Value



■ Domestic ■ Foreign

Source: Central Registry Agency (MKK)

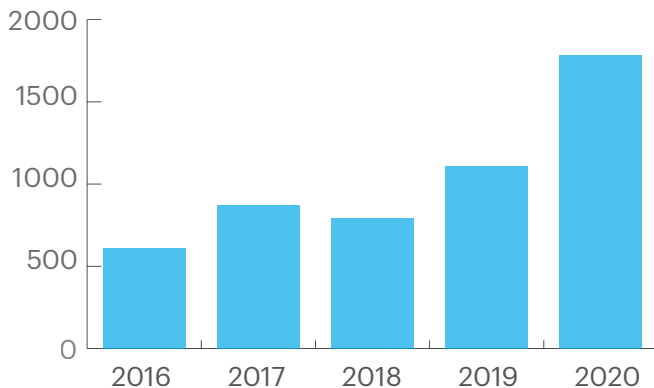
## Number of Listed Companies (BIST TUM)



Source: Turkish Investor Relations Society (TUYID)

Although there were a number of IPOs in 2020, number of listed companies dropped compared to last year. Some of the companies in the Watch List have been delisted by Borsa Istanbul due to declining financials. Also, mergers in the cement sector decreased the number of listed companies.

## Market Capitalization



■ Market Capitalization (TRY billion)

Source: Turkish Capital Markets Association (TSPB)

With a remarkable 60% increase compared to 2019, market capitalization hit another record TRY 1.782 billion. The BIST 100 Index (Istanbul Stock Exchange Index Top 100 Stocks) performed well and closed the year with 29% increase in TRY terms.

# Initial Public Offerings

Due to the increasing costs of debt financing and poor economic conditions caused by the pandemic, IPOs in Turkey increased significantly in 2020. There were eight IPOs, which in total with funds collected amounting to TRY 1.1 billion. Compared to 2019, volume of IPOs rose by 420% in 2020. The eight IPOs took place in 2020 were:



Source: Capital Markets Board of Turkey (SPK), Turkish Capital Markets Association (TSPB)



# Capital Increases of Listed Companies

Companies with strong capital base were better at overcoming the adverse effects of the pandemic in 2020. Many companies, therefore, found it essential to strengthen their capital base through capital increases and secondary public offerings. There were also opportunities for companies in 2020, with increasing demand for new products and services shaped by the the pandemic. Companies wishing to utilize these opportunities preferred the capital increases to fund their investments. In 2020, public companies were able to raise a total of TRY 20.4 billion through capital increases.

## 2020

### January

- İz Hayvancılık (TRY 7.3 million)
- Odaş Elektrik (TRY 305 million)
- RTA Laboratuvarları (TRY 11.7 million)
- Çemaş (TRY 237 million)

### February

- Olmuksan (TRY 165 million)
- Bursa Çimento (TRY 74 million)
- Aksa Akriik (TRY 138 million)
- Adese (TRY 126 million)
- Döktaş (TRY 49 million)
- Özbal Çelik Boru (TRY 41 million)
- Oylum Sınai Yatırım (TRY 13 million)
- Alarko GYO (TRY 53 million)
- Hub GSYO (TRY 10 million)

### March & April

- Afyon Çimento (TRY 300 million)
- CEO Event (TRY 23 million)
- Senkron Güvenlik (TRY 3 million)
- Lider Faktoring (TRY 45 million)
- Alkim (TRY 125 million)
- Vakıf GYO (TRY 230 million)
- Metro Yatırım (TRY 21 million)

### May

- Sodaş (TRY 9 million)
- Gedik Yatırım (TRY 52 million)
- Enka İnşaat (TRY 600 million)
- Oyak Çimento (TRY 1.05 billion)
- Halkbank (TRY 7 billion)
- Vakıfbank (TRY 7 billion)
- Saray Matbaa (TRY 18 million)

### June

- İnfo Yatırım (TRY 15.3 million)
- Söktaş Tekstil (TRY 38.1 million)
- Uşak Seramik (TRY 145 million)
- Gentaş (TRY 9 million)
- San-El Mühendislik (TRY 5 million)
- Vakıf Menkul Kıymet (TRY 10 million)
- Akiş GYO (TRY 124 million)

### July

- İttifak Holding (TRY 32.6 million)
- Osmanlı Yatırım (TRY 0.4 million)
- Mega Köpük (TRY 13 million)
- Serve Film (TRY 11 million)
- Penguin Gıda (TRY 119 million)
- Aselsan (TRY 1.1 billion)
- İhlas Gazetecilik (TRY 60 million)
- Ziraat GYO (TRY 2.2 billion)
- Atlas Menkul (TRY 30 million)

