

TSPAKB THE ASSOCIATION OF CAPITAL MARKET
INTERMEDIARY INSTITUTIONS OF TURKEY

Economy & Capital Markets

TURKEY

September 2011

TURKISH ECONOMY & CAPITAL MARKETS

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Istanbul, September 2011

TSPAKB Publication No. 59

Print: Fabrika Basım

ISBN-978-975-6483-37-4

For online version please visit TSPAKB's website at www.tspakb.org.tr.

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ABBREVIATIONS

Term	Definition
CBRT	Central Bank of the Republic of Turkey
CMB	Capital Markets Board
CRA	Central Registry Agency
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
ISE	Istanbul Stock Exchange
MCap	Market Capitalization
MoF	Republic of Turkey Ministry of Finance
Takasbank	ISE Settlement and Custody Bank
TL	Turkish Lira
Treasury	Republic of Turkey Prime Ministry Undersecretariat of Treasury
TSPAKB	The Association of Capital Market Intermediary Institutions of Turkey
TurkDex	Turkish Derivatives Exchange
Turkstat	Turkish Statistical Institute

OVERVIEW

Turkish Economy

Financial sector reforms completed after the 2001 crisis and improved public debt dynamics helped Turkey's economy amidst the global economic crisis. Under favourable international liquidity conditions, in 2010 the economic recovery was stronger than expected. However this rapid growth led to a widening current account deficit, while inflation was still tamed as unemployment remained relatively high.

In 2011, the strong economic recovery recorded in 1H2011 is expected to moderate in the rest of the year, in view of the slowdown in global economic activity. As a matter of fact, the Central Bank reduced its policy rate in August 2011 in order to contain the potential repercussions of the gloomy global economic outlook on domestic economy.

Turkish Capital Markets

In addition to regulatory reforms, a public relations campaign to revive the initial public offerings was undertaken. As a result of these efforts and favourable macro-economic conditions, both the IPO market and the corporate bond market revived significantly, starting from 2010.

On the other hand, with rising concerns over the global economy, the new monetary policy and rising current account deficit, interest rates went up, while the stock market index went down in 1H2011.

Agenda

The latest regulatory changes and market reforms, as well as major projects such as the Istanbul Financial Center, IPO Campaign and Investor Education Campaign are summarized in the last section of this report.

TURKISH ECONOMY

The Turkish economy underwent significant changes during the last decade. It moved from a high public debt and high-inflation environment to a much stable macroeconomic environment. Reforms initiated since 1999 under various IMF backed programs have largely reduced the role of the public sector in the economy.

Turkey benefited from the increased foreign investors' interest like many emerging countries and attracted significant capital flows, both in the form of direct investment and portfolio flows. While inflation was tamed, the economy grew by an average rate of 7% during 2002-2006. However, the unemployment rate remained high during the same period. Meanwhile, the latest IMF agreement ended in May 2008, and Turkey faced the global crisis without an external support.

The global financial crisis affected the Turkish economy through the deterioration in external financing conditions, weakening foreign trade and destabilized confidence, leading to a contraction in economic activity and rising unemployment in 2009.

Nevertheless, financial sector reforms completed after the 2001 crisis and improved public debt dynamics helped Turkey's recovery. Under favourable international liquidity conditions, in 2010 the GDP growth was stronger than expected, leading to a widening current account deficit, while inflation was still tamed as unemployment remained relatively high despite a significant decline.

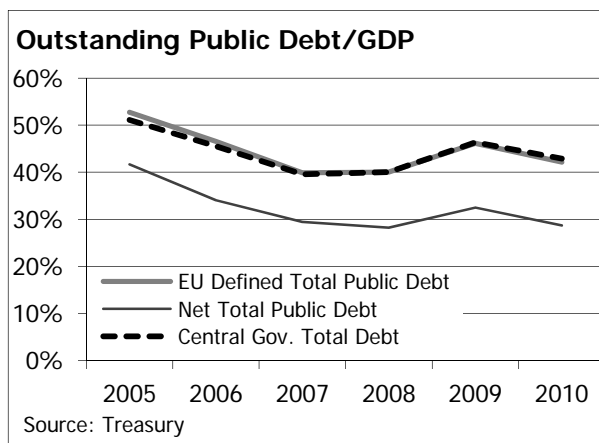
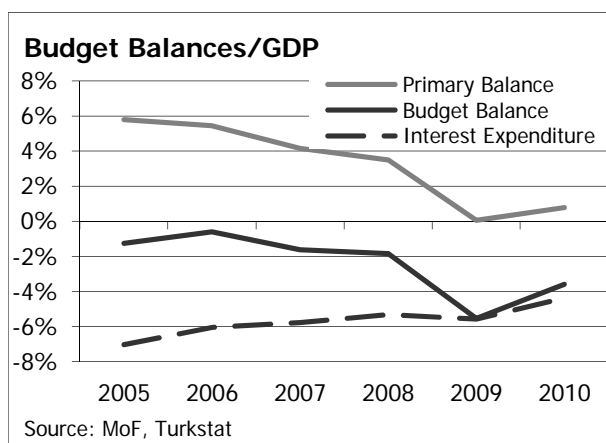
In 2011, the strong economic recovery recorded in 1H2011 is expected to moderate in the rest of the year, in view of the slowdown in global economic activity. As a matter of fact, the Central Bank reduced its policy rate in August 2011 in order to contain the potential repercussions of the gloomy global economic outlook on domestic economy.

