



TSPAKB

THE ASSOCIATION OF CAPITAL MARKET
INTERMEDIARY INSTITUTIONS OF TURKEY

TURKISH CAPITAL MARKETS

December 2011



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Turkey at a Glance...

Location



Politics

- ❖ **The Republic of Turkey, founded in 1923, is a parliamentary democracy.**
- ❖ **Latest general elections were held in June 2011.**
- ❖ **The composition of the Grand National Assembly is as follows, as of 1 December 2011:**

Political Party	Orientation	No. of MPs	%
Justice and Development Party	Center Right	326	59.4%
Republican People's Party	Center Left	135	24.6%
Nationalist Movement Party	Nationalist	52	9.5%
Peace and Democracy Party	Center Left	29	5.3%
Other		7	1.3%
Total		549	100.0%



Economy-Background

- ❖ **Significant progress towards establishing a full-fledged market economy after the 1980s.**
- ❖ **Istanbul Stock Exchange founded in 1985.**
- ❖ **Capital markets liberalization in 1989.**
- ❖ **Customs Union with the European Union in 1996.**
- ❖ **Start of EU accession negotiations in 2005.**

Sovereign Foreign Currency Ratings (Long Term)

	S&P	Moody's	Fitch
Investment-Grade Ratings			
Highest Credit Quality	AAA	Aaa	AAA
High Credit Quality	AA	Aa	AA
Strong Payment Capacity	A	A	A
Adequate Payment Capacity	BBB	Baa	BBB
Speculative-Grade Ratings			
Speculative, Credit Risk Developing due to Economic Changes	BB+	Ba1	BB+
	BB	Ba2	BB
	BB-	Ba3	BB-
High Speculative, Credit Risk Present with Limited Margin Safety	B+	B1	B+
	B	B2	B
	B-	B3	B-
High Default Risk, Capacity Depending on Sustained Favourable Conditions	CCC+	Caa1	CCC+
	CCC	Caa2	CCC
	CCC-	Caa3	CCC-
	CC		CC
Default	C, D	Ca, C	C, D

Source: UNCTAD, Treasury

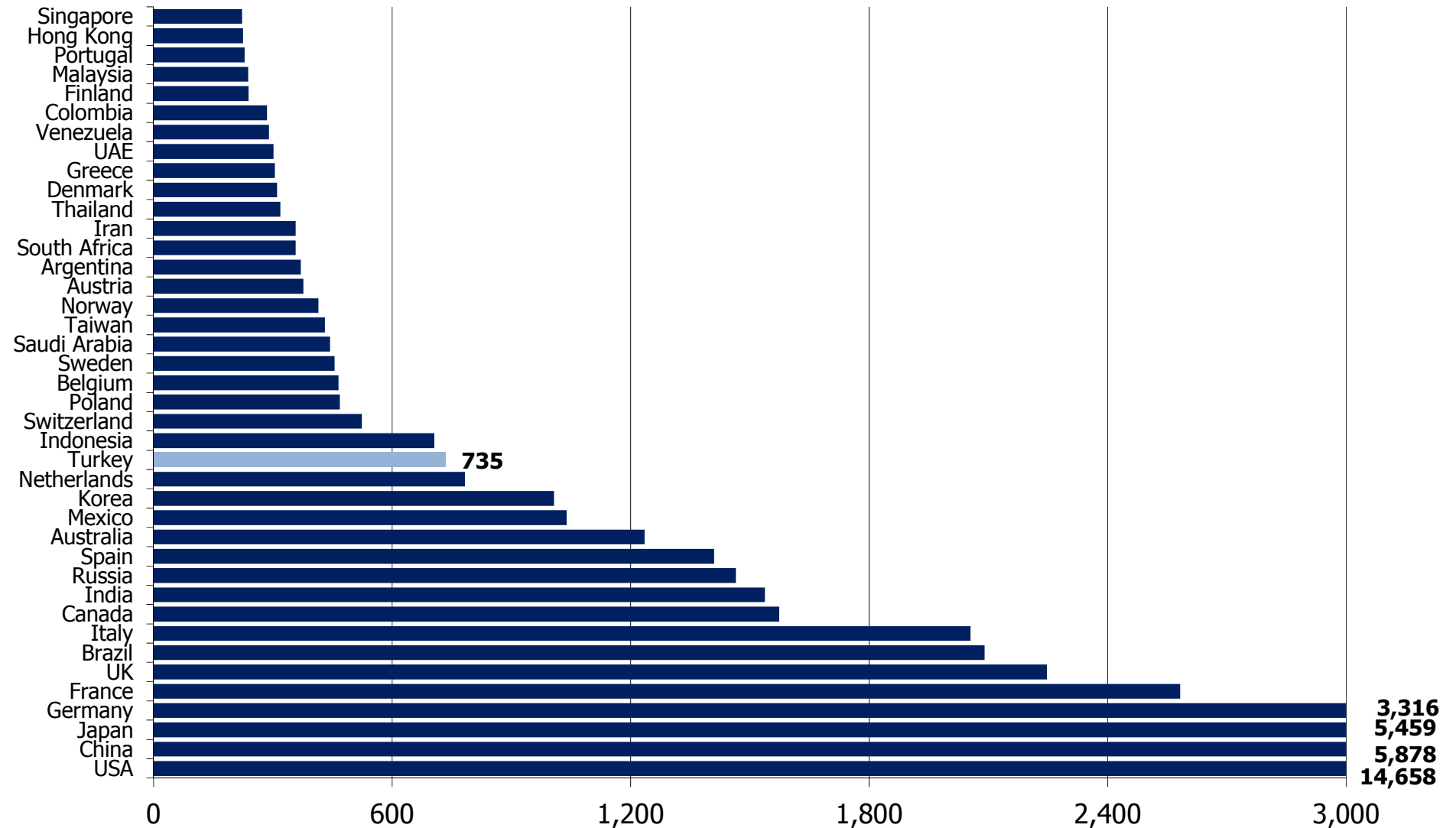
The credit ratings of Turkey are highlighted in red.



Population

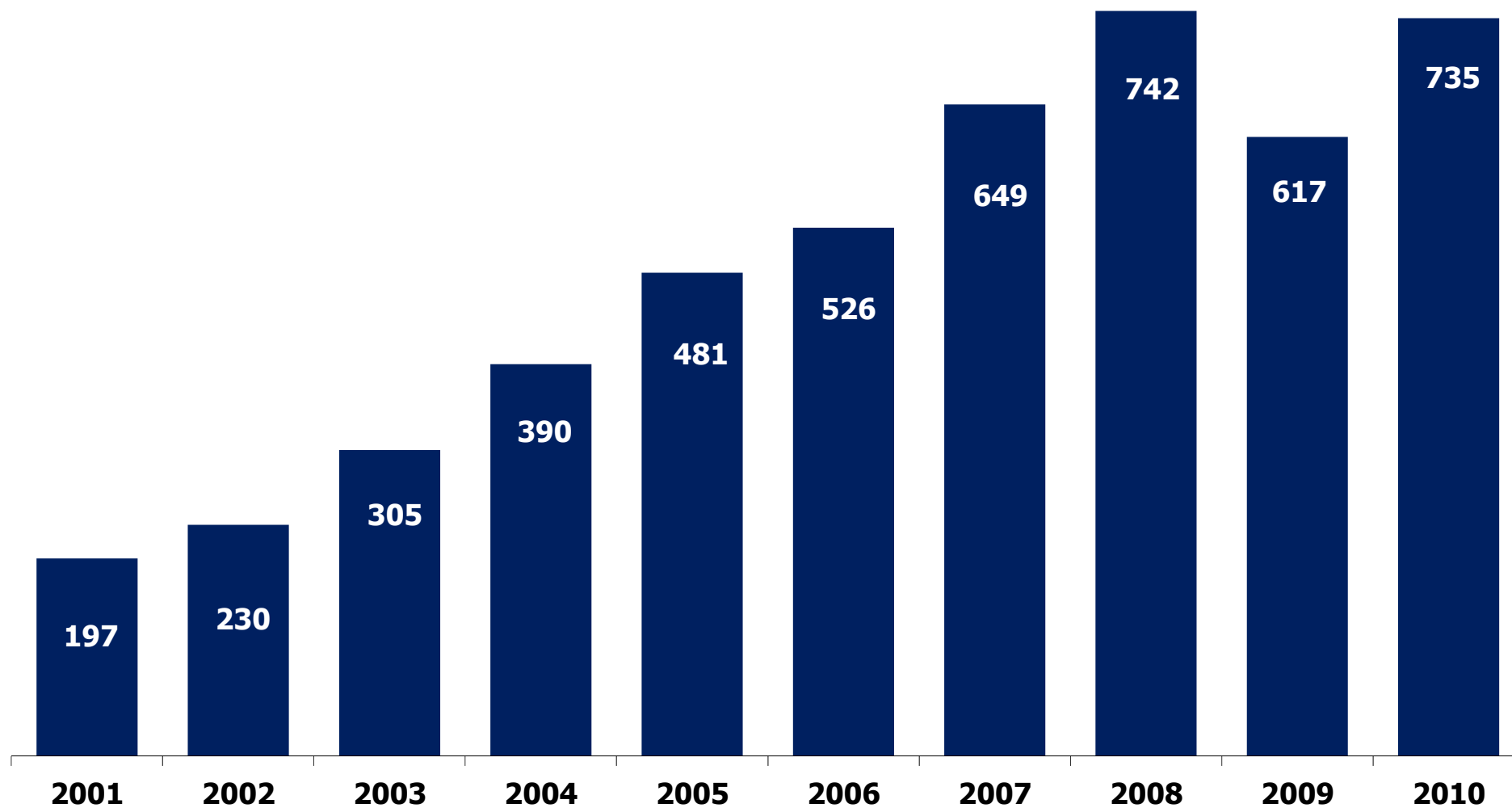
- ❖ **Turkey has a population of 74 million as of end-2010.**
- ❖ **51% of the population is aged below 30.**
- ❖ **Total work force is 26 million, with a participation rate of 49%.**
- ❖ **Unemployment level is 12% in 2010.**

World GDP Rankings (2010, Billion \$)



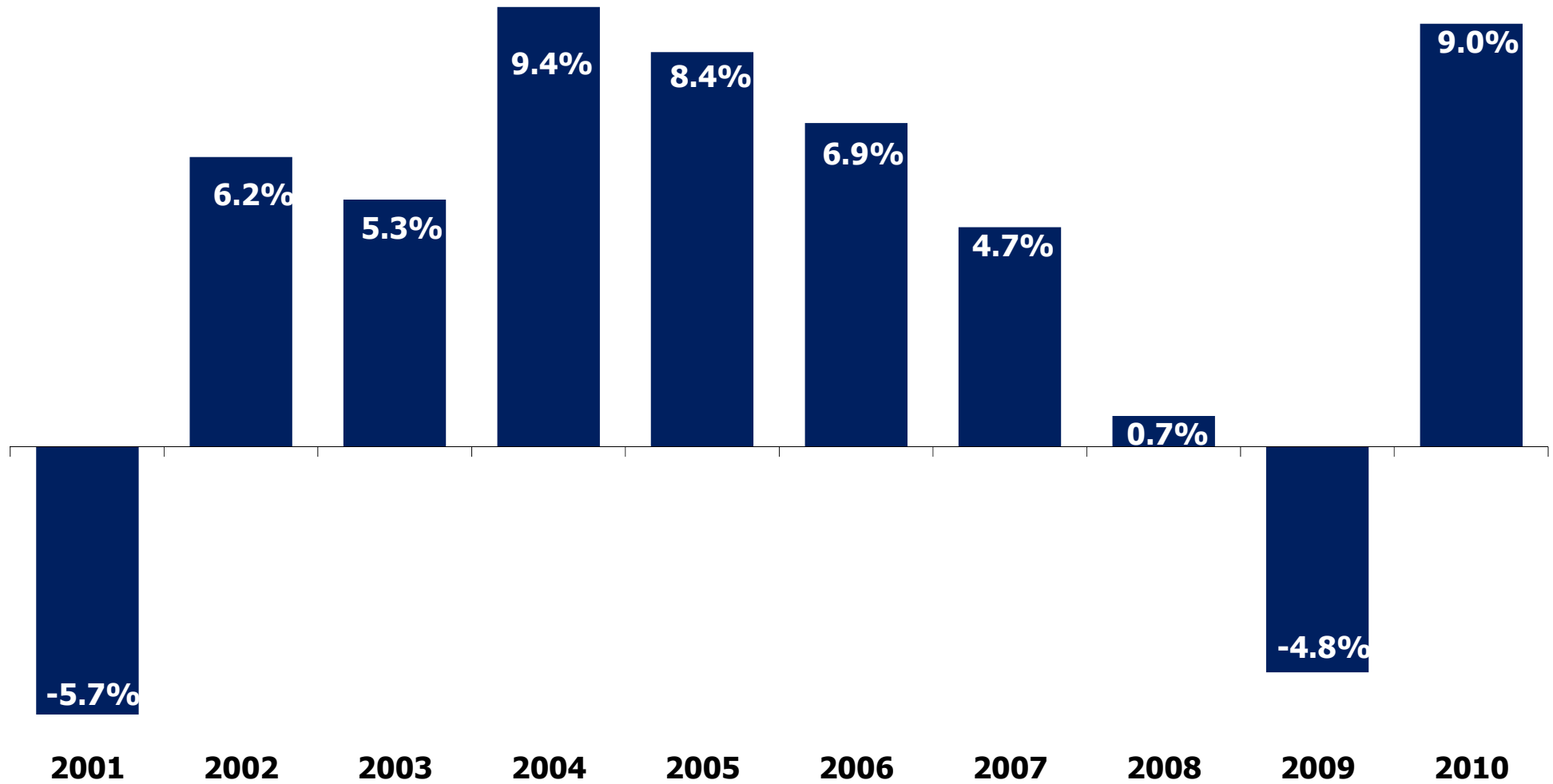
Source: IMF-WEO September 2011, Turkstat

Gross Domestic Product (Billion \$)