### August

- İhlas Yayın (TRY 250 million)
- Kent Gıda (TRY 191 million)
- Ulaşlar Turizm (TRY 14 million)
- Bilici Yatırım (TRY 22.5 million)
- Sarkuysan (TRY 100 million)
- Frigo-pak (TRY 5.1 million)
- Sanko (TRY 10 million)
- Selçuk Gıda (TRY 11 million)
- RAL Yatırım (TRY 42 million)
- Etiler Gıda (TRY 27 million)
- Güneş Sigorta (TRY 621 million)
- Yükselen Çelik (TRY 43 million)
- TSKB GYO (TRY 200 million)
- Deniz GYO (TRY 100 million)
- Hedef GSYO (TRY 6 million)
- Halk GYO (TRY 42 million)

### September

- Kuyumcukent (TRY 45.5 million)
- İzocam (TRY 4.8 million)
- Vakıf Finansal Kiralama (TRY 25 million)
- Şişecam (TRY 813.2 million)
- Peker GYO (TRY 179.9 million)
- Garanti Yatırım Ortaklığı (TRY 2.5 million)

### October

- Anel Elektrik (TRY 90 million)
- İhlas Gayrimenkul (TRY 334 million)
- Katmerciler (TRY 142 million)
- İttifak Holding (TRY 300 million)
- Şekerbank (TRY 702 million)

### November

- Petkim (TRY 422.4 million)
- Carrefoursa (TRY 400 million)
- İnfo Yatırım (TRY 66.2 million)
- TKYB (TRY 750 million)
- Duran-Doğan Basım (TRY 18.4 million)
- Öncü GSYO (TRY 120 million)
- Kiler GYO (TRY 496 million)

### December

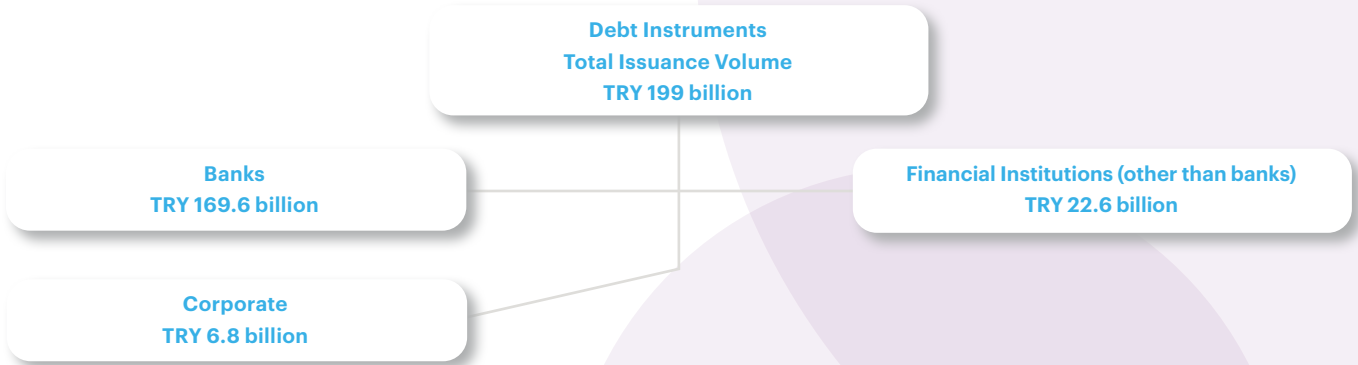
- Bantaş Bandırma (TRY 16.1 million)
- Merko Gıda (TRY 60 million)
- Öncü Girişim Sermayesi (TRY 180 million)
- Seyitler Kimya (TRY 6 million)
- Kartonsan (TRY 72.1 million)
- Mega Köpük (TRY 11.5 million)



# **Overview of Debt Markets and Structured Products**

## Bonds

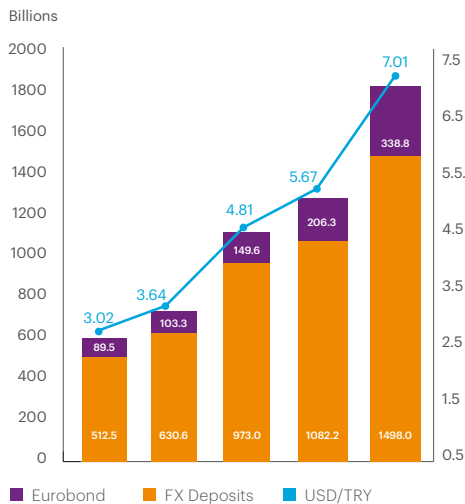
The year of 2020 was rather slow for the Turkish bond market. Total issuance volume of the debt instruments fell by 6% in 2020. Eurobonds kept increasing its share in the asset portfolio of the local investors.