Sovereign credit ratings were upgraded by international rating agencies between December 2009 and February 2010. Turkey's foreign currency sovereign rating is still at speculative grade, BB by S&P, Ba2 by Moody's and BB+ by Fitch.

Public Finance

Fiscal discipline coupled with important privatisation efforts, led to a significant improvement in the budgetary primary balance until 2006. Reduced interest payments mirroring a decline in risk premia, also helped the decline in the budget deficit and the public debt.

However, the fiscal performance started to deteriorate starting from 2007. In the aftermath of the global crisis, in 2009, the primary surplus fell to as low as 0.1% of GDP (from 3.5% in 2008), while the overall budget deficit reached 5.5% (from 1.8%).



In 2010, with stronger than expected economic recovery, the budget targets were surpassed. The primary surplus of the central government reached 0.8% of GDP and the budget deficit retreated to 3.6%.

In the first half of 2011, helped by vibrant private demand, tax revenues rose significantly. In addition, the restructuring of public claims yielded US\$ 5 billion revenue. Accordingly, the primary surplus doubled compared to 1H2010, to reach US\$ 16 billion. As a result of reduced interest payments, the budget recorded US\$ 2 billion surplus, comparing with US\$ 10 billion deficit in 2010.

Public sector's outstanding debt declined gradually to 28% of GDP by the end of 2008, from 66% in 2001. However, with deteriorating budget balances, public debt rose in 2009. Debt indicators were on a downward trend in 2010, in line with the decline in the budget deficit. Total public debt, calculated by netting some public sector assets, declined by 4 percentage points to 29% of GDP at end-2010, while EU-defined public debt declined to 42% of GDP. In January-July 2011, gross total public debt rose by 6% in TL terms. Thus, in relative terms, total debt to GDP ratio is expected to have remained roughly stable during this period.

Monetary and Exchange Rate Policies, Inflation

Turkey adopted a free-floating exchange rate regime in 2002 and moved to an explicit inflation-targeting policy starting from 2006. With the help of the revaluation of the Turkish lira amidst favourable global conditions, inflation came down significantly in the last decade.

Although declining to single-digit levels, inflation remained above the targets between 2006 and 2008, due partly to rising international intermediary goods' prices. In this context, in 2008 the Central Bank revised its medium-term targets to 7.5% and 6.5% for 2009 and 2010, respectively, up from the initial 4%.

With the growth performance hit by the global crisis, the Central Bank of Turkey followed a countercyclical monetary policy, leading to sizeable cuts in the short-term policy interest rates (corresponding to O/N borrowing rates) starting from November 2008. Interest rates were cut gradually from 16.75% in July 2008, to 6.5% in November 2009.

In 2010, as previously announced, the Monetary Policy Committee established the one week repo lending rate as the new policy rate in May, setting it at 7%. Rates were kept unchanged for most of the year, and were reduced by 50 basis points in December 2010, followed by a further 25 basis points in January 2011.

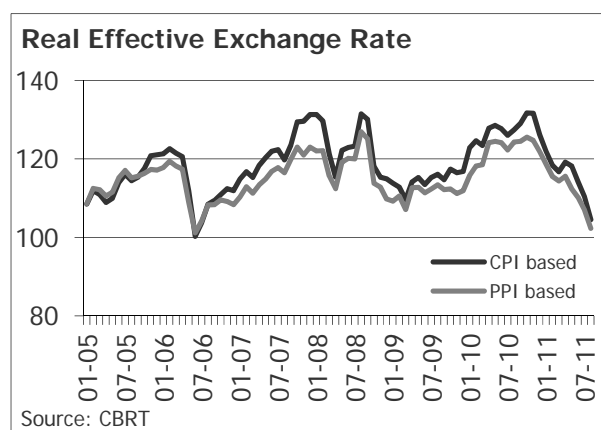
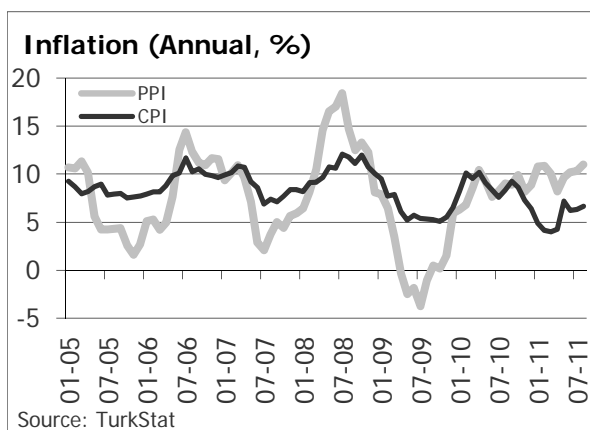
The Central Bank adopted a new stance in its policy starting from 4Q2010, focusing also on financial stability, in addition to its primary objective of price stability. The Central Bank's new policy mix consists of low reference rate, more widely fluctuating O/N rates, and high required reserve ratios for short-term deposits.