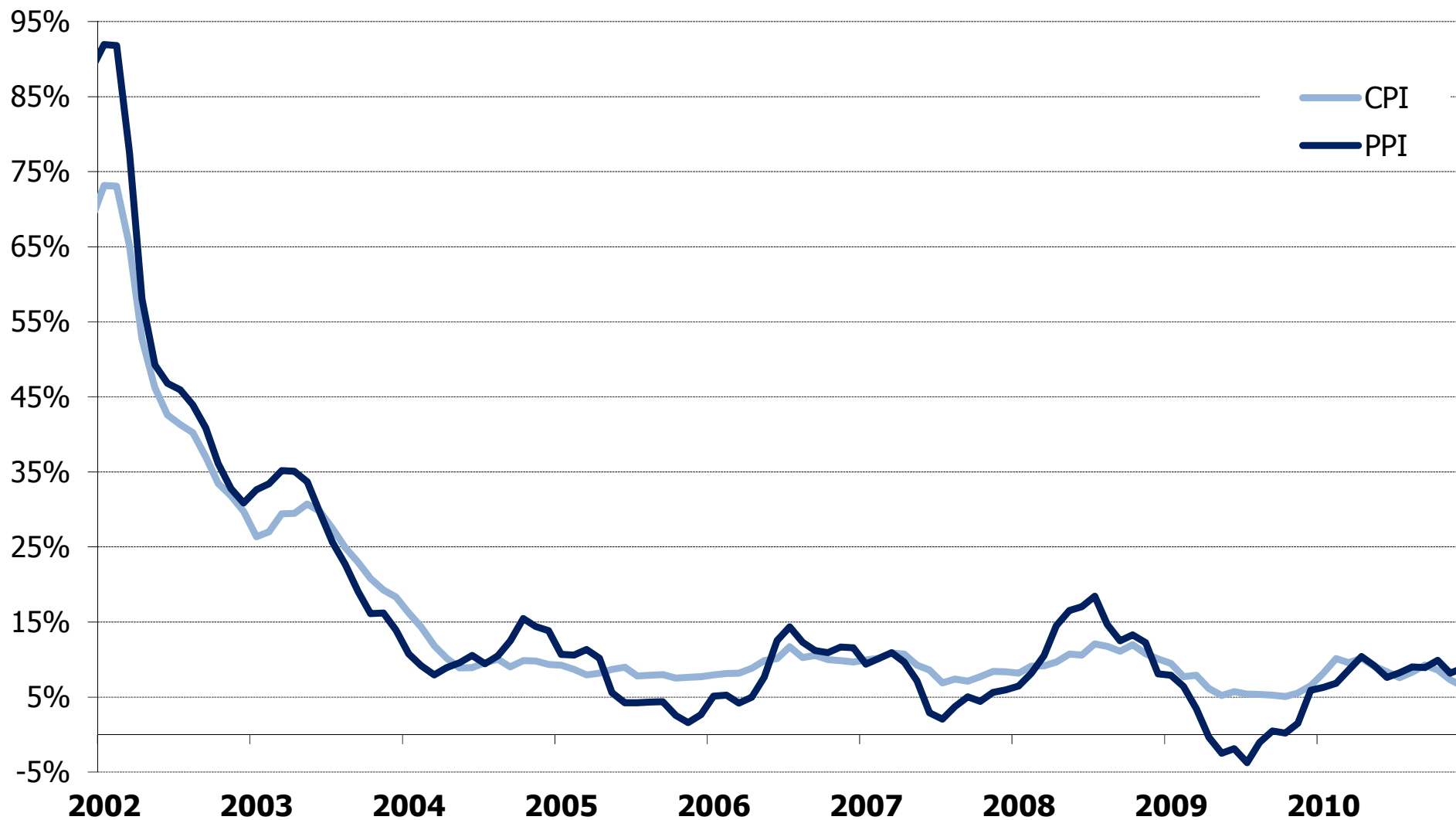
Source: Turkstat

Real GDP Growth



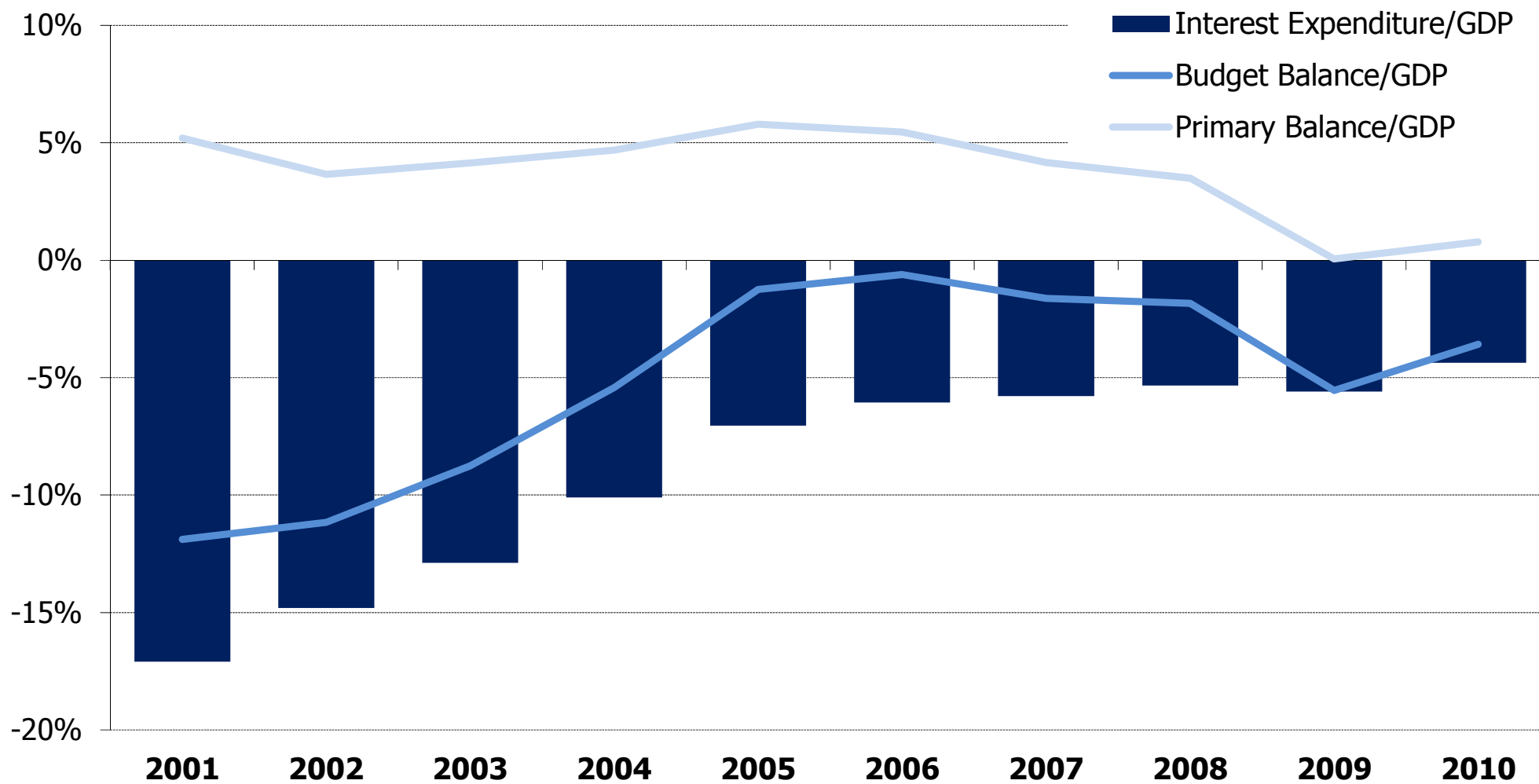
Source: Turkstat

Annual Inflation



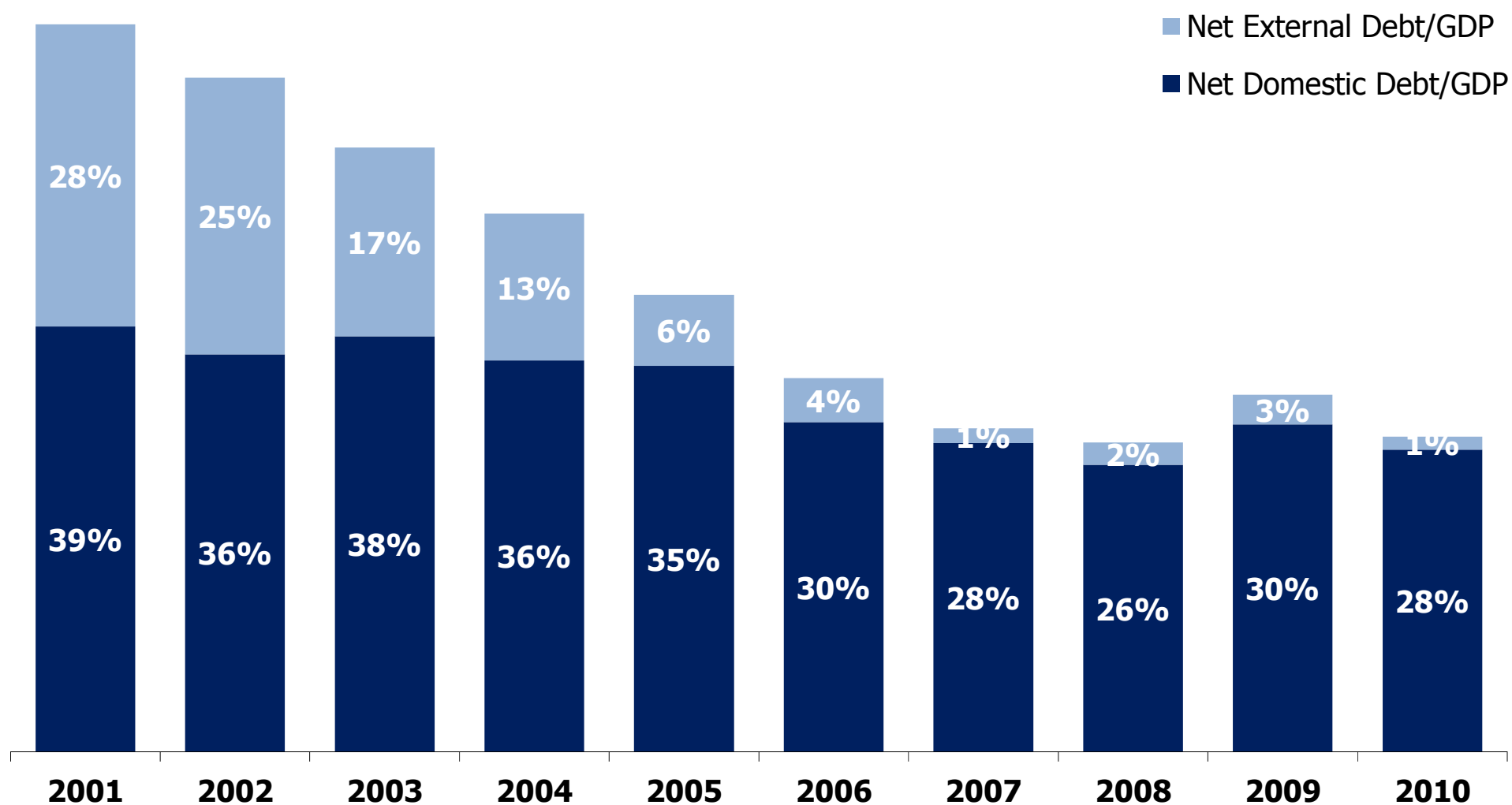
Source: Turkstat

Fiscal Balance



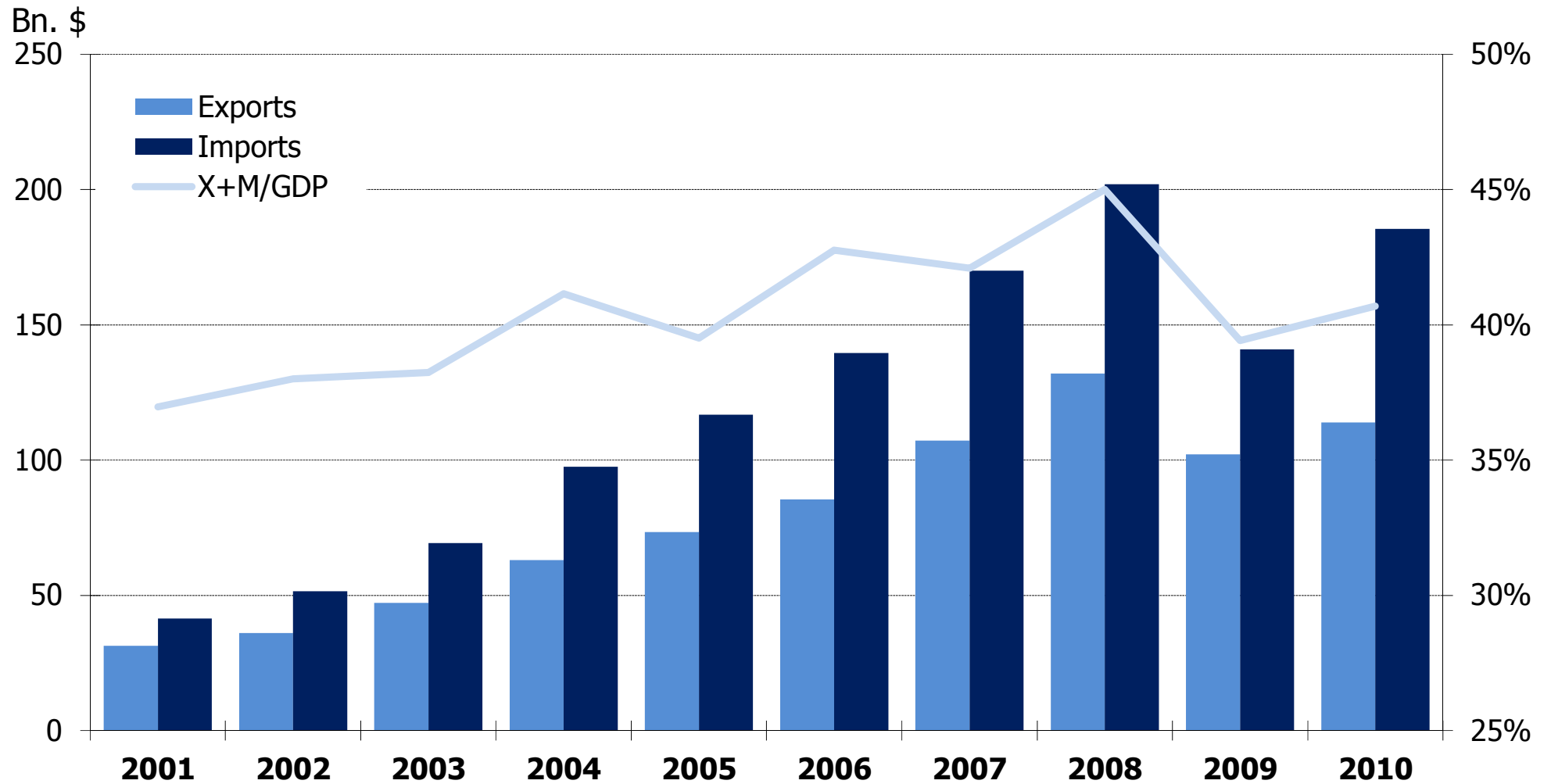
Source: MoF

Public Debt



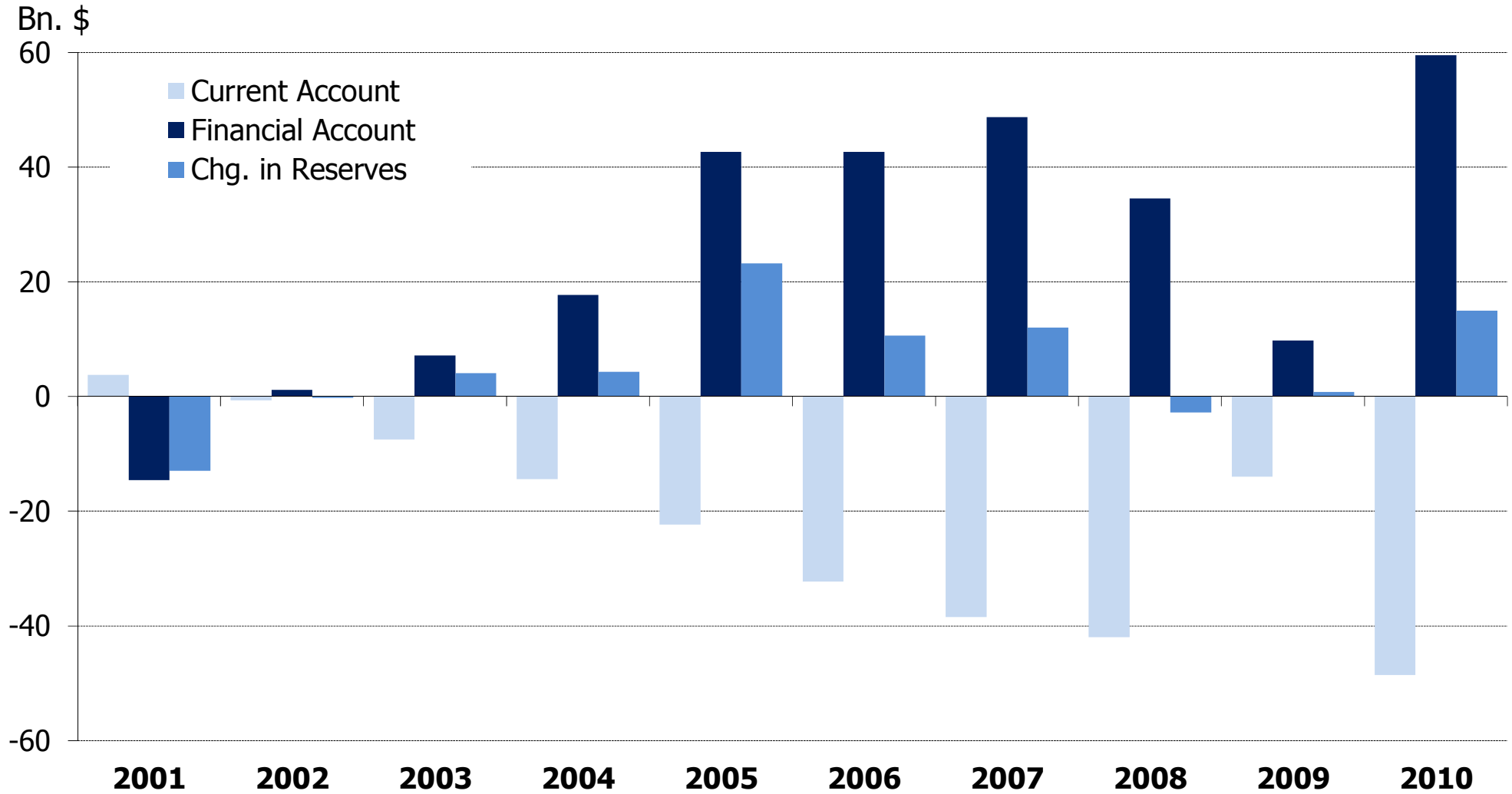
Source: Treasury

Foreign Trade



Source: Turkstat

Current Account Balance



Source: Central Bank



Structure of the Turkish Capital Markets...



Capital Markets Background

- 1982:** Capital Markets Board established.
- 1985:** Istanbul Stock Exchange established.
- 1995:** Settlement & Custody Bank formed.
Istanbul Gold Exchange established.
- 1997:** Banks are forbidden to trade equities.
- 2001:** TSPAKB (Association) established.
Investors' Protection Fund established.
- 2002:** Private pension system established.
- 2005:** IFRS adopted for financial intermediaries and listed companies.
Turkish Derivatives Exchange established.
Dematerialization of equities completed.
- 2006:** Dematerialization of corporate bonds & mutual funds completed.
- 2006/07:** Twinning project between CMB and Germany's BaFin to comply with EU standards.
- 2007:** Mortgage Law passed.
- 2009:** Automated Disclosure Platform introduced.
Istanbul International Financial Centre strategy announced.
- 2010:** First warrant issued.
- 2011:** Forex regulation passed.