Borsa Istanbul, Turkish Capital Markets Association (TSPB)

The year of 2020 was slow for corporate issuances. Although the total volume of debt issuances fell by 6% compared to 2019, issuances of the banks increased by 4%. Banks are still the most active players in the market, with TRY 169.6 billion realized sales.

### Local Investors' Financial Assets (Eurobonds & FX Deposits)



As the US Dollar continued to gain value over the Turkish Lira in the past 5 years, the FX denominated products increased their share in the asset portfolio of the local investors. FX deposit accounts once again overtook TRY deposit accounts by hitting all time record high in 2020, reaching TRY 1.4 trillion. However, in terms of growth rate, Eurobonds outpaced the FX deposit accounts in 2020. Eurobond assets of the local investors rose by 64% in 2020, while the FX deposit accounts increased by 38%.

Source: Turkish Capital Markets Association (TSPB)

Eurobond figures on this graph include both the sovereign and private eurobond instruments.

## Structured Products

### Structured Product Issuance Ceiling



Asset-backed securities (2 billion)    Warrants (350 million)    Sukuk (TRY 74.9 billion)

In line with the previous years, sukuk is the most issued instrument in the structured products market. Sukuk issuance rose by 13% in 2020 to TRY 74.9 billion. Contrary to the previous years, there were no covered bond issuances in 2020.

Source: Capital Markets Board of Turkey (SPK)

# Regulatory Changes



## January

### New Communiqué on Removal of the Privileges On Voting Rights and Representation

The Capital Markets Board (the “**CMB**”) enacted a new communiqué which stipulates the principles and procedures in relation to removal of privileges on voting rights and representation at the board of directors of public companies. According to the communiqué, if a public company has reported losses for five years in a row, the shares granting such privileges shall be converted to common shares.

### Authorities of Takasbank

The Central Bank of the Republic of Turkey granted Istanbul Settlement and Custody Bank (Takasbank) with the authority to conduct “trust management services”. This authority was added to the scope of Takasbank’s current authorities regarding operation of the securities settlement system.



## February

### Omnibus bill No. 7222

Law numbered 7222 introduced a number of amendments to the Capital Markets Law. Accordingly;

- project based securities have been introduced as a new capital markets instrument,
- severity of sanctions for committing capital markets crimes, measures and administrative fines has been increased.

You may find further details regarding these changes in our client alert at <https://www.baseak.com/en/insights/alerts/2020/february/25/significant-amendments-in-capital-markets-law>.

### Amendment to the Communiqué on Reporting Standards of Data Depository Institution

Under the Communiqué on Reporting Standards of Data Depository Institution, derivative transactions must be reported to the Data Depository Institution (*Veri Depolama Kuruluşu*), accompanied with details about the parties and the terms and conditions of the relevant transaction. Following the amendment, the CMB has been granted with the discretion to demand additional data to be included in such filings.

You may find further updates on this communiqué under the title “*Amendment to the Communiqué on Reporting Standards of Data Depository Institution*” under “July”.

## March

### Ban on Short Selling

With its decisions in February and March, the CMB banned short selling in Borsa İstanbul A.Ş. (“**Borsa İstanbul**”) equity markets until further notice.

### Amendment to the Decree No.32

Through an amendment made in the Communiqué on Decree No. 32 on the Protection of the Value of the Turkish Currency, it was stipulated that unprocessed precious metals might only be imported by precious metals intermediary institutions registered with the Precious Metals Exchange.