With increased concerns regarding the repercussions of the European debt crisis on domestic economic activity, the Bank reduced the one-week repo rate by another 50 basis points to 5.75% in August 2011. In addition, the Bank has decided to narrow the interest rate band by increasing the O/N borrowing rate to limit the potential downside volatility.

Inflation Targets and Realisations (CPI, % y-o-y change)									
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Target CPI	8.0	5.0	4.0	4.0	7.5	6.5	5.5	5.0	5.0
Realisation	7.7	9.7	8.4	10.1	6.5	6.4	-	-	-

Source: CBRT

Under weak demand conditions, CPI inflation remained at 6.5% in 2009, below the targeted rate. In 2010, despite vibrant domestic demand, high unemployment rates and weak international demand counterbalanced inflationary pressures, and annual inflation recorded 6.4%, aligned with the target. Although year-on-year inflation remained at 6.7% by end-August 2011, the year-end consensus forecast for year-end is around 7%, reflecting the depreciation of the Turkish Lira.



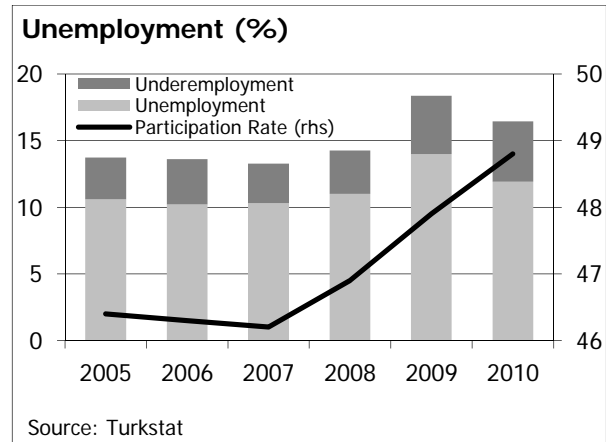
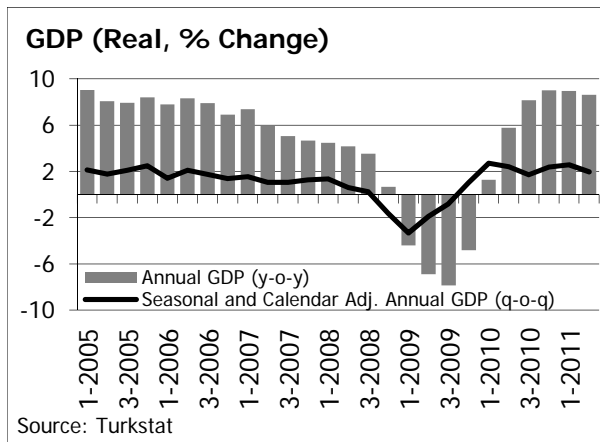
The improvement in macroeconomic balances and increased foreign investors' interest towards emerging markets led to an appreciation of the Turkish lira until September 2008, when the global crisis peaked. TL depreciated sharply within a few months, and CBRT had to take several measures aiming to ease liquidity in the FX markets. As the effects of the crisis started to fade down, TL restarted to appreciate starting from 2Q2009 and in 3Q2010, the real effective exchange rate reached the levels recorded prior to the collapse of Lehman.

However, TL started to depreciate in the last months of 2010 as a result of the Central Bank's new policy mix consisting of low reference rate, more widely fluctuating O/N rates, and high required reserve ratios. The real exchange rate went back to the post global crisis levels by July 2011. The Central Bank exchange rates for end-August 2011 were TL 1.7454=US\$ 1, and TL 2.5186=€ 1.

Growth and Employment

After 5 years of robust growth averaging 7.2% during 2002-2006, GDP growth started to slow down after 2007 with deteriorating international environment. Turkey's economy was affected through the deterioration in external financing conditions, weakening foreign trade and destabilized confidence, and economic activity contracted by 4.8% in 2009 after the global crisis.

Nevertheless, economic activity started to recover gradually starting from 2009 and GDP growth reached 8.9% in 2010 led by private consumption. GDP per capita rose by 17% in US\$ terms, to record US\$ 10,079.



The relative improvement in output continued through 1H2011, as GDP rose by 10% compared to the relatively low base of 1H2010. Annualised figures point to 8.6% real increase over the last year. Overall, the economy is expected to grow by around 6% in 2011.