Regulatory Structure of the Financial Markets

Banking

Banking Regulation and Supervision Agency (BRSA)

- Banks' Association of Turkey
- Participation Banks' Association of Turkey
- Banks
- Participation Banks
- Savings Deposit Insurance Fund
- Leasing
- Factoring
- Consumer Finance Companies
- NPL Management Companies

Capital Markets

Capital Markets Board (CMB)

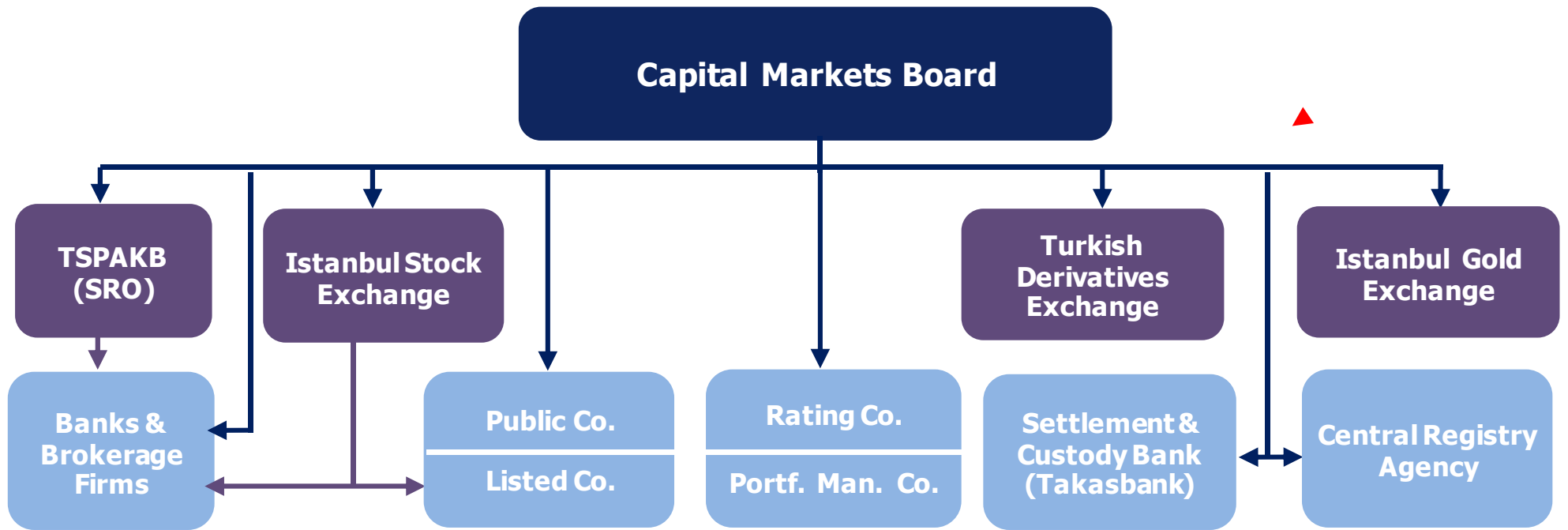
- TSPAKB
- Istanbul Stock Exchange
- Turkish Derivatives Exchange
- Istanbul Gold Exchange
- Banks
- Brokerage Firms
- Derivatives Brokerage Firms
- Central Registry Agency
- Settlement and Custody Bank
- Investors' Protection Fund
- Public and Listed Companies
- Rating, Appraisal, Audit Firms
- Asset Management Firms
- Financial Instruments

Insurance

Undersecretariat of Treasury

- The Association of the Insurance and Reinsurance Companies of Turkey
- Insurance Companies
- Private Pension Companies
- Private Pension Funds

Capital Market Institutions in Turkey





Capital Markets Board (CMB)

- ❖ **Capital Markets Board is the main regulatory and supervisory authority for the securities markets and institutions in Turkey.**
- ❖ **The Board is responsible for the protection of rights and interests of investors.**
- ❖ **The CMB's jurisdiction areas:**
 - **Primary markets,**
 - **Secondary markets,**
 - **Financial intermediation.**



Istanbul Stock Exchange (ISE)

- ❖ **ISE was established in 1985 as the only securities exchange in Turkey.**
- ❖ **ISE is a mutual organization, with banks and brokerage firms as members.**
- ❖ **The main markets and the traded securities are:**
 - **Stock Market: Shares, rights coupons, ETFs, warrants,**
 - **Emerging Companies Market: Shares of SMEs,**
 - **Bonds & Bills Market: Government bonds, corporate bonds, repo-reverse repo transactions,**
 - **Foreign Securities Market: Turkish eurobonds.**



Turkish Derivatives Exchange (TurkDex)

- ❖ **TurkDex was established as a private company in 2002 and became operational in 2005.**
- ❖ **Currently, only futures contracts are traded:**
 - **Currency futures (TL/US\$, TL/€ and €/€),**
 - **Interest rate futures (benchmark bonds),**
 - **Equity index futures (ISE-30 and ISE-100 indices, ISE 30-100 index spread),**
 - **Commodity futures (cotton, wheat, TL/gr gold, USD/ounce gold, base load electricity).**



Istanbul Gold Exchange (IGE)

- ❖ **The Istanbul Gold Exchange became operational in 1995.**
- ❖ **The IGE has two main markets:**
 - **Precious Metals Market: Spot transactions for gold, non-standard gold, silver and platinum**
 - **Precious Metals Lending Market: Gold.**



Takasbank (ISE Settlement and Custody Bank)

- ❖ **Takasbank was established in 1988 as a department of ISE. In 1992, it was incorporated as a non-deposit taking bank.**
- ❖ **Takasbank is:**
 - **The clearing and settlement centre for ISE,**
 - **The clearing house and central counterparty for TurkDex,**
 - **The national numbering agency of Turkey.**
- ❖ **It also operates a money market and the securities lending & borrowing market.**



Central Registry Agency (CRA)

- ❖ **Central Registry Agency was established in 2001 as a private company.**
- ❖ **CRA is the only central depository for all dematerialized capital market instruments.**
- ❖ **The dematerialization process was completed in 2006 for equities, in 2007 for mutual funds and corporate bonds, and in 2010 for warrants.**
- ❖ **It manages the Investors' Protection Fund (IPF) which covers settlement obligations, up to TL 63,701 (~\$ 40,000) in 2011, in case of liquidation or bankruptcy of intermediaries.**



Intermediary Institutions

- ❖ **Banks** are authorized to operate in the fixed income and derivatives markets.
- ❖ **Brokerage firms** are authorized to operate in the equities, fixed income, derivatives markets, forex trading.
- ❖ **Derivatives brokerage firms** are authorized to operate in the derivatives markets.



Types of Licences for Intermediaries

- ❖ **Securities Trading**
- ❖ **Derivatives Trading**
- ❖ **Repo-Reverse Repo Agreements**
- ❖ **Leveraged FX Trading**
- ❖ **Public Offering**
- ❖ **Asset Management**
- ❖ **Investment Consultancy**
- ❖ **Margin Trading, Securities Lending & Short-Selling**



TSPAKB...

- ❖ **Founded in April 2001.**
- ❖ **It is a self-regulatory professional organization in the Turkish capital markets.**
- ❖ **TSPAKB is under CMB supervision.**
- ❖ **The Association currently has 143 members:**
 - **101 brokerage firms,**
 - **1 derivatives brokerage firm,**
 - **40 banks.**
- ❖ **Total assets of members correspond to 87% of GDP in 2010.**



Aims

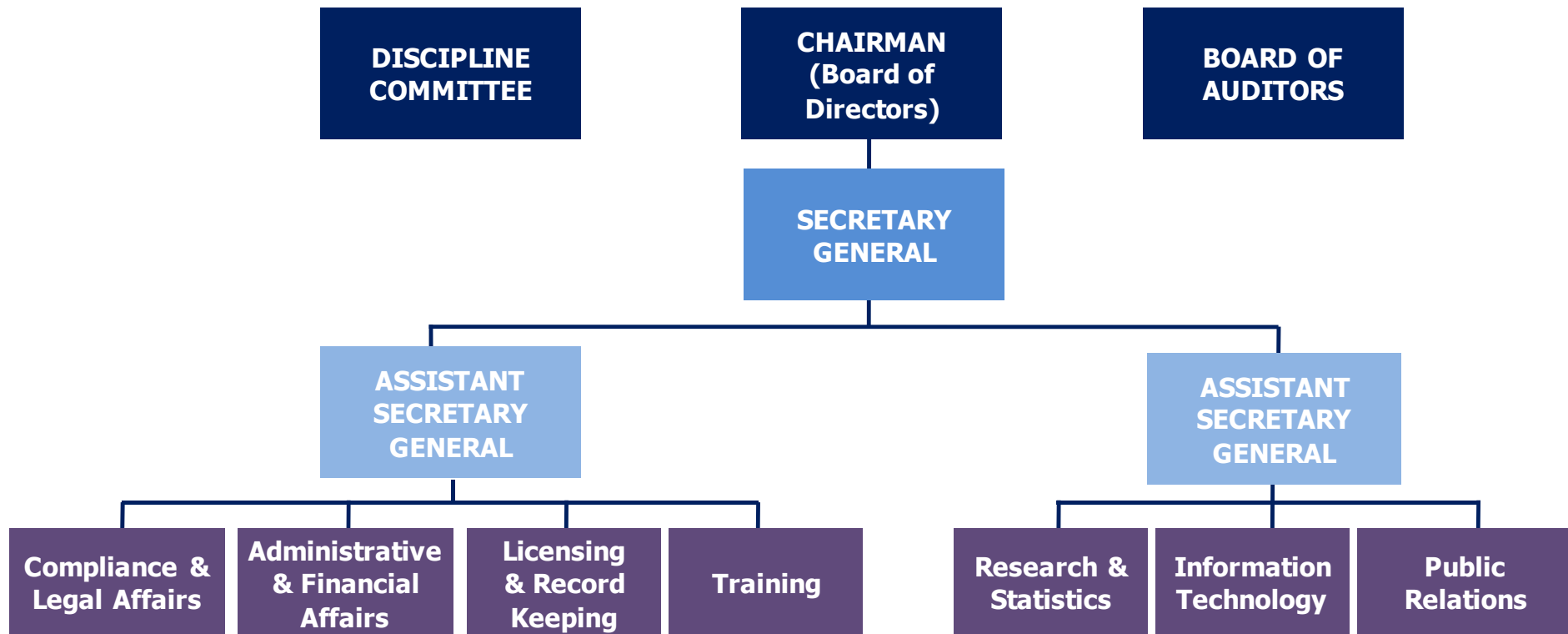
- ❖ **Contribute to the development of the capital market and intermediation activities,**
- ❖ **Facilitate solidarity between its members,**
- ❖ **Prevent unfair competition between its members,**
- ❖ **Enhance know-how in the sector.**



Functions

- ❖ **Establish code of ethics for the profession,**
- ❖ **Establish professional rules and regulations,**
- ❖ **Conduct research,**
- ❖ **Offer educational programs,**
- ❖ **Assist in the resolution of disputes,**
- ❖ **Issue licenses for sector professionals,**
- ❖ **Cooperate with related foreign institutions.**

Organization Chart





Departments

Compliance and Legal Affairs;

- **Makes proposals for changes in the existing regulations.**
- **Provides in-house legal advisory services.**
- **Conducts investigations to assist in the resolution of disputes on off-exchange transactions among its members or between its members and investors.**
- **Conducts investigations about the applications and complaints made to the Association.**



Departments (cont.'d)

Research and Statistics;

- **Gathers statistical data on members and produces periodic reports.**
- **Publishes research to enhance the development of the capital markets.**
- **Follows the developments in the international capital markets and informs members.**
- **Represents the Association at international capital markets institutions.**



Departments (cont.'d)

Training;

- **Prepares training programs towards licensing exams and professional development of industry professionals.**

Licensing and Record Keeping;

- **Issues licenses to market professionals who pass a centralized licensing exam.**
- **Keeps detailed records of licensed professionals.**
- **3 licensing examinations were held by TSPAKB in cooperation with the CMB since 2010.**



Departments (cont.'d)

Licensing (cont.'d)

- **There are several types of licenses for market professionals, some of which are required for employment at intermediaries.**
 - **Basic Level**
 - **Basic Level Customer Representative**
 - **Advanced Level**
 - **Settlement & Operations**
 - **Derivatives**
 - **Derivatives Customer Representative**
 - **Derivatives Accounting & Operations**
 - **Real Estate Appraisal**
 - **Residential Real Estate Appraisal**
 - **Credit Rating**
 - **Corporate Governance Rating**
 - **Independent Auditing in Capital Markets**



Departments (cont.'d)

Information Technology;

- **In charge of the IT backbone of the Association.**

Administrative and Financial Affairs;

- **Manages the administrative, accounting and personnel operations of the Association.**

Public Relations;

- **Manages media and public relations of the Association.**



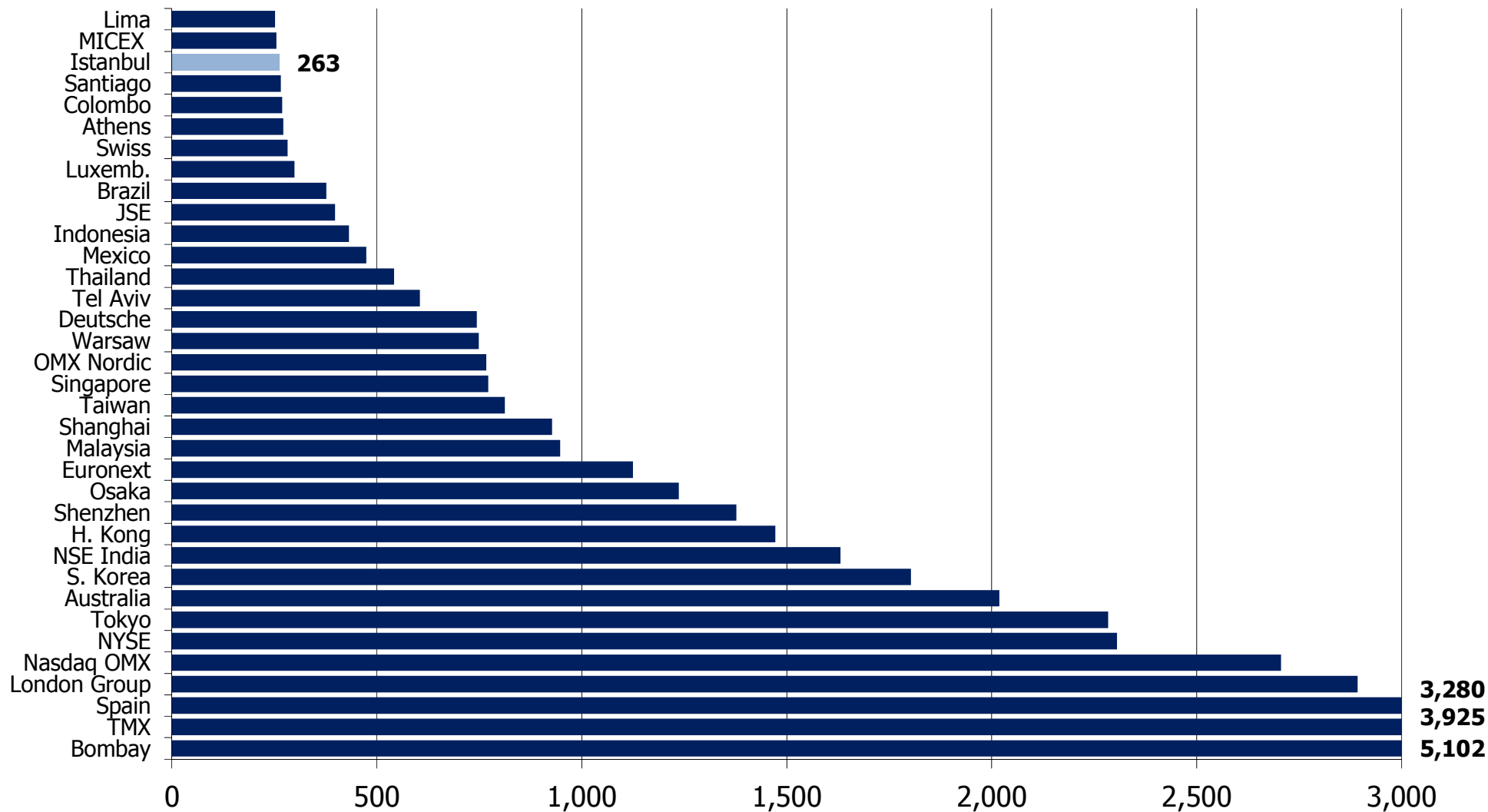
International Memberships

- ❖ **Asia Securities Forum (ASF) member since 2009.**
- ❖ **Asia Forum for Investor Education (AFIE) founding member since 2010.**
- ❖ **Federation of Euro-Asian Stock Exchanges (FEAS) affiliate member since 2009.**
- ❖ **International Council of Securities Associations (ICSA) member since 2006.**
- ❖ **International Forum for Investor Education (IFIE) member since 2009.**
- ❖ **International Organization of Securities Commissions (IOSCO) affiliate member since 2003.**



International Comparisons...