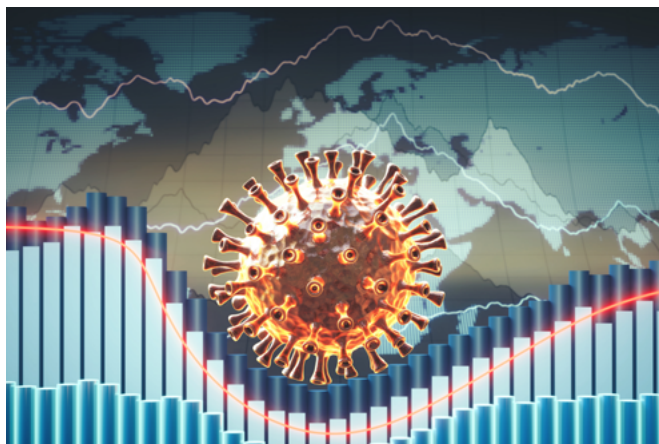
### Amendment to the Communiqué on Principles Governing Investment Funds

The definition of “issuer” was extended with an amendment made to the relevant communiqué.

With the new definition, not just joint stock companies, but all legal entities offering capital market instruments to the public, as well as investment funds shall be deemed as “issuers”.

### Update on Borsa İstanbul Star and Borsa İstanbul Main Markets

Borsa İstanbul updated the list of companies trading in Borsa İstanbul Star and Borsa İstanbul Main markets under its authority granted with the equity market directive.



### Covid-19 Outbreak Measures

The CMB announced certain measures in relation to the Covid-19 outbreak. These measures included:

- permitting the employees of financial institutions to work either half time/in rotation or remotely,
- permitting the acceptance of orders via mobile apps installed on phones (e.g. WhatsApp) of employees of financial institutions, provided that there is a documented customer approval,
- waiving the requirement of achieving a mandatory equity ratio of 60% in credit transactions, if the equity ratio falls below the mandatory threshold of 35% until a second announcement (re-achieving a mandatory equity ratio of 35% shall be deemed enough),
- reminding that public announcements of the CMB dated 21 July 2016 and 26 July 2016 allowing public corporations to repurchase their shares via a simplified procedure are still in force,
- prolonging some of the reporting obligation deadlines for portfolio management companies, intermediary institutions, investment funds, non-public companies subject to capital markets legislation and public companies with a special financial year ending in March or April.

## April

### Restrictions on Derivative Transactions

In line with the restrictions imposed on banks by the Banking Regulation and Supervision Agency, the CMB imposed restrictions on capital markets institutions, limiting the total amount of their derivative transactions such as currency swaps, forwards, options and other derivative transactions exchanging foreign currency to TRY with foreign residents to 1% of their total equity.

### New exemptions to Turkey Wealth Fund

Some exemptions were granted to Turkey Wealth Fund (“**TWF**”), its management company, its sub-funds and other companies established by the management company (“**TWF Companies**”). Accordingly, in takeover transactions where TWF or TWF Companies themselves or with the participation of a third party obtain management control of other companies, parties involved were exempt from numerous obligations under capital markets law including requirements related to significant transactions, retirement rights, mandatory tender offers, squeeze out and sell out rights.

### Reporting obligations for derivative transactions

The CMB reminded that certain legal entities residing in Turkey such as public companies and companies falling under a special category determined by the Republic of Turkey Central Bank are obliged to report any over-the-counter derivative transactions which are not consummated through authorised investment institutions.

## May

### New regulation on Manipulation and Deceiving Transactions in Financial Markets

The Banking Regulation and Supervision Agency enacted a new regulation, where types of manipulation and deceiving transactions in financial markets were defined in greater detail. Earlier in February, the Banking Law was amended to include a stricter ban on market manipulation. The new regulation supplemented this earlier amendment made to the Banking Law.

### Amendments to Covered Bonds Communiqué

One of the important amendments in the Covered Bonds Communiqué included a fee exemption which was granted by the CMB for covered bond issuances

that were made until 31 December 2021. Accordingly, the CMB fee for these issuances were set to apply as 0%. Also, the CMB fees payable for the issuances to be made by mortgage financing institutions were amended to apply as 50% of the fees payable for all other issuances.

In the accompanying press announcement, the CMB declared that the changes aimed to promote issuances by mortgage financing institutions by lowering fees and loosening the requirements.

#### Amendments to Mergers and Demergers Communiqué

Exemptions to certain prohibited mergers such as a public company taking over a private company by a capital increase higher than its paid-in capital were previously only granted to special purpose acquisition companies. With the amendment, these exemptions were also granted for listed companies directly or indirectly controlled by state institutions and organizations.



## June

### Principle Decision regarding FX funds

The CMB issued a new principle decision on portfolio requirements of FX funds. The principle decision stipulated that foreign currency debt instruments and debt certificates issued abroad by the Ministry of Treasury and Finance and domestic issuers may only be included in the portfolio of FX funds at the time of their first issuance and cannot exceed 30% of the total fund value. The CMB decision also stated that

secondary issuances and purchases in secondary markets overseas would not be included in the portfolio of these funds.