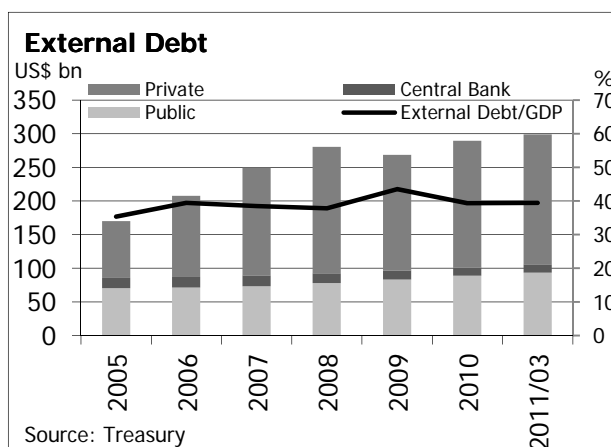
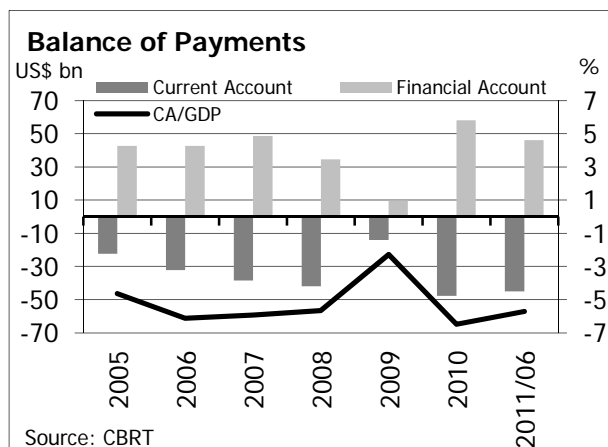
Despite high growth rates in GDP, the unemployment rate was above 10% prior to the global crisis. With deteriorating domestic and external demand conditions, the annual average unemployment rate reached 14% in 2009. The sharp recovery helped by buoyant domestic demand, helped the unemployment rate decline to 12% in 2010. The improvement in the job market continued in 2011, and in 2Q2011 the seasonally adjusted rate converged to its pre-crisis level around 10%. Although the participation rate to the workforce is limited around 50%, it should be noted that it has been increasing gradually.

Foreign Trade and Foreign Debt

Favourable external and domestic demand conditions led to an important rise in Turkey's foreign trade in the period preceding the global crisis. As imports rose faster than exports, the trade deficit expanded rapidly, leading to a remarkable increase in the current account deficit of the country. Note that as Turkey became a member of the Customs Union at the beginning of 1996, customs duties for European Union industrial goods were abolished.

With the contraction in global demand, exports of goods started to decline in the last quarter of 2008, and in 2009 they were down by 23% year-on-year. As imports contracted even faster, the current account deficit went down by 67% to US\$ 14 billion.

However, this trend was reversed in 2010: with reviving domestic demand, imports rose by 32%, as opposed to an 11% increase in exports; leading to a sharp expansion of the current account deficit. The deficit more than tripled to reach US\$ 48 billion in 2010. The deterioration in the current account deficit continued in 1H2011 as it recorded US\$ 45 billion, nearly equalling the previous year's total. In order to limit this increase, several measures were taken by the Central Bank and the Banking Regulation and Supervision Agency to limit the growth in bank loans, thus curbing domestic demand.



Turkey was able to attract significant amounts of foreign capital mainly in the second half of 2000s both in terms of direct investment and portfolio flows, until the global crisis. Net foreign direct investments reached a record-high US\$ 20 billion in 2007, up from an average of US\$ 0.6 billion in the 1990's. However, after the crisis, net FDI went down to US\$ 7 billion in 2009, and remained at US\$ 8 billion in 2010. Net FDI measured US\$ 5 billion in 1H2011.

Sizeable portfolio flows prior to the crisis, were replaced by an outflow of US\$ 5 billion in 2008. The portfolio balance pointed to a meagre inflow of US\$ 200 million in 2009. In 2010, portfolio inflows recovered and reached US\$ 16 billion mainly thanks to Turkish Treasury's domestic and external borrowings. The banking industry's short-term loans also helped to fill the financing gap. Portfolio inflows recorded US\$ 17 billion in the first six months of 2011, while non-bank private sector loans also recorded US\$ 17 billion. An additional unclassified inflow ("net errors and omissions") of about US\$ 10 billion also contributed to the financing of the current account deficit in 1H2011.

Prior to the 2008 global crisis, Turkey's external debt expanded rapidly and reached US\$ 290 billion at the end of 3Q2008. External debt, which declined to US\$ 268 billion in 2009 in the aftermath of the global financial crisis, recovered in 2010 and 2011 mainly with private sector's rising short-term debt. Total debt rose to US\$ 290 billion at the end of 2010, and further to US\$ 299 billion in 1Q2011. Note that total foreign debt is composed of US\$ 77 billion of short-term and US\$ 222 billion of long-term debt.

In line with massive foreign capital inflows, Central Bank's gross foreign exchange reserves rose to around US\$ 75 billion in 3Q2008. After the collapse of Lehman Brothers in September 2008, CBRT's reserves started to erode. Nevertheless, they started to recover starting from 2Q2009 and reached US\$ 93 billion in July 2011.