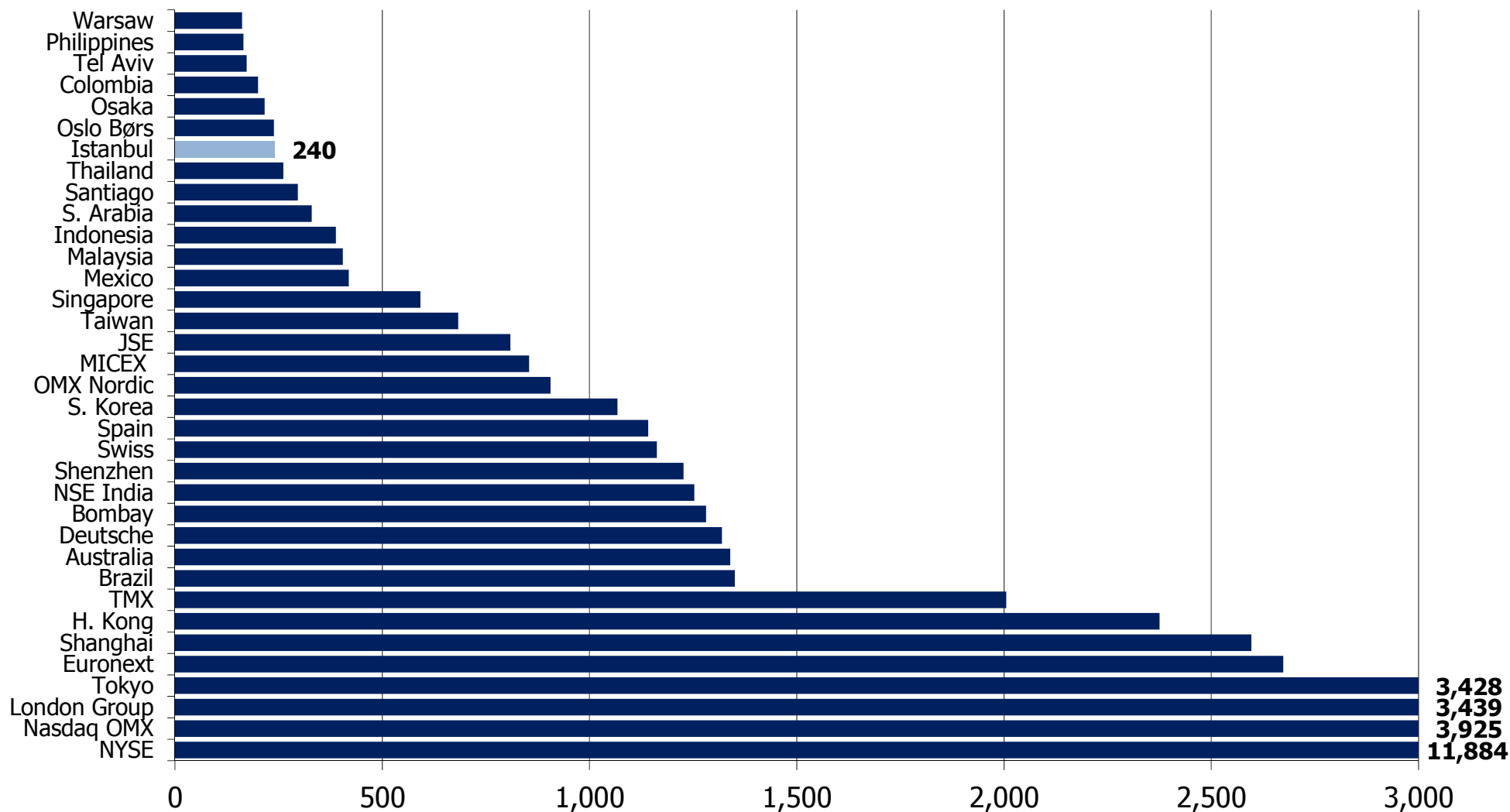
Number of Listed Companies (2011/10)



Source: ISE, WFE

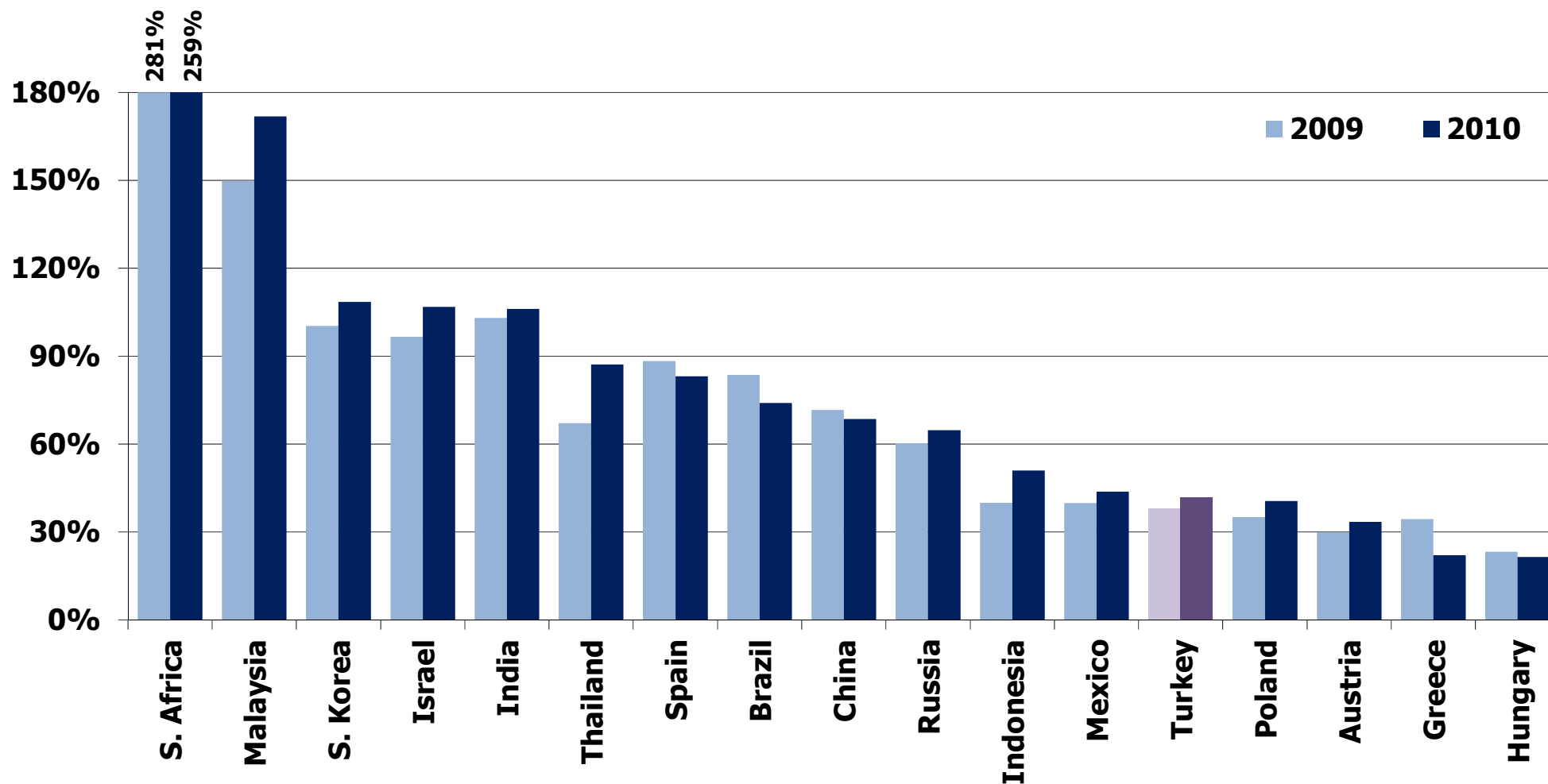
Number of companies excluding investment funds and unit trusts

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



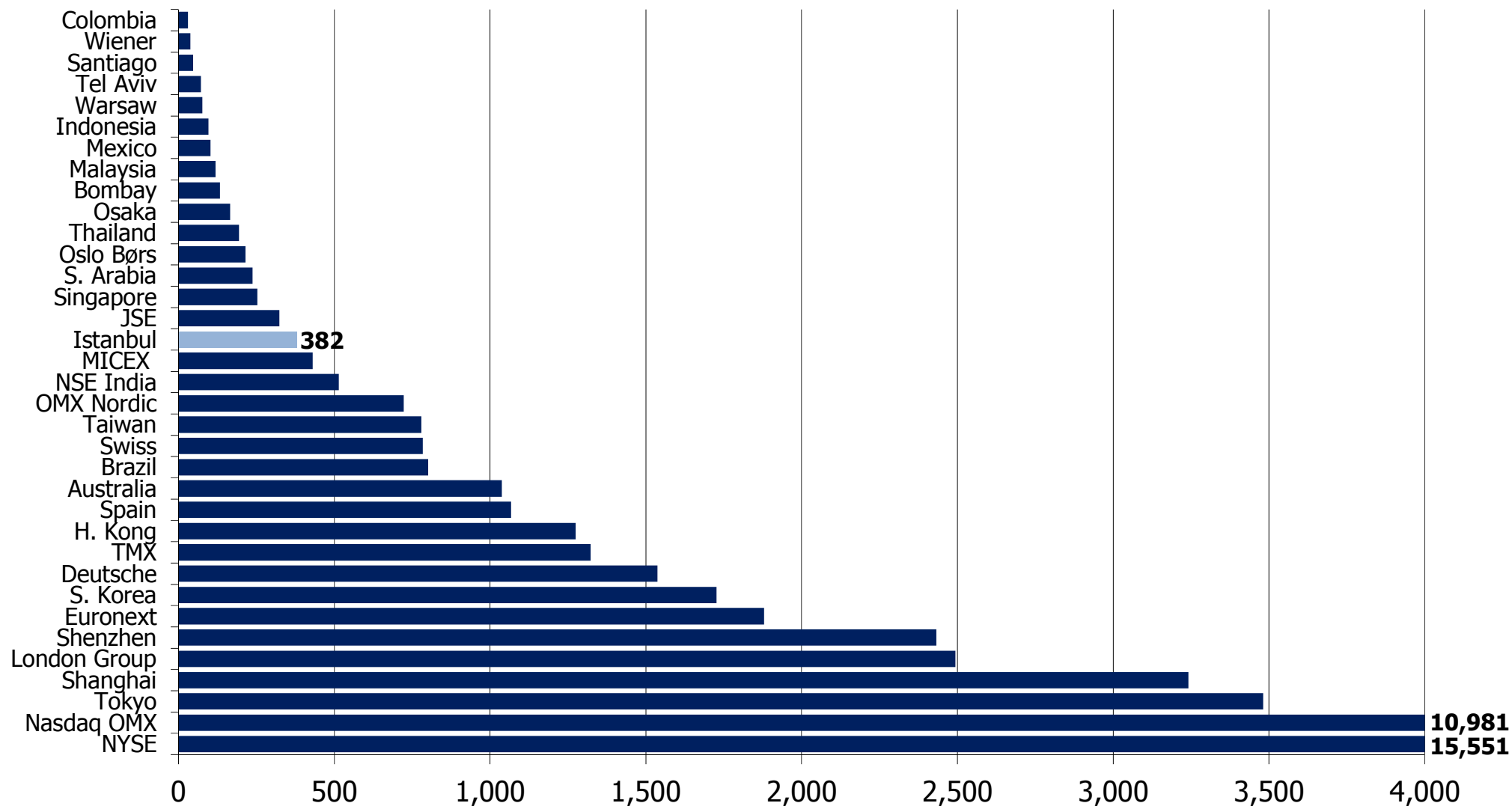
Source: ISE, WFE

Market Capitalization/GDP



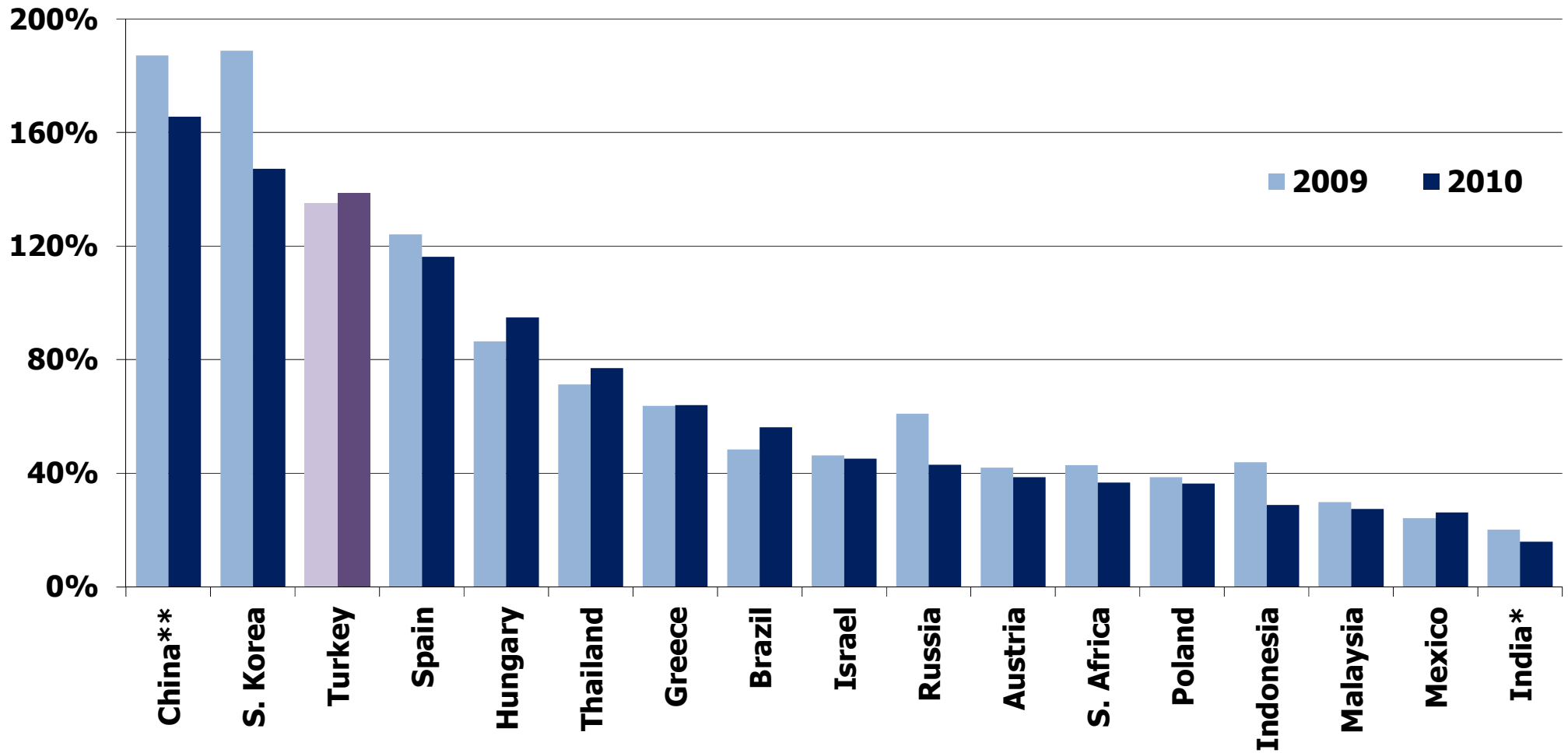
Source: ISE, WFE, IMF

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



Source: ISE, WFE

Turnover Ratio (Equity Trading Volume/Market Capitalization)