You may find further updates on this matter under the title "*Principle Decision Easing Restrictions on FX Funds*" under December.

### Amendments to the Debt Instruments Communiqué

The maximum debt instrument issuance limits for mortgage financing institutions were abolished. Furthermore, issuances to be made by mortgage financing institutions were exempted from the CMB fee until the end of 2021. According to the amendment, starting from 2022 the CMB fees for issuances to be made by the mortgage financing institutions will apply with a 50% reduction on standard rates.

### Amendments to the Asset Backed or Mortgage Backed Securities Communiqué

A fee exemption was granted by the CMB for asset backed and mortgage backed securities issuances to be made until 31 December 2021. The CMB fee for these issuances was also reduced to 0%. Furthermore, the issuance limit restriction for asset backed or mortgage backed securities were abolished for mortgage financing institutions and for the funds established by mortgage financing institutions.

### Amendment in Capital Markets Law regarding communication with clients

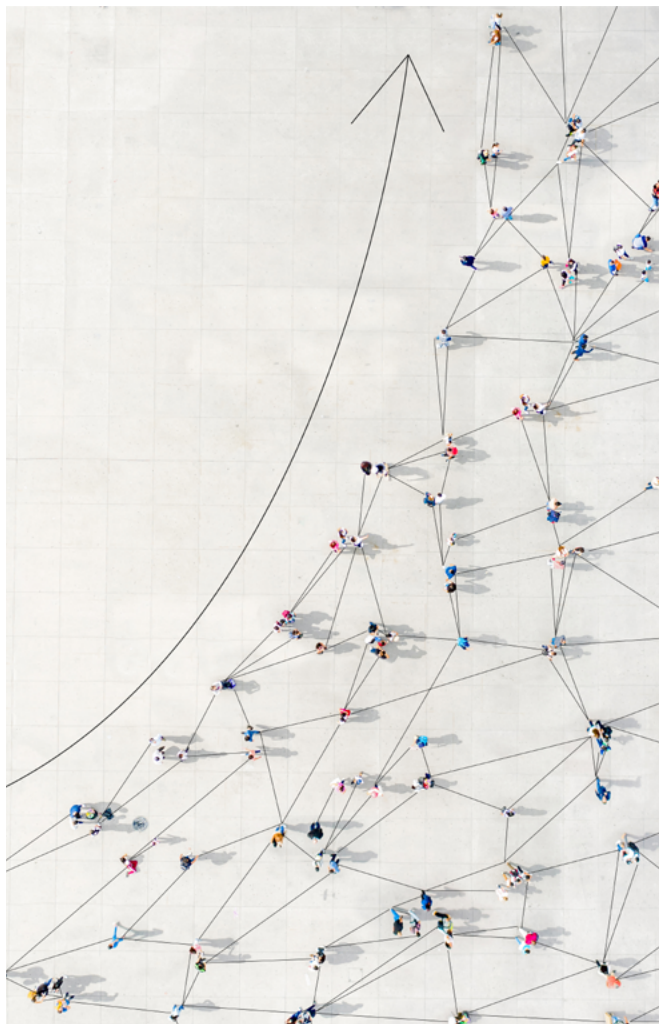
An amendment was made to the Capital Markets Law regarding the medium to be used for concluding contracts with customers. The amendment stated that communication between investment institutions and portfolio management companies and their customers would be made in written form or remotely by using a software or electronic communication device to be determined by the CMB that enables identity verification.

In parallel, Citizenship Services Law was amended to allow the Ministry of Internal Affairs to share personal identity data with intermediary institutions and portfolio management companies.

### CMB Eased the Short Selling Ban

With a series of decisions taken by the CMB in October 2019, February and March 2020, short selling

transactions were banned in Borsa İstanbul stock markets. At the end of June, the CMB decided to ease the prohibition to a certain extent and enabled short selling transactions on the companies in the Borsa İstanbul-30 index, effective from 1 July 2020.



### New Communiqué on Significant Transactions and Retirement Right

Following the draft communiqué which was published in March, the CMB enacted the new Communiqué on Significant Transactions and Retirement Right, abolishing the previous one. The new communiqué followed the amendments in the Capital Markets Law made earlier in 2020 and introduced important changes, including, among others, the restrictions in the use of retirement right and the list of significant transactions as defined in the communiqué.

You may find further details of the communiqué in our client alert at <https://www.baseak.com/en/insights/alerts/2020/july/1/new-significant-transactions>.