TURKISH CAPITAL MARKETS

The establishment of a modern securities market in Turkey dates back to early 1980's when a macro-economic approach aiming to liberalize the country's economy was adopted. As shown in the table below, many capital market reforms were undertaken recently, in view of expanding the product diversity, adapting latest international standards and harmonising with the EU regulations.

Regulatory Developments in the Turkish Capital Markets	
2005	International Financial Reporting Standards adopted for intermediaries and listed companies. Turkish Derivatives Exchange (TurkDex) established. Dematerialisation of equities completed.
2006	Dematerialisation of corporate bonds and mutual funds completed.
2006/2007	2 year twinning project between Capital Markets Board (CMB) and Germany's BaFin to comply with EU standards.
2007	Opening auction introduced at ISE. Mortgage Law passed. Eurobond market established within ISE. Regulation regarding structured funds passed.
2008	New anti-money laundering regulations in line with FATF recommendations adopted. Listing regulations eased. Protocol for encouraging IPOs signed.
2009	Automated Disclosure Platform introduced. Regulation regarding corporate bonds eased. ISE Emerging Companies Market regulation passed.
2010	IPO regulations eased. First warrant issued. Market making introduced for warrants, ETFs, and investment trusts.
2011	Protocol for encouraging IPOs of SMEs signed. Regulation regarding short-selling of securities tightened Forex regulation introduced.

Source: CMB, TSPAKB

In addition to regulatory reforms, a public relations campaign to revive the initial public offerings was undertaken, and more recently an investor education campaign is being designed. As a result of these efforts, in addition to adequate macro-economic conditions, both the IPO market and the corporate bond market revived significantly starting from 2010.

1. Equity Market

As of June 2011, there are 367 listed companies on the Istanbul Stock Exchange. The number of listed companies was stagnating since 2007. However, the IPO market revived significantly in 2010, and the number of listed companies rose by 43 in one and a half year.

Equity Market at a Glance						
	No. of Listed Companies ¹	No. of IPOs ²	IPO Size ¹ (mn. \$)	Market Cap. (mn. \$)	Trading Volume (mn. \$)	No. of Brokerage Firms
2006	322	19	949	163,775	229,642	105
2007	327	11	3,389	289,986	300,842	104
2008	326	3	1,895	119,698	261,274	104
2009	325	4	76	235,996	316,326	103
2010	350	25	2,153	307,551	425,747	103
2011/06	367	18	727	291,179	267,000	102

Source: ISE

¹: Including investment trusts and ETFs. Numbers may not add up due to delistings, relistings and mergers.

²: Including firms listed without a formal IPO.

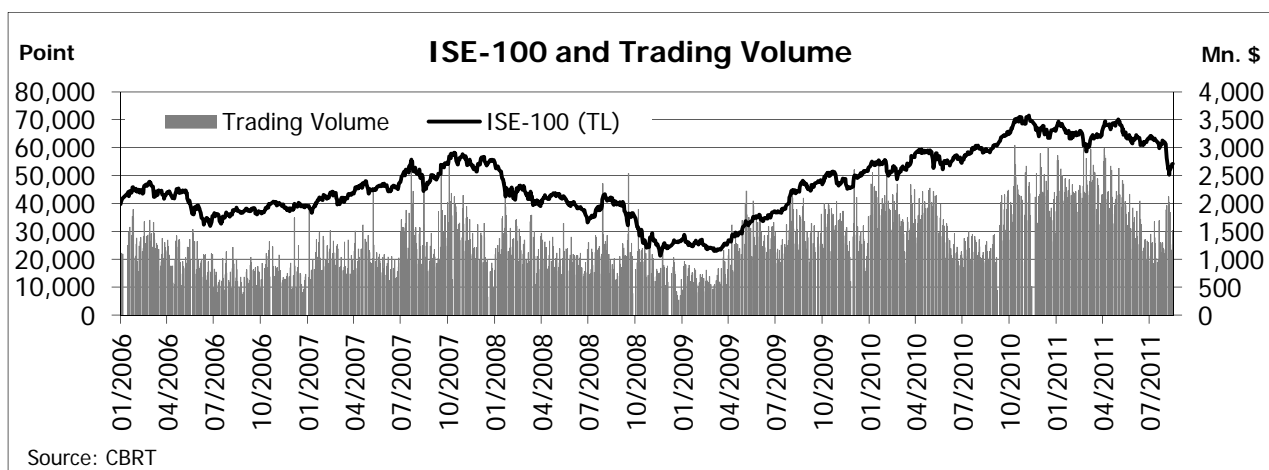
After the economic crisis of 2001, the number of IPOs remained limited. During the 2005-2008 period, although the number of offerings remained low, the IPO sizes increased significantly mainly due to privatised companies. Then with the global crisis, a significant contraction was observed in 2008 and 2009.