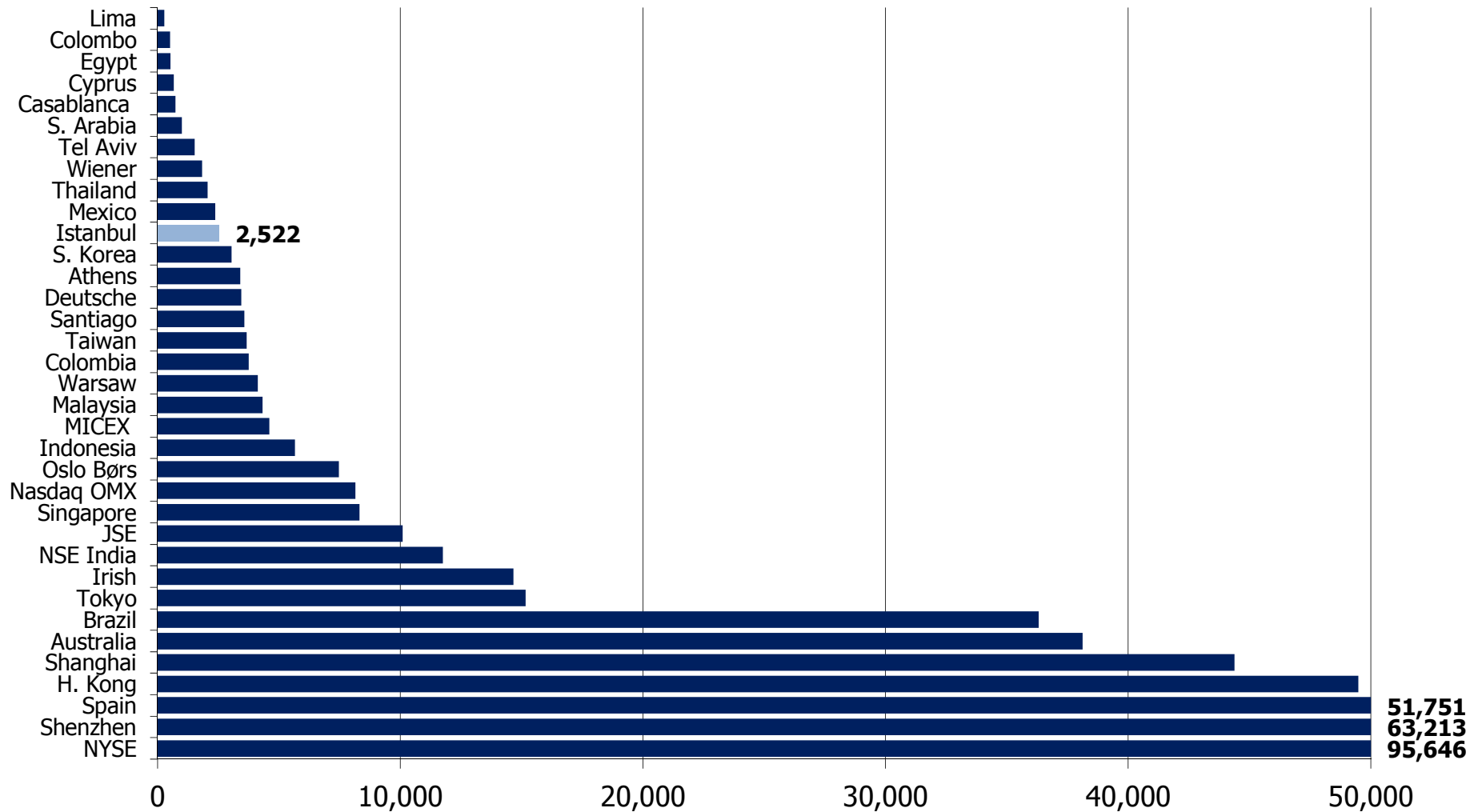


Source: ISE, WFE

*Bombay SE

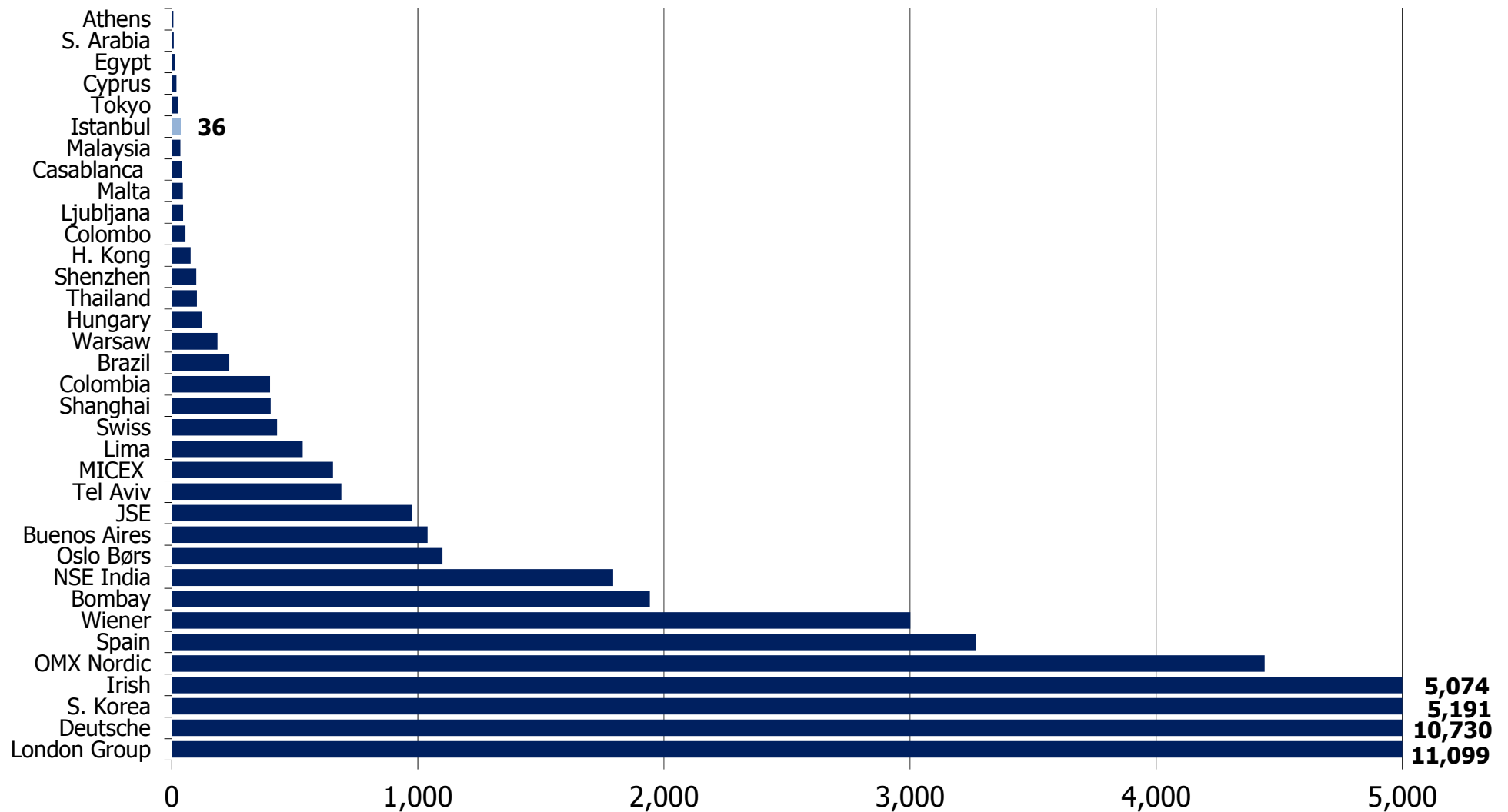
**Shanghai SE

Investment Flows to Listed Companies (2011/10)



Source: ISE, WFE

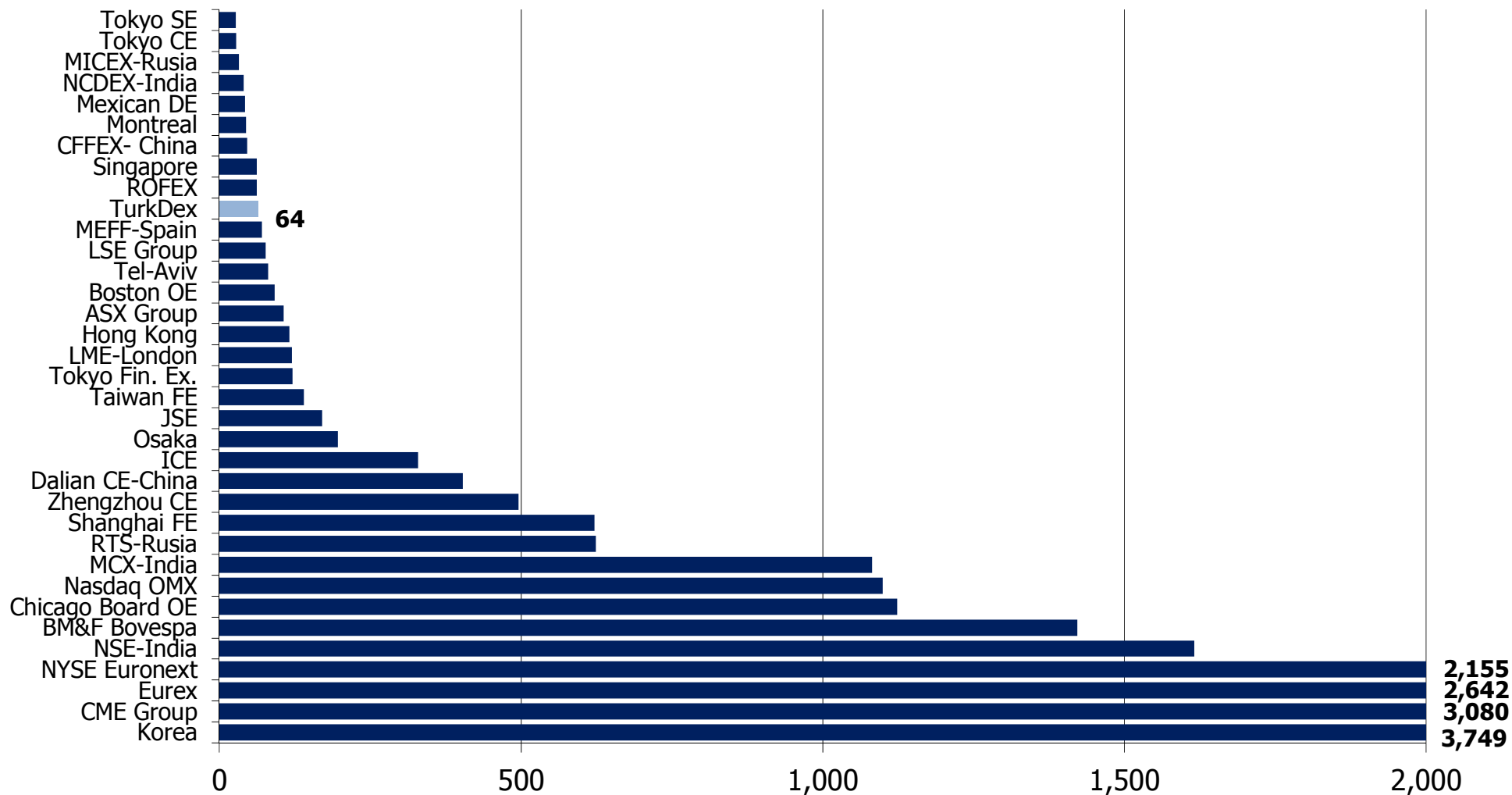
Number of Listed Corporate Bonds (2011/10)



Source: ISE, WFE

Trading Volume in Derivatives Market

(2010, No. of Contracts, Million)

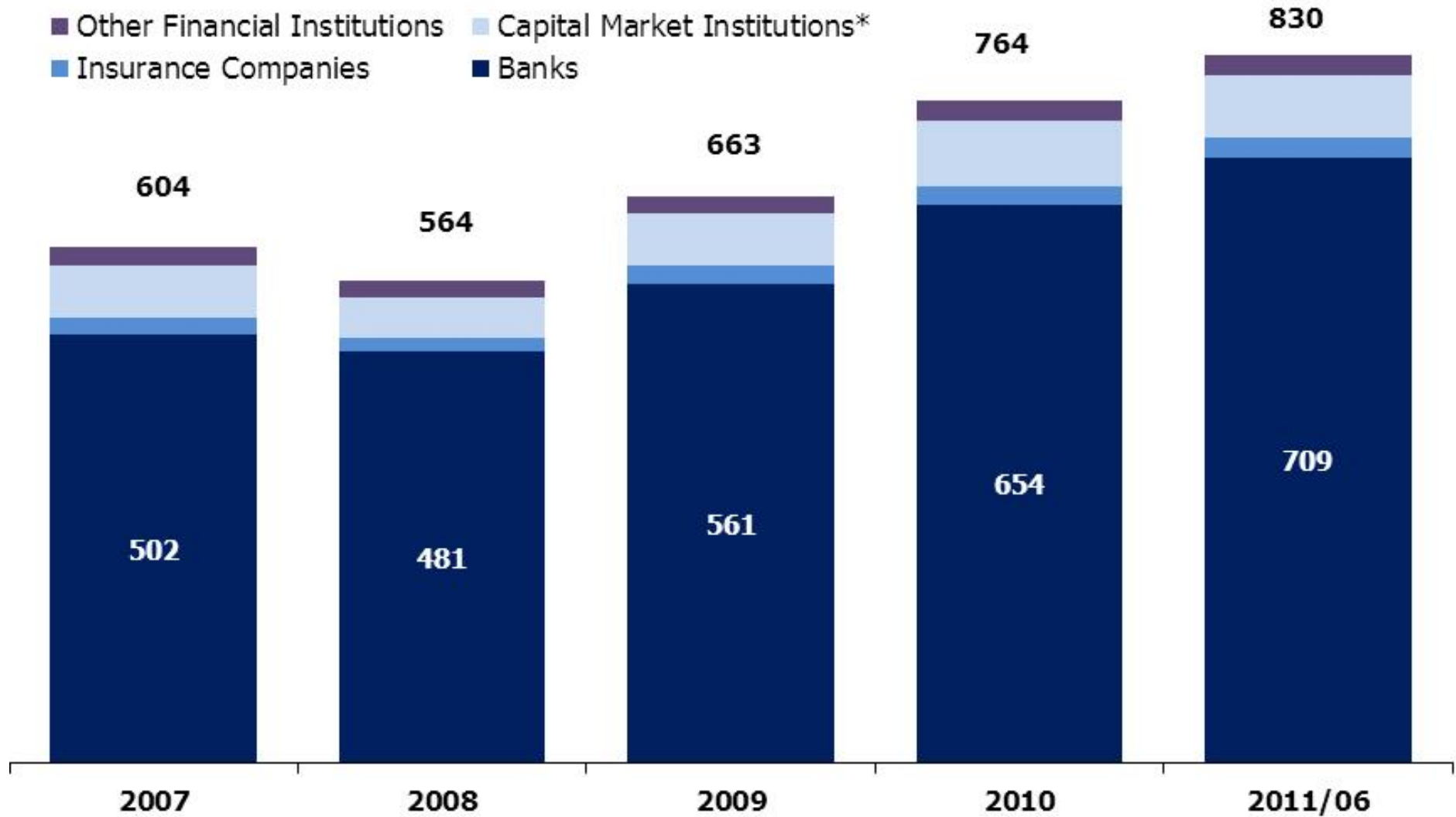


Source: FIA



Turkish Capital Markets...

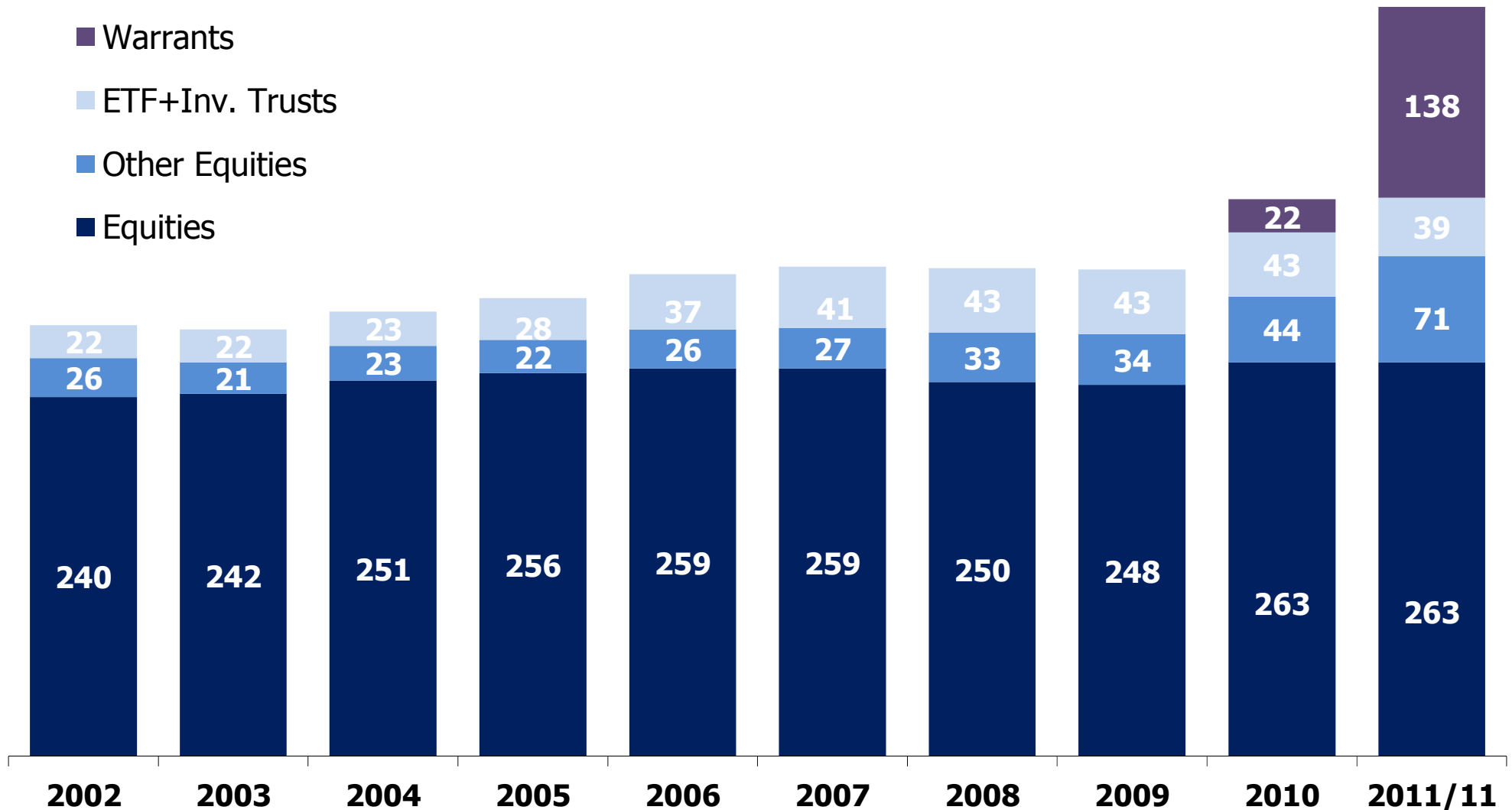
Total Assets of Financial Institutions (Billion \$)



Source: BRSA

**Brokerage Firms, Portfolio Mgmt. Companies, Inv. Funds, Pension Funds, Investment Trusts, REITs, Venture Capital Firms*