### Revenues obtained from valuation services

As per the amendments to the Communiqué on Real Estate Valuation Institutions, revenues obtained from valuation services outsourced from third parties would not be able to exceed 25% of a real estate valuation institution's total revenue in a calendar year.

### Accreditation in Turkey for foreign capital markets license holders

The Communiqué on Licensing and Registration Requirements for Professionals Engaging in Capital Markets Activities was amended to include, among others, changes in obtaining accreditation in Turkey for foreign capital markets license holders.



### Principle Decision Regarding the Communiqué on Squeeze Out and Sell Out Rights

The CMB announced an important principle decision regarding the Communiqué on Squeeze Out and Sell Out Rights. The following cases would no longer be treated as purchase of additional shares within the scope of the communiqué and would not trigger the squeeze out and sell out rights:

1. where the controlling shareholder acquires new shares by exercising its pre-emption rights upon a capital increase where the pre-emption right is not restricted, and
2. where internal resources or dividends are used for the capital increase, and the controlling shareholder acquires new shares as a result of such a capital increase.



However, if the controlling shareholder acquires shares that exceed the maximum number of shares it can subscribe to under its pre-emption right in capital increases where the pre-emption right is not restricted, this would trigger the squeeze out and sell out right.

#### Amendment to the Share Communiqué

By amending the Share Communiqué, the CMB re-introduced submission of an information form for CMB approval prior to selling shares in listed companies above certain thresholds.

You may find further details regarding these changes in our client alert at <https://www.baseak.com/en/insights/alerts/2020/august/5/amendments-in-share-communicue>.

#### Amendment to the Communiqué on Reporting Standards of Data Depository Institution

The amendments introduced the reporting requirement for the transactions carried out by the investment firms on debt securities to the Data Depository Institution (*Veri Depolama Kuruluşu*) to be done no later than the transaction day. As the banks issue debt instruments frequently, the CMB may grant an exemption to the banks with respect to the relevant reporting obligation upon consultation with the Banking Regulation and Supervision Agency.

You may find further details regarding these changes in our client alert at <https://www.baseak.com/en/insights/alerts/2020/august/11/capital-markets-board-amended-the-rules-on-the-trade-repository-reporting>.

#### Draft Communiqué for Project Backed Securities

With the amendments in Capital Markets Law introduced in February 2020, legal basis for a new capital market instrument called “project backed security” was established. Subsequently, the CMB published a draft communiqué regulating the fundamentals of the project backed securities including:

- project financing fund and issuance of project backed securities,
- assets which may be included in the fund’s portfolio,
- implementation/foundation of the fund,
- usage of revenues gained from issuance of project backed securities.

## August

#### Available cycles for USD/TRY Futures and Options

Borsa İstanbul increased the available cycles for USD/TRY futures and options to 16 months.

#### New Authorities Granted to the General Manager of Borsa İstanbul

The general manager of Borsa İstanbul was granted with the authority to determine circuit cutter rates for reference indexes for certain equity markets.

As a general rule the list of companies included in the relevant equity markets were subjected to an assessment at least twice a year. If a company ceased to meet the criteria for a certain equity market, that company was taken out of relevant equity market and was listed in a sub-market.

With a new discretionary authority granted to the general manager of Borsa İstanbul, the general manager was granted discretion to apply the consequences of these assessments based on market conditions, measures applied to such shares and ongoing investigations.



#### Circuit-Breaker Rule for Borsa İstanbul-100 Index

A market-wide circuit-breaker rule for Borsa İstanbul-100 index was enacted.

#### Draft Information Forms for Equity Based Crowdfunding Applications

The CMB published the draft information forms for equity based crowdfunding applications of venture capital firms and equity based crowdfunding applications for projects.

## Amendment to the Communiqué on Mortgage Financing Institutions

With the amendment to the Communiqué on Mortgage Financing Institutions, minimum capital for establishing a mortgage financing institution was raised to TRY 50,000,000 subject to certain exceptions.

## September

### Draft Communiqué regarding Issuance of Asset Secured Capital Market Instruments

A draft communiqué regarding Issuance of Asset Secured Capital Market Instruments was published. The draft mainly regulated the following:

- issuance of asset secured capital markets instruments,
- types of assets that can be used as collateral,
- minimum elements to include in a security agency agreement,
- rights and duties of the security agent, consequences of an event of default.