The on-going weak performance of the IPO market, led to a national campaign to promote public offerings. A cooperation protocol was signed between the Istanbul Stock Exchange (ISE), the Union of Chambers and Commodity Exchanges of Turkey (TOBB), the Capital Markets Board (CMB) and the Association of Capital Market Intermediary Institutions of Turkey (TSPAKB) in August 2008. As the negative effect of the global crisis faded out and in line with favourable domestic macroeconomic environment, the IPO awareness campaign was initiated in 2010 according to the protocol mentioned above. Various seminars were held in large Turkish cities, where executives of private companies were informed about the benefits of becoming public. Within the context of this campaign, several documents were prepared and distributed by different institutions and a website was launched. Meanwhile, a similar protocol for encouraging the IPO of small and medium size enterprises was endorsed by related parties in February 2011.

On the regulatory side, in 2009, thanks to an amendment in the capital market regulations; public companies (i.e. having more than 250 shareholders) were allowed to be listed after fulfilling certain conditions, without having to go through a formal IPO procedure. 2 companies got listed through this procedure in 2009.

Furthermore, the regulation regarding public offerings has been amended in 2010 in view of harmonising with the EU acquis and facilitating the IPO process. In addition, the IPO of foreign equities was allowed.

As a result of the IPO campaign and the amendments in the relevant regulations, 25 IPOs amounting to US\$ 2,2 billion took place in 2010. This figure includes the listing of the first foreign company on the ISE. The positive trend continues in 2011, as 18 companies went public in the first half of the year.



ISE's market capitalization reached a record level of US\$ 290 billion in 2007. However with the global crisis, the ISE-100 index posted a 63% decline in US\$ terms and accordingly, total MCap dropped to US\$ 120 billion at the end of 2008. MCap recovered starting from March 2009 and rose to US\$ 308 billion in December 2010.

With rising concerns over the global outlook, the ISE-100 index declined by 4% in TL terms in 1H2011, MCap declined to US\$ 291 billion despite new listings. The average free float is 35% as of

end June 2011.

The equity trading volume has been rising steadily since 2003, with the exception of the year 2008. The trading volume of the ISE rose by 35% in US\$ terms in 2010, reaching US\$ 426 billion. In January-June 2011, trading volume in equities reached US\$ 267 billion, up by 23% compared to the same period of last year.

The share of foreign investors in the equity trading volume was around 10% until 2004. With rising global interest for emerging markets, this share reached to a record-high 27% in 2008. However, after the crisis, this ratio recorded 14% in 2009, and 16% in 2010. Foreign investors' share in equity trading declined slightly to 15% in 1H2011.

2. Bonds & Bills Market

Interest rates followed a downward path in recent years, in line with declining inflation and increased confidence in the Turkish economy. T-bill rates, which were around 70% by the end of 2001, dropped gradually to around 20% in 2008. They declined further to around 8-9% in 2009, in line with Central Bank's interest rate cuts. Following this sharp decline, interest rate of the benchmark bond declined to around 7% by end-2010.

However, benchmark rates rose to 8.5-9% range in early 2011 as a result of the new monetary policy mix and rising concerns over the global economy.

Banks and brokerage firms compete in the fixed income market. In 1H2011, 92% of bonds and bills' trading volume, and 80% of repo trading volume has been generated by banks. These figures include OTC and organised market volumes.

Fixed Income Trading Volume						
(bn.\$)	ISE Markets		OTC Markets		Total	
	Bonds and Bills	Repo	Bonds and Bills	Repo	Bonds and Bills	Repo
2006	270	1,770	140	351	410	2,122
2007	279	1,993	184	375	463	2,369
2008	239	2,274	164	366	404	2,640
2009	270	1,929	135	330	405	2,259
2010	298	2,010	169	306	466	2,316
2011/06	177	952	120	166	297	1,118

Source: ISE

Repo volume increased significantly since 2004 to reach US\$ 2.6 trillion in 2008. Annual repo trading volume declined to US\$ 2.3 trillion in 2009, as interest rates declined, and did not change much in 2010. In the first half of 2011, it has reached US\$ 1.1 trillion, which implies a 2% decline compared to last year.

Trading volume in bonds and bills was quite stable in recent years, recording an average of around US\$ 400 billion. The market is more vibrant in 2011 and the trading volume rose to US\$ 297 billion in the first half of 2011, implying a 27% y-o-y increase.

Turkish bonds and bills market is dominated by public sector securities. Outstanding corporate bonds represent around 2% of the government debt. However, it should be noted that after a long dormant period, the corporate bond market revived only recently. After 1994, the first corporate bond issue took place in 2005. Following the revisions in relevant regulations to revive the market and a decline in interest rates, the corporate bond market almost exploded in 2010. The total issue