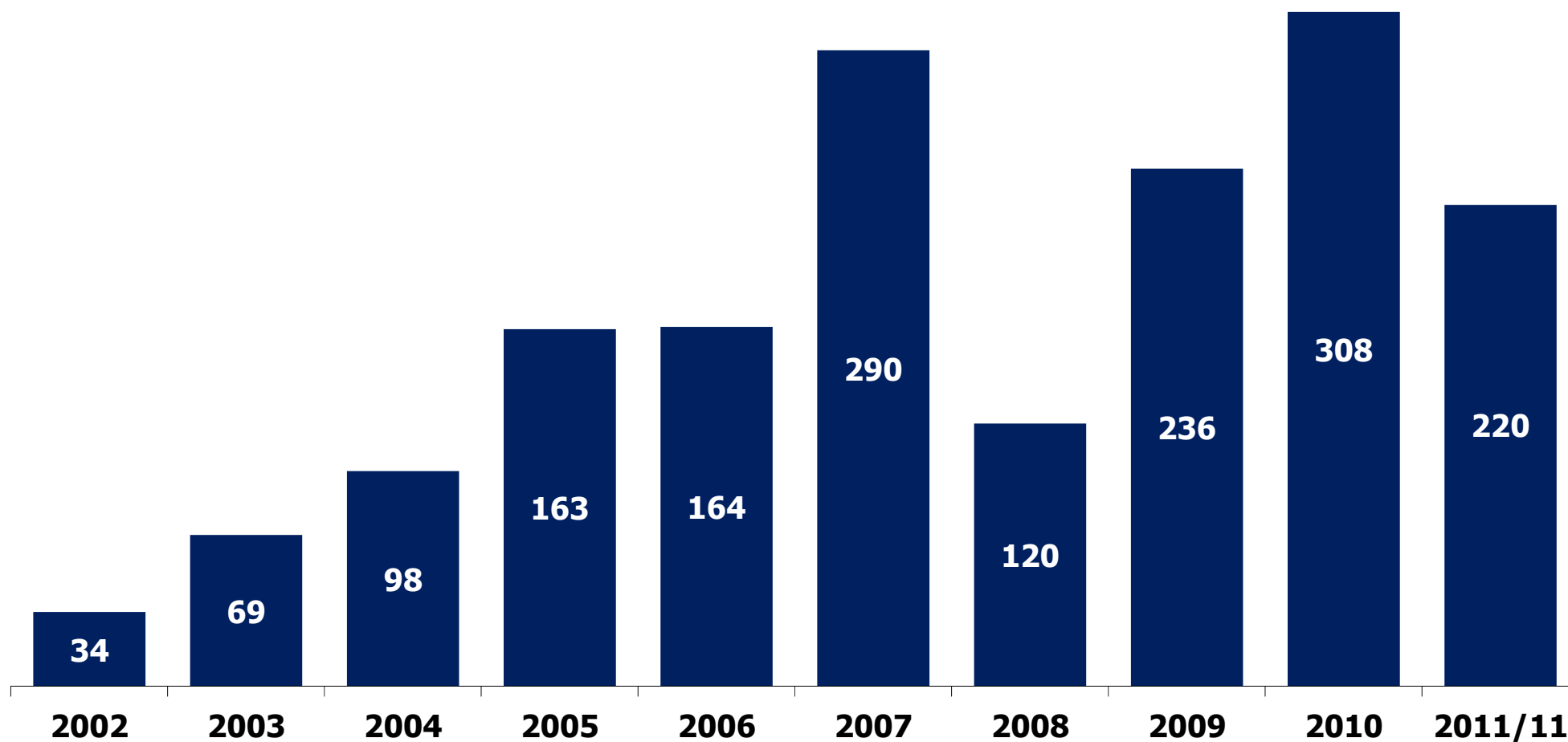
No. of Securities on the ISE



Source: ISE

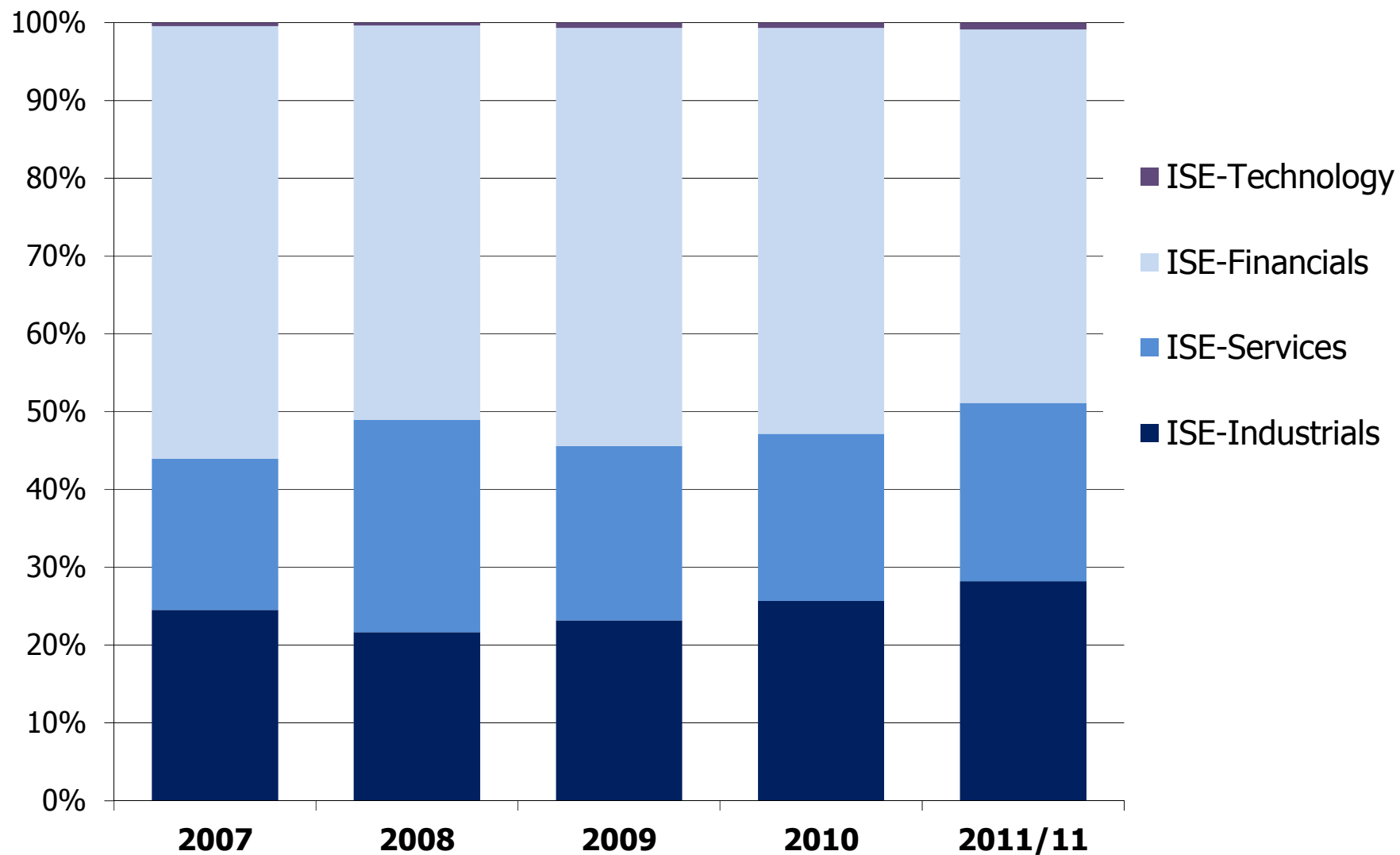
*Equities: National Market, REITs, Venture Capital Investment Trusts
Other Equities: Second National, Watchlist Companies and Emerging Companies Markets*

Market Capitalization of ISE (Billion \$)



Source: ISE

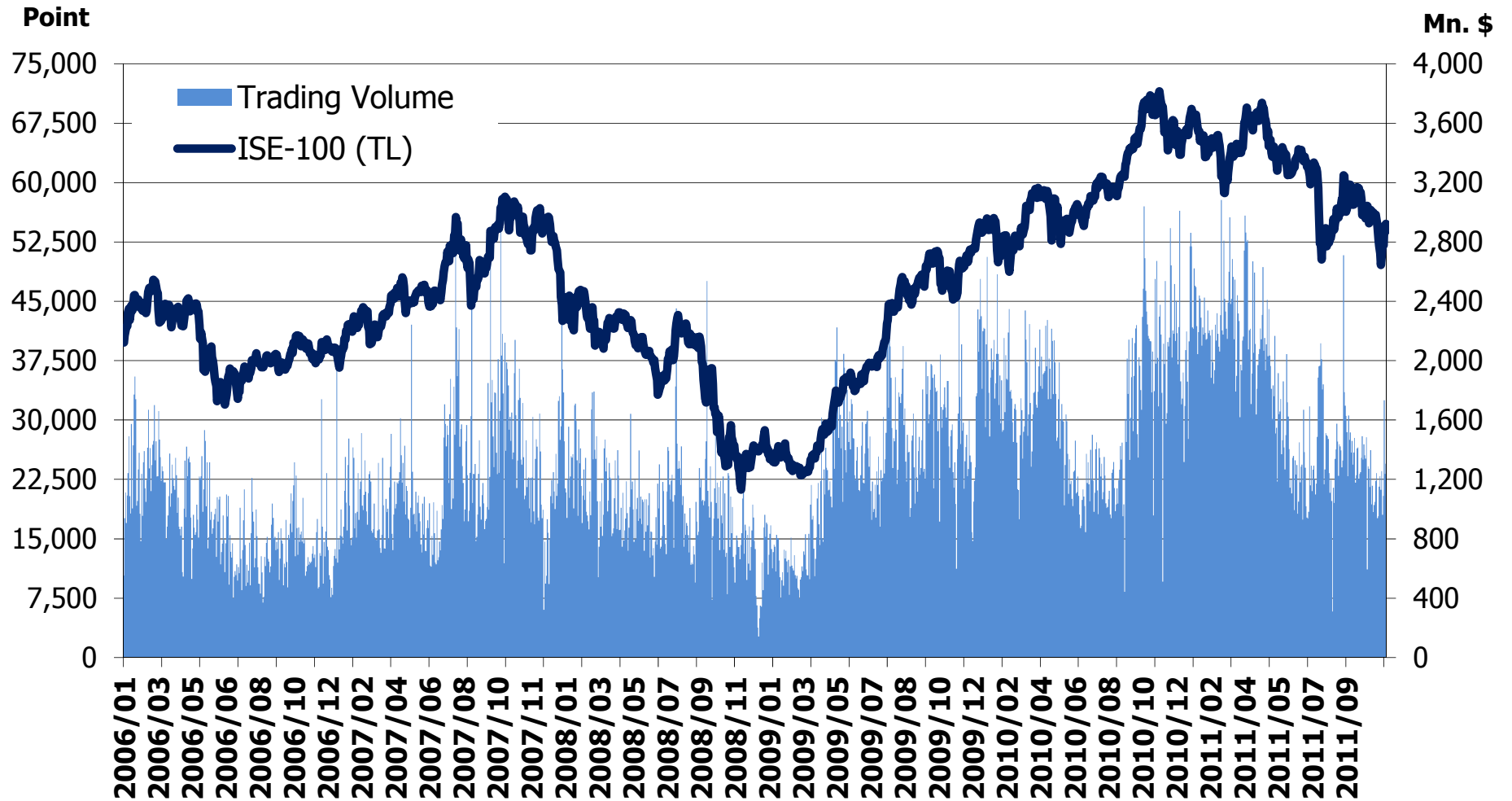
Breakdown of Market Capitalization



Source: ISE

National Market

ISE-100 Index & Trading Volume

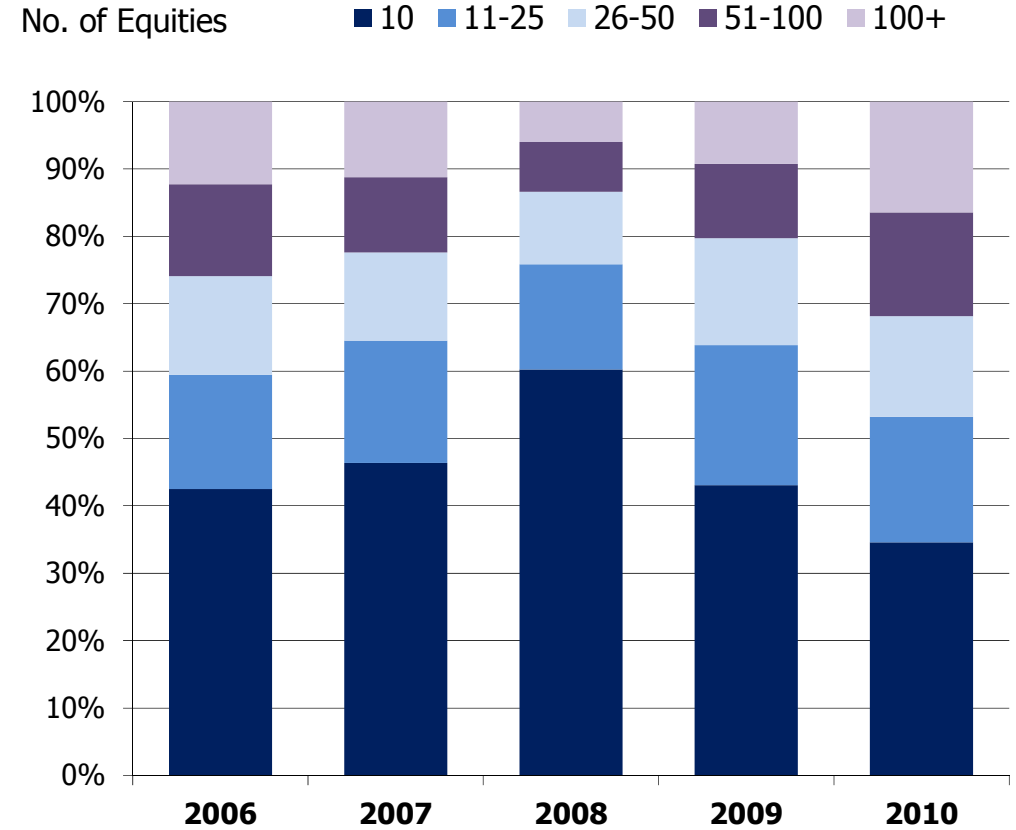
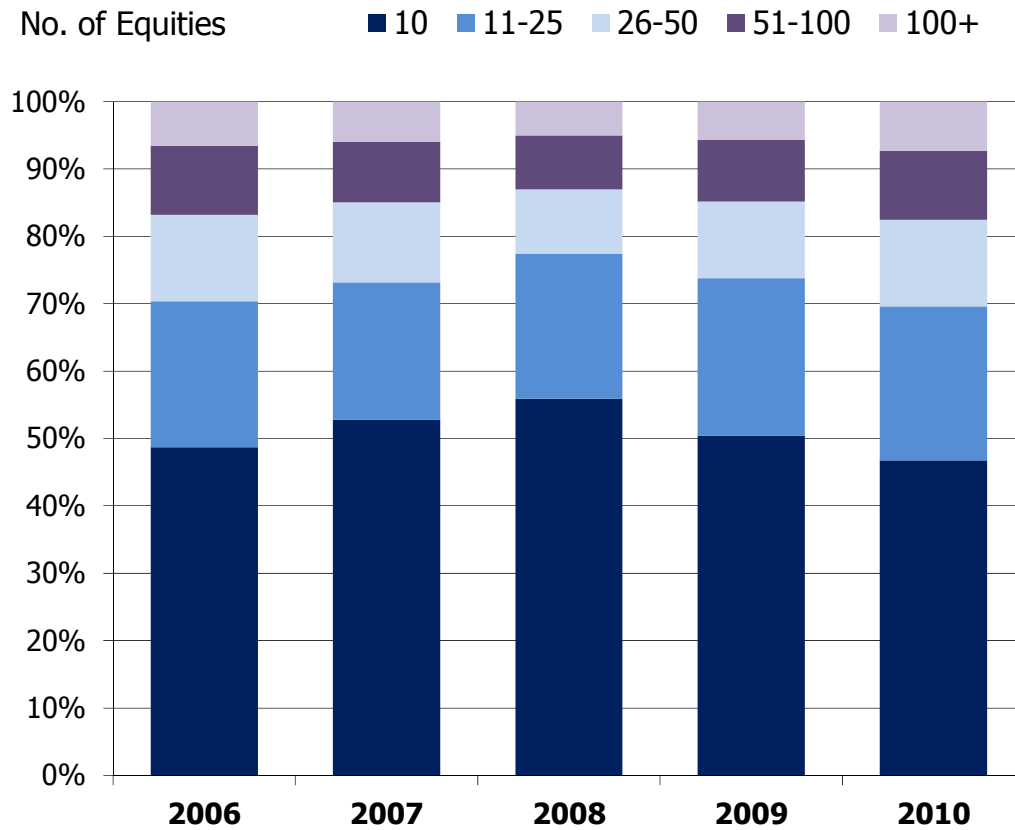