### Debt Instrument Holders' Communiqué

The CMB enacted the Debt Instrument Holders' Communiqué which introduced "debt instrument holders' board", which is defined as the special assembly convened at the request of the issuers' board of directors or debt instrument holders.

You may find further details regarding these changes in our client alert at <https://www.baseak.com/en/insights/alerts/2020/september/15/debt-instrument-holders-board-communique>.

### Update on Derivatives Market Procedure

Borsa İstanbul's derivatives market procedure was updated to allow flexible USD/TRY futures contracts and late session trading of USD/ONS gold futures.

### Changes to Borsa İstanbul Market Structure

Borsa İstanbul announced certain changes in the market structure of the equity market, trading principles, transfers between markets and listing criteria to be effective from 1 October 2020. The amendments included:

- Distinction between Borsa İstanbul Star Group 1 and Group 2 was removed, both were merged under Borsa İstanbul Star market.

- Borsa İstanbul Main Group 1 was renamed as "Borsa İstanbul Main".
- Borsa İstanbul Main Group 2 and Emerging Companies Market were merged under Borsa İstanbul Submarket.
- Minimum market caps as part of the listing rules were amended.
- Minimum free float ratio requirements were introduced for Borsa İstanbul Star, Borsa İstanbul Main and Borsa İstanbul SubMarket.

You may find further details regarding these changes in our client alert at <https://www.baseak.com/en/insights/alerts/2020/october/1/changes-in-bist-equity-market-structure-and-listing-requirements>.

### Upper Limit for Monetary Fines for Disciplinary Sanctions

The CMB increased the upper limit for monetary fines for disciplinary sanctions drastically from TRY 50,000 to TRY 5,000,000. New actions subject to monetary fines were added to the list of actions.



## October

### Amendment to the Corporate Governance Communiqué

Corporate Governance Communiqué was amended to include sustainability principles for listed companies. Adherence to such sustainability principles were made voluntary. Listed companies were required

to disclose whether they complied with the sustainability principles in their yearly activity reports. If not, a requirement to explain effects of such non-compliance on environmental and social risk management was introduced.

#### Authorities of the Central Securities Depository

Central Bank of Republic of Turkey extended the scope of authorisation granted to the Central Securities Depository with respect to its activities as service provider for electronic board meetings. The Central Securities Depository was granted the option to apply its electronic board of director meeting system to other meetings in addition to meetings of committees within the board of directors.

#### Amendment to the Financial Reporting Principles of Investment Funds

Financial reporting principles and public disclosure requirements of investments funds were updated. Real estate investment funds were released from their obligation to prepare valuation reports unless the investors request such report. In addition, the CMB removed the exemption for public disclosure of financial reports for real estate investment funds and venture capital funds. Real estate investment funds and venture capital funds were obligated to publicly disclose and announce the financial reports and make necessary disclosures.

#### Amendment to the Communiqué on Principles Governing Real Estate Investment Companies

The CMB eased some requirements imposed upon Real Estate Investment Companies (“REICs”). Following the amendments to the communiqué REICs may:

- pay more than 3% commission and expenses excluding taxes for sales made to foreigners. Prior to the amendment, this was limited to 3% in all transactions.
- lend money to their wholly-owned subsidiaries.
- pledge the assets in their portfolio for any financing benefiting them.
- also pledge the assets in their portfolio in benefit of their wholly-owned subsidiaries.

#### Amendment to the Communiqué on Principles Governing Venture Capital Investment Funds

The CMB amended the Communiqué on Principles Governing Venture Capital Investment Funds.

Accordingly;

- Venture company definition was amended to include venture companies established abroad if 80% of their assets comprise of companies or affiliates established in Turkey.
- Real estate and venture capital portfolio management companies were included within the scope of this communiqué.
- Venture capital investment funds were allowed to invest in gold and other precious metals and stones and capital markets instruments based on these.
- Venture capital investment funds were obliged to have a page on Public Disclosure Platform and disclose certain documents to the public via this platform.



#### Amendment to the Regulation on Data Depository Institution

Transaction prohibitions for managers and employees of the Data Depository Institution (*Veri Depolama Kuruluşu*) and their relatives were amended.

#### Renewal of the Required Documentation for Public Offerings

Borsa İstanbul renewed the list of required documents for public offering applications. The required documentation and instructions

were simplified to make the application process easier for public offerings of both equity and debt instruments.

### Announcement on Insider Information

The CMB published an announcement as a reminder that public companies must maintain and update lists of people having insider information. CMB further stated that non-compliance would result in administrative fines.