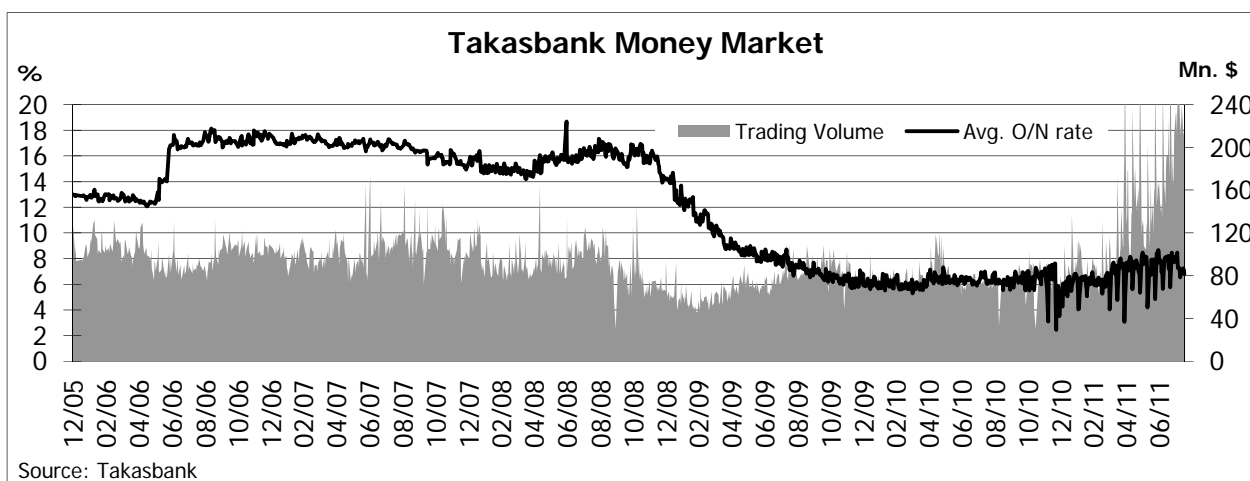
size registered with the Capital Markets Board reached US\$ 3.7 billion in 2010, compared to a tiny US\$ 289 million in 2009. This positive trend continues in 2011, and the issue size already exceeded US\$ 5 billion in the first four months of 2011, mainly with the help of bank bonds.

3. Money Market

As stated previously, Turkish Central Bank adopted an inflation-targeting policy. Following the global financial crisis, the Central Bank has taken measures to support the liquidity of the financial system starting from the last quarter of 2008, and reduced its policy rate. Amidst contracting domestic demand, the O/N borrowing rates were reduced to 6.5% in November 2009, comparing with around 16% before the global turmoil. In 2010, the Central Bank adopted the one-week lending rate, which was 7%, as the monetary policy reference interest rate.

The policy rate was reduced by 50 basis points in December 2010 and by 25 basis points in January 2011, while O/N rates were let fluctuating in a wider range. With increased concerns regarding domestic economic activity, the Bank reduced the one-week repo rate by another 50 basis points to 5.75% in August 2011, and narrowed the O/N interest rate band.

The annual trading volume in the Takasbank money market increased slightly by 5% to US\$ 19 billion in 2010, with an average daily transaction volume of US\$ 77 million. With the new monetary policy, daily trading volumes in O/N transactions rose significantly in 2011, to exceed US\$ 110 million in the first half of the year.



4. Futures Market

The futures market TurkDex has been growing steadily since its launch in 2005, although there has been a moderation in the growth rate since 2008. In 2010, annual trading volume rose by 32% to US\$ 288 billion. The first half of 2011 points to a meagre growth of only 2%.

Contrary to the fixed income market, brokerage firms get the lion's share in futures trading. Brokerage firms' share of trading volume was 85% in January-June 2011.

At TurkDex, there are 4 groups of contracts, as shown in the table. Trading is concentrated mainly in ISE-30 index contracts. US\$/TL currency contracts come in second place. The exchange launched euro/USD cross currency contracts and the ISE 30-100 index spread futures contracts in December 2010.

Futures Market Trading Volumes						
	2006	2007	2008	2009	2010	2011/06
No. of Contracts	6,628,503	24,867,033	54,472,835	79,431,343	63,952,177	34,215,156
Equity Index	2,194,245	17,016,913	40,334,968	65,399,748	56,519,304	26,829,005
Currency	4,429,502	7,849,609	14,110,292	13,912,680	7,279,797	7,261,584
Commodity	1,438	110	27,155	118,351	147,492	124,262
Interest Rate	3,318	401	420	564	5,584	305
Trading Volume (mn. \$)	11,987	93,438	162,888	218,415	287,916	144,180
Equity Index	7,314	85,182	147,433	203,230	279,861	135,986
Currency	4,652	8,253	15,374	14,793	7,440	7,841
Commodity	3	0	78	388	581	350
Interest Rate	18	3	3	3	33	2

Source: TurkDex

5. Asset Management

Institutional investors' total portfolio rose by 25% to US\$ 35 billion in 2010. This important increase reflects mainly the growth in real estate investment funds (REITs). The regulation regarding REITs has been amended in 2010, reducing the minimum free float requirement (to 25% from 49%) and the listing requirement period (to 3 months from 1 to 5 years). Total assets under management rose by another 6% in 1H11, with continuing growth in REITs. REITs represent 22% of total assets under management, compared with 7% at end-2006.

The private pension system has been growing exponentially since its introduction by the end of 2003. Pension funds continued to grow even in 2008, and assets under management reached US\$ 8.3 billion as of June 2011. Their share in total managed assets reached 22%, up from 10% at end-2006.