Source: ISE

Concentration in the Equity Market

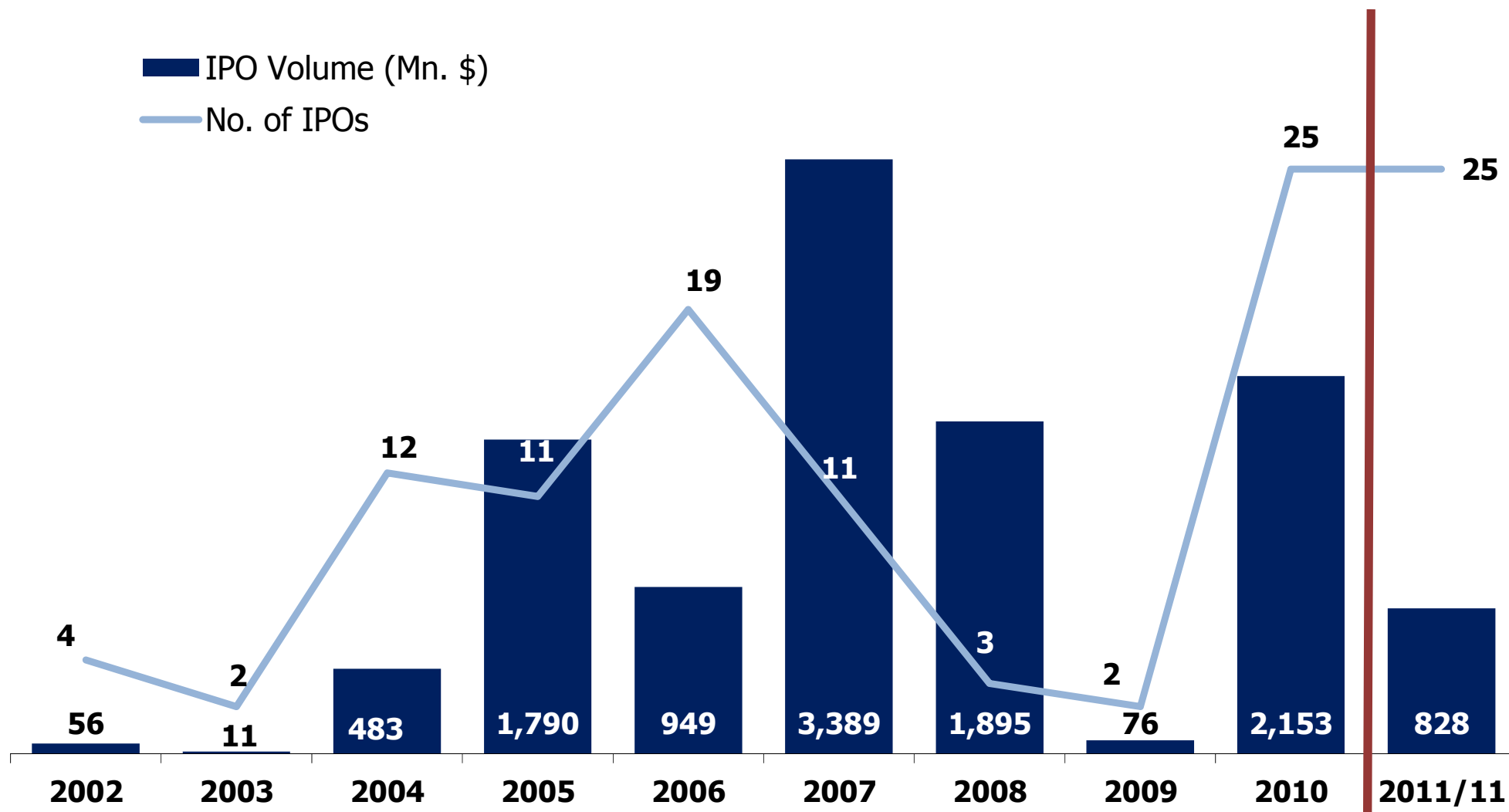
Market Capitalization

Trading Volume



Source: ISE

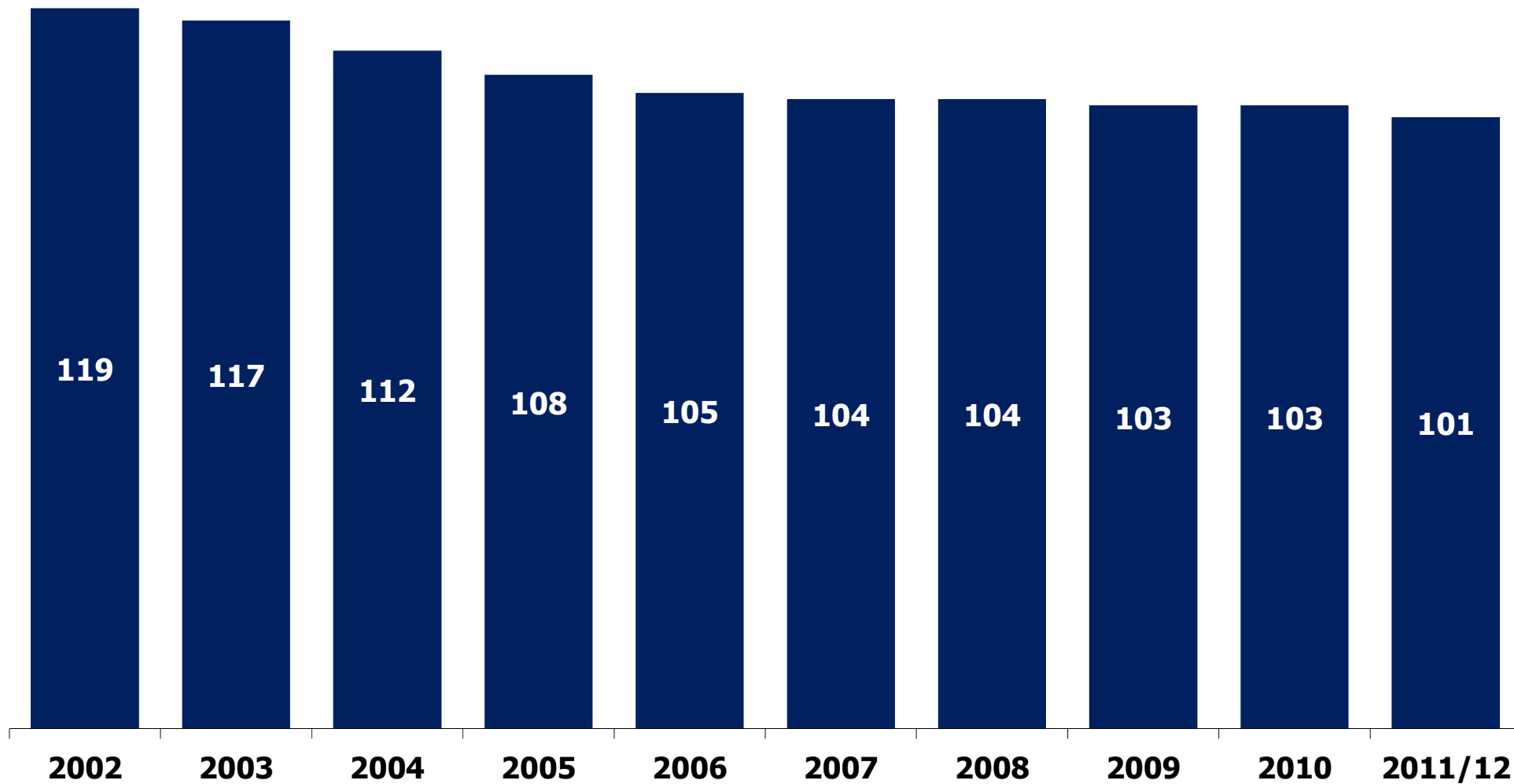
Initial Public Offerings



Source: ISE

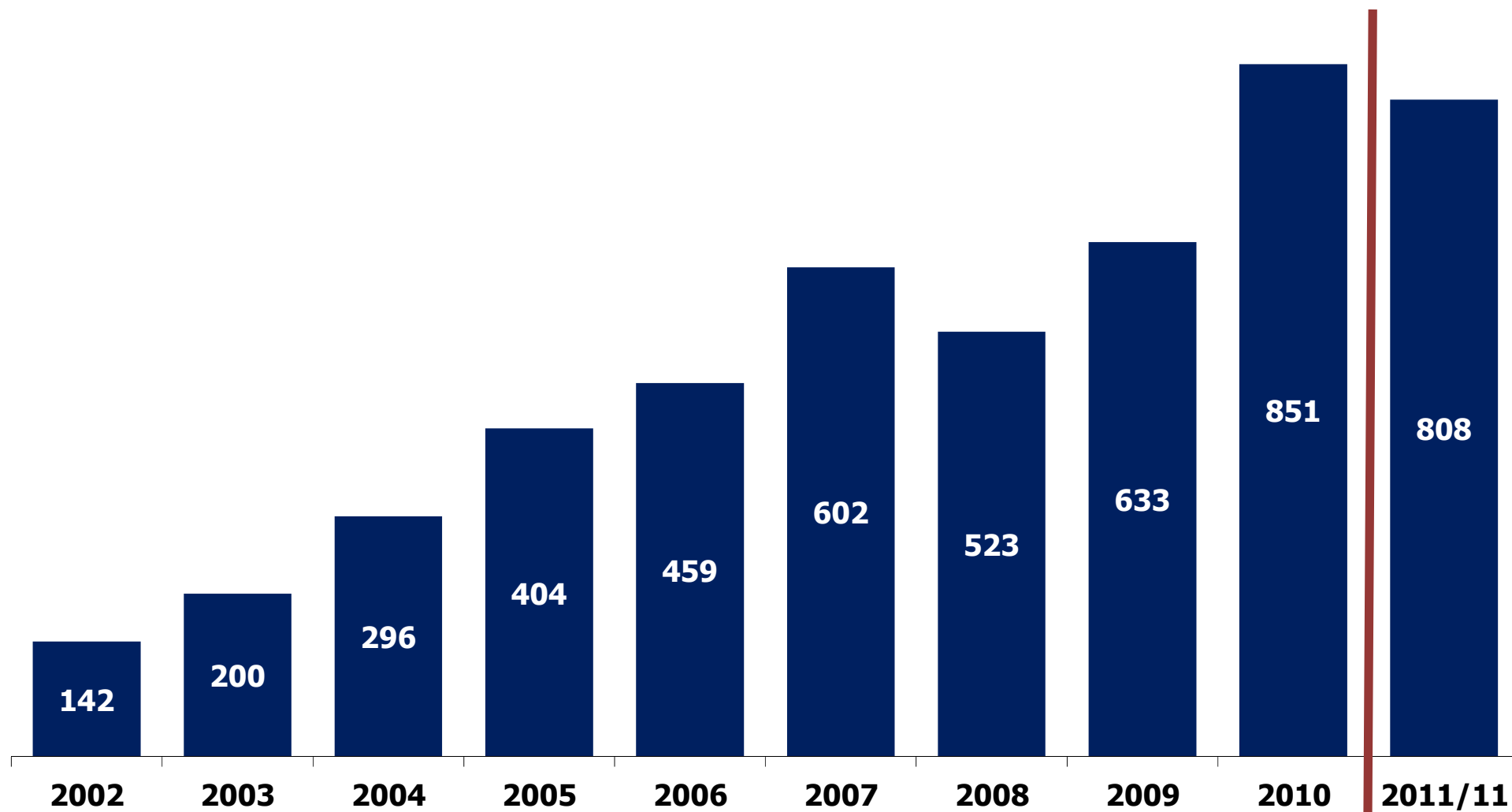
All markets including Emerging Companies Market and collective products

Brokerage Firms in the Equity Market



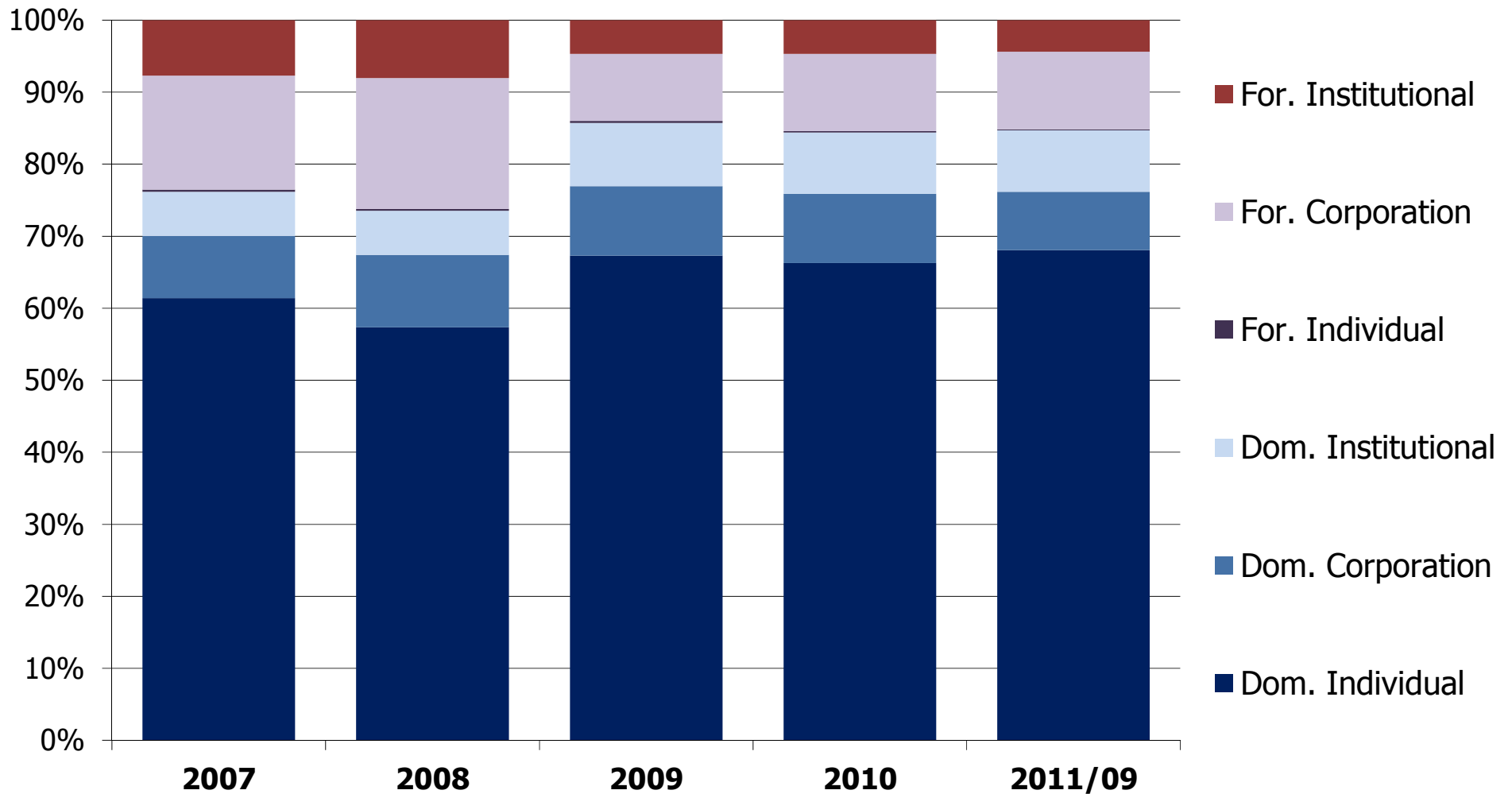
Source: ISE

Equity Trading Volume of Brokerage Firms (Bn. \$)