## November

### Swap Market for Precious Metals

Borsa İstanbul approved the decision for establishment of a swap market separate for precious metals. The Swap Market Directive and Swap Market Procedure were amended accordingly.

### Law numbered 7256

Law on Restructuring of Certain Receivables and Amendments to Certain Laws (Law No. 7256) was enacted. It includes a 2% reduction in corporate tax rate for companies conducting an initial public offering of at least 20% of their shares, applicable for five years following their IPO.

### New authorities of Takasbank

Central Bank of Republic of Turkey allowed İstanbul Settlement and Custody Bank (*Takasbank*) to engage in cash swap activities and security management (*teminat yönetimi*) services for transactions in Electric

Futures Market and Organized Renewable Energy Sources Guarantee Market.

### Sustainability Index

Borsa İstanbul announced the list of companies included in the sustainability index effective from 1 December 2020.

## December

### Fee Exemptions for ETFs Prolonged by Borsa İstanbul

Borsa İstanbul announced that for exchange traded investment funds, the ongoing practice of exemption from fees for order cancellation, amount decreases and price deterioration and exchange fee (*borsa payı*) was extended until 31 December 2021.

### Announcement of List of Companies in Borsa İstanbul Star, Borsa İstanbul Main and Borsa İstanbul Submarket

Borsa İstanbul announced the list of companies included in Borsa İstanbul Star, Borsa İstanbul Main and Borsa İstanbul Submarket effective as of 1 January 2021. Market classification followed the amendments made in Borsa İstanbul' market structure in October.

### Temporary Tax Rates for Bonds, Lease Certificates and Investment Fund Certificates

Temporary tax rates for income and earnings from bonds, lease certificates and investment fund certificates were announced.



## Amendment to the Communiqué on Principles of Investment Funds

Through an amendment in the Communiqué on Principles of Investment Funds, rules governing assets to be included in a fund's portfolio were updated. In this regard, exemptions from fund total investment ratios were granted for mortgage based securities and asset backed securities based on consumer debt.

## Principle Decision regarding Transforming into Venture Capital Investment Companies

The CMB announced a principle decision regulating admissibility criteria for applications to convert joint stock companies into venture capital investment companies and applications for the public offering/sales to qualified investors of the same.

## Principle Decision Easing Restrictions on FX Funds

The CMB removed the restrictions imposed on FX funds in June 2020.

## Principle Decision regarding Measures to Prevent the Unauthorised Sale of Shares

Following the re-introduction of the information form submission requirement in July, the CMB announced that if there was any suspicion of an attempt to circumvent the requirement of submitting such information form to CMB for approval before selling shares in listed companies above certain thresholds, shares owned by people committing such suspicious acts would be transformed into non-tradeable shares. Only after CMB's approval of the information form and its disclosure would the shares be converted back to tradeable shares.

## New Communiqué on Squeeze Out and Sell Out Rights

New Communiqué on Squeeze Out and Sell Out Rights was enacted. Under the new communiqué:

- Squeeze Out/Sell Out threshold was kept as 98%,
- New rules were introduced for calculation of the Squeeze Out/Sell Out Price,
- Procedure for exercising Squeeze Out/Sell Out Rights was amended.

You may find further details regarding the new communiqué in our client alert at <https://www.baseak.com/en/insights/alerts/2021/january/5/new-squeeze-out-and-sell-out-rights-communiqué>.

## Amendment to the Communiqué on Repo and Reverse Repo Transactions to be Carried Out by Intermediary Institutions

With the amendments; the list of capital markets instruments that could be subject to repo and reverse repo transactions was broadened, the valuation and margin ratios for repo and reverse repo transactions were updated and a transaction ceiling for some financial instruments for repo and reverse repo transactions was introduced.

## Amendment to the Regulation Governing the Principle and Procedure on the Activities, Workings and Oversight of the Commodity Exchange

The provision regulating the establishment of a settlement center under the commodity exchange was postponed until 31 December 2022.

Balciođlu Selçuk Ardiyok Keki is an Istanbul-based full-service law firm with a team of 85 plus lawyers and economists. Our practice focuses on a wide range of areas including real estate, corporate, mergers and acquisitions, banking and finance, project finance, capital markets, competition and anti-trust, employment, tax, litigation and arbitration, telecommunication, regulatory and public law, and intellectual property. We represent and advise national and multinational clients, including Fortune 500 companies, in the banking and finance, private equity, real estate, hospitality and leisure, retail, automotive, energy, information technology, life sciences, luxury fashion and beauty, and media sector

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