As a result of the growth in pension funds and REITs, the share of fixed income mutual funds which constituted 3/4 of managed assets in 2006, now represents only half of the assets. Equity mutual funds, on the other hand, correspond to 3% of managed assets.

Institutional Investors						
(mn. \$)	2006	2007	2008	2009	2010	2011/06
Mutual Funds-Fixed Income	15,701	21,670	15,253	19,047	18,971	19,385
Mutual Funds-Equity	599	762	365	674	955	1,093
Private Pension Funds	2,048	3,813	4,193	6,084	7,809	8,329
Real Estate Inv. Trusts	1,487	2,723	776	1,904	7,010	8,401
Investment Trusts	280	317	152	339	366	325
Exchange Traded Funds	88	226	128	170	167	151
Venture Capital Inv. Trusts	68	63	27	55	122	146
Total	20,271	29,574	20,895	28,273	35,402	37,830

Source: CMB

Although still meagre, venture capital investment trusts have also been growing. Their portfolio measures US\$ 146 million as of June 2011.

AGENDA OF THE TURKISH CAPITAL MARKETS

Regulations

The Capital Markets Board conducted a twinning project with the German BaFIN in 2006-2007. In that study, Turkish regulations were reviewed and their conformity to European Union regulations was analyzed. It has been concluded that Turkish regulatory structure is in line with the EU standards to a large extent. Yet, there are still some amendments to be implemented.

In April 2010, the communiqué regarding public offerings has been amended in view of harmonising with the EU acquis, and facilitating the IPO process. Within the context of this revision, the main amendment was the removal of the minimum free float requirement. In addition, the underwriting obligation for intermediary institutions was lifted. Offerings to qualified investors and equities to be registered for listing on the Emerging Companies Market, established for SMEs, was also regulated by this new communiqué.

In July 2010, a series of new regulations, aiming largely at hindering market manipulation were announced by CMB. CMB classified equities into three groups according to liquidity and free float criteria and differentiated the trading rules. These measures became effective in October 2010.

In October 2010, a new regulation regarding the sale of foreign securities was released. This regulation allowed the IPO of foreign equities and eased existing regulations regarding foreign securities.

In October 2010, the Banking Regulation and Supervision Agency allowed banks to issue TL-denominated bonds and bills.

On the other hand, in 2011 leveraged forex transactions were defined for the first time in the Capital Market Law. Accordingly, this market is regulated by Capital Markets Board starting from end-August.

In July 2011, asset management companies were given the opportunity to apply for brokerage licenses, limited to mutual fund transactions.

As the global turmoil affected the markets, buy-backs have been introduced for the first time in August 2011. Concurrently, the regulation regarding short-selling was tightened.

Market Reforms

The Emerging Companies Market (ECM), established as a separate market on the ISE, became operational in October 2010. This market with looser requirements than the main market is designed for SMEs. A market advisor mechanism is introduced for the ECM.

On the bonds and bills market of the ISE, several new sub-markets were established lately. In May 2010, ISE introduced a new borrowing market for companies whose stocks are traded on ISE. Those companies will be able to issue debt instruments on the Offerings Market for Qualified Investors without issuing a prospectus and a circular. Repo Market for Specified Securities and Interbank Repo-Reverse Repo Market were established in December 2010 and January 2011.

Istanbul Regional Financial Centre Project

The government has undertaken a project in order to make Istanbul a regional financial center. Studies have started under the coordination of the government and working groups have been

formed in early 2009, with the contribution of 81 public and private institutions, non-governmental organisations (including TSPAKB) and universities. The resulting Strategy Document was made public in October 2009.

The studies are continuing in a wide range of areas including the justice system, regulatory and supervisory framework, diversification of financial services, taxation policies, human resources and infrastructure via working committees. Our Association is involved in every step of the project.

IPO Campaign

The Istanbul Stock Exchange, the Capital Markets Board, the Union of Chambers and Commodity Exchanges of Turkey, and the Association of Capital Market Intermediary Institutions of Turkey signed a protocol to encourage public offerings in 2008. Within the context of the protocol, a series of seminars, conferences and private meetings are organised across the country in order to increase the awareness among the companies about public offerings, inform them about the benefits and procedures of an IPO.

A similar protocol was signed in February 2011 by the Istanbul Stock Exchange, the Capital Markets Board, the Small and Medium Industry Development Organization, and the Association of Capital Market Intermediary Institutions of Turkey in view of encouraging the IPO of small and medium size enterprises. Within the context of the protocol, the Small and Medium Industry Development Organization will subsidise the IPO costs of SMEs to be traded on the newly established Emerging Companies Market.

Investor Education Campaign

A joint investor education campaign was launched recently. In that context, TSPAKB financed a broad based financial literacy survey in 2010. A quantitative survey was done with 2010 people, representing the whole population.

Capital Markets Board launched a web site for investors. This website includes fundamental information about the markets and investment instruments, as well as complaint procedures.

Experts from the Istanbul Stock Exchange, the Capital Markets Board and the Association of Capital Market Intermediary Institutions of Turkey visited several universities in order to create and increase the awareness of capital markets among university students.

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ISBN-978-975-6483-37-4