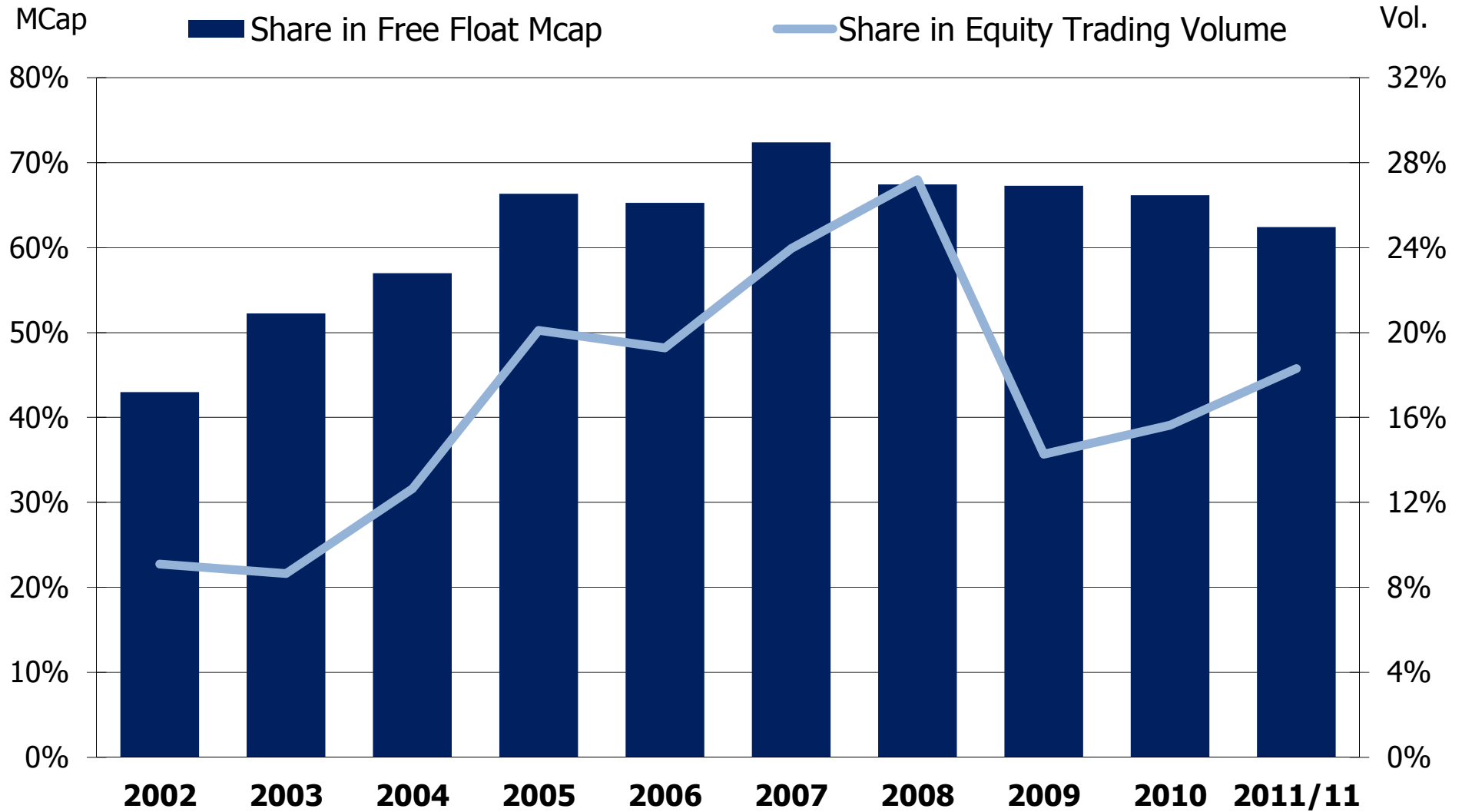
Source: ISE

Breakdown of Equity Trading Volume by Investor Categories



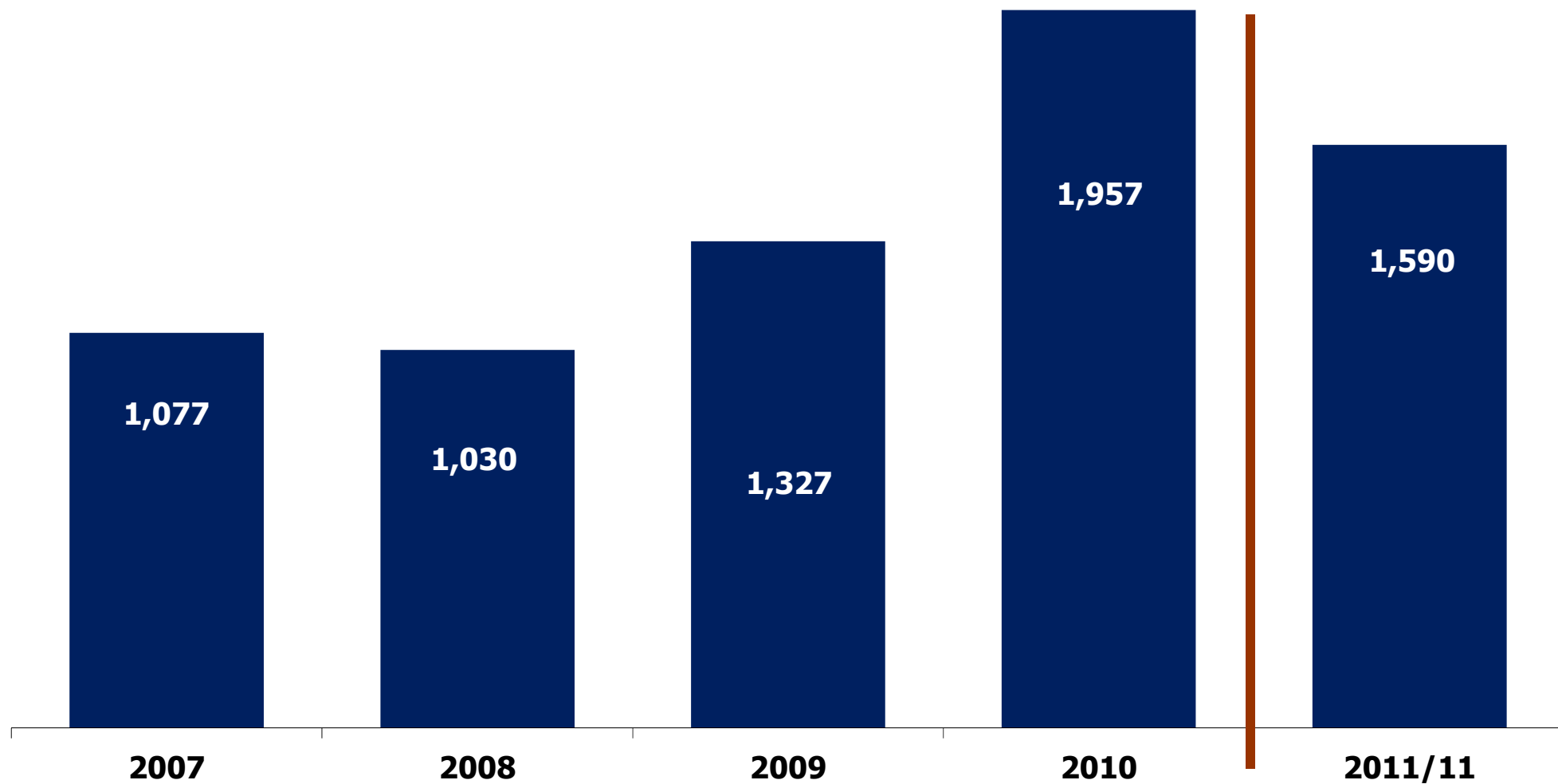
Source: TSPAKB

Share of Foreign Investors



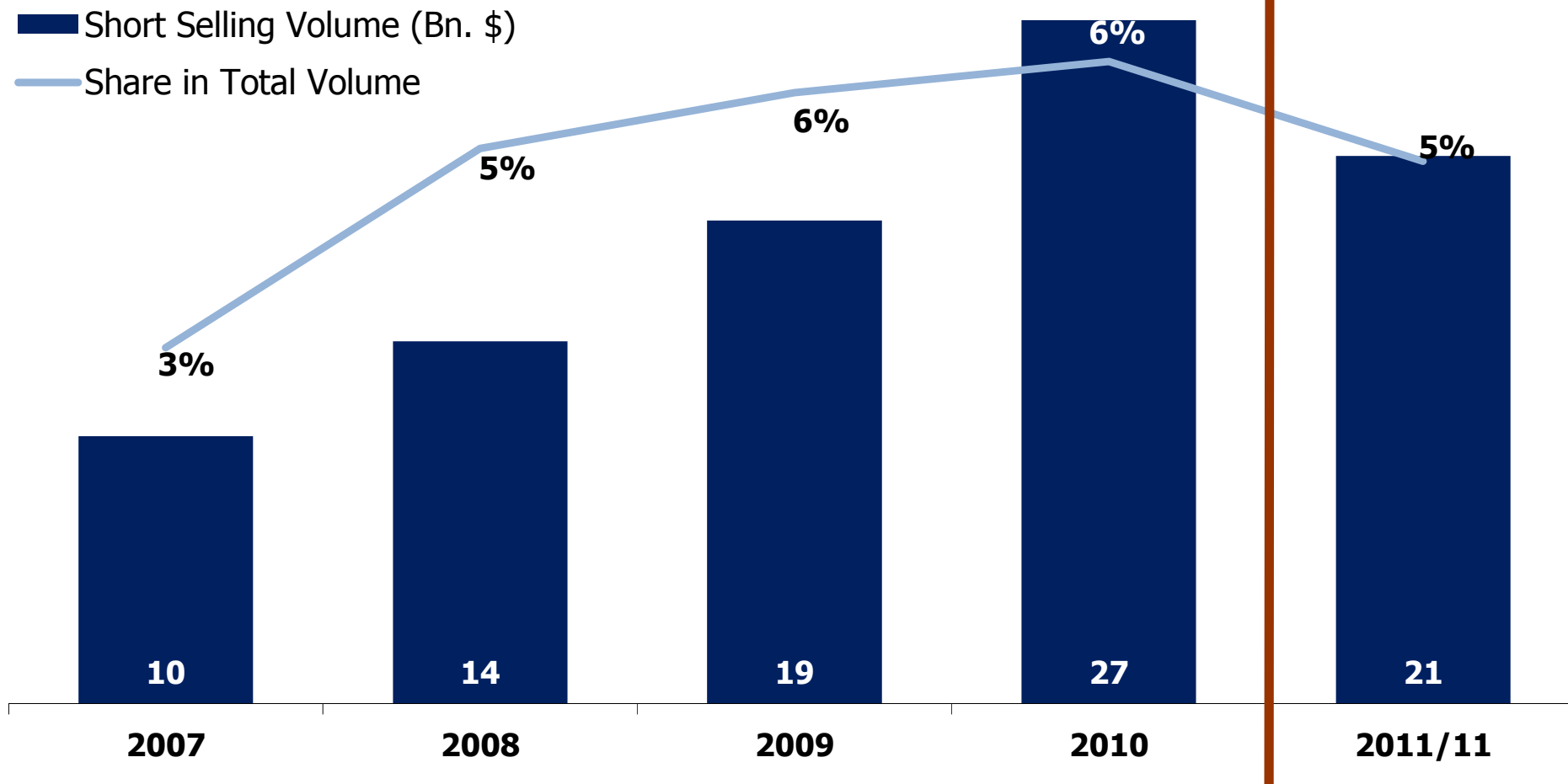
Source: CRA, ISE, Takasbank

Securities Lending/Borrowing (Million \$)



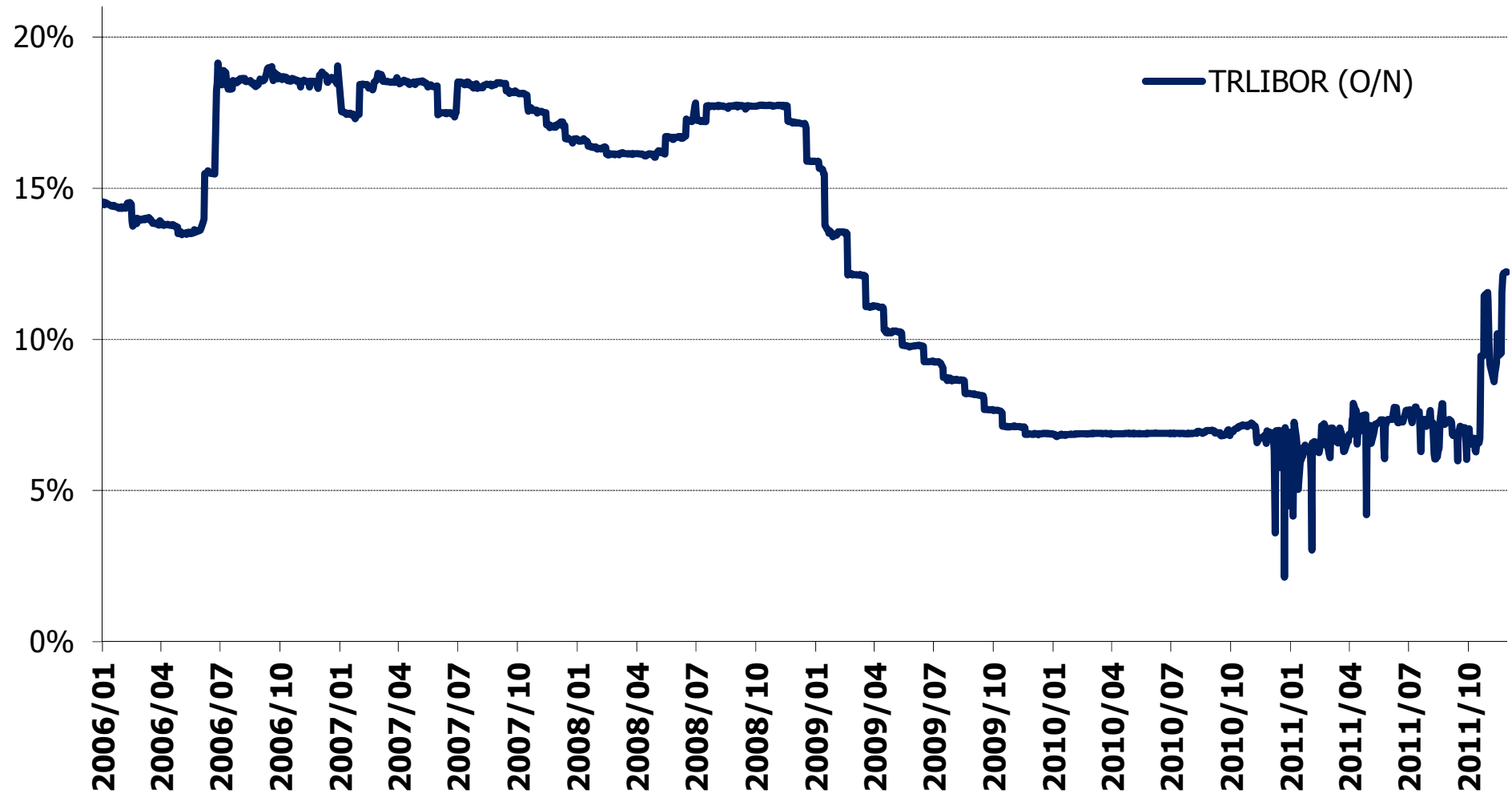
Source: Takasbank

Short Selling



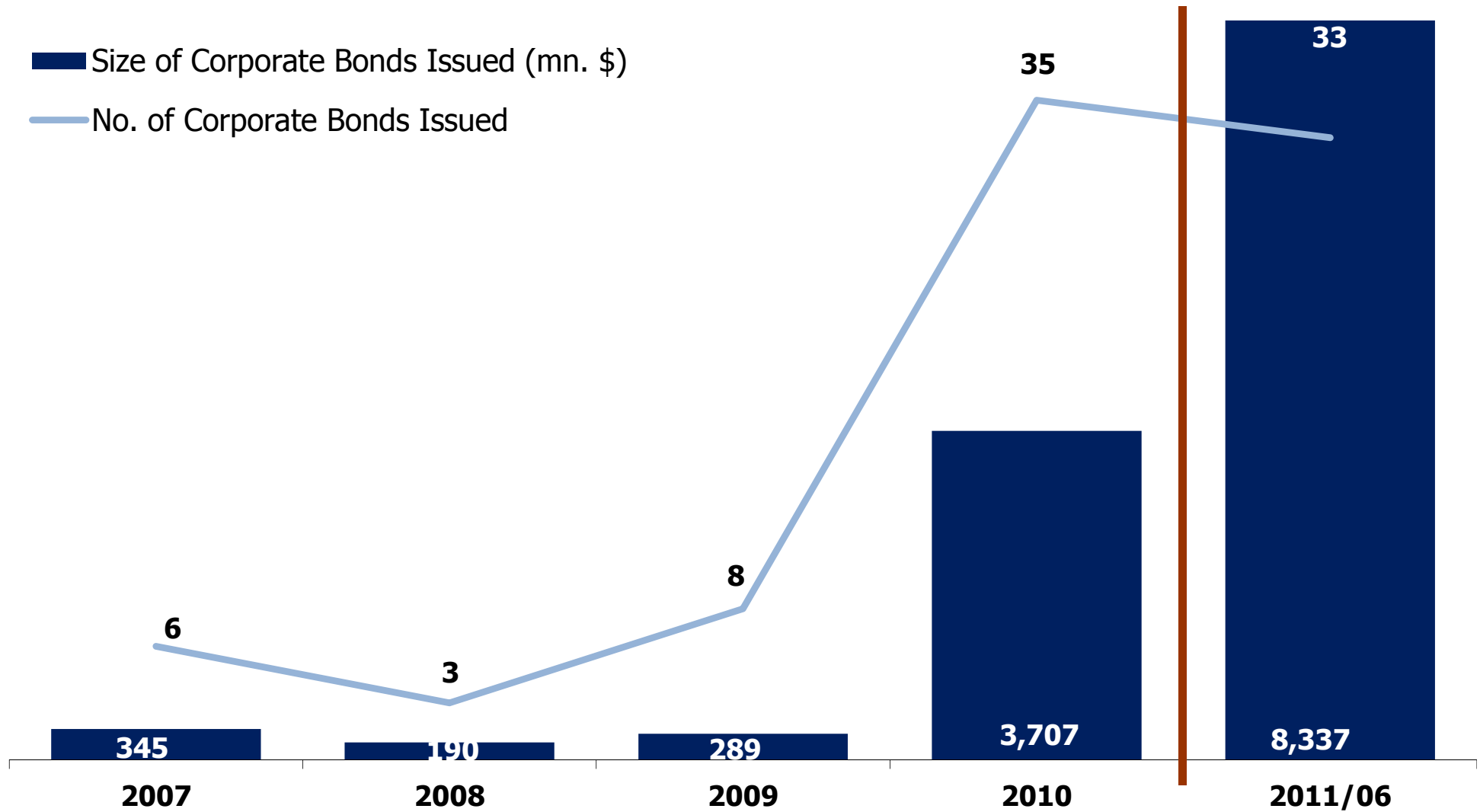
Source: ISE

Interest Rates



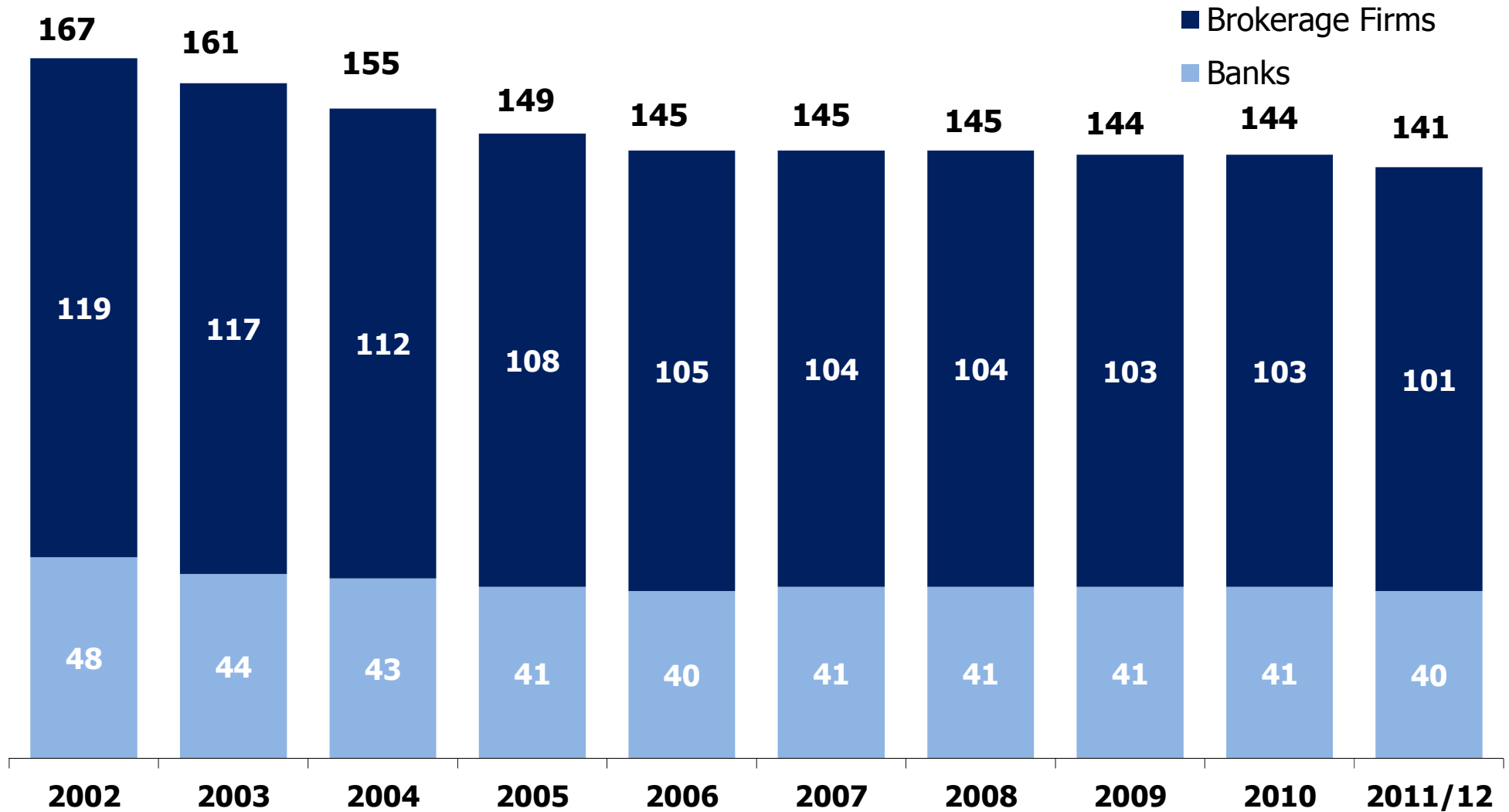
Source: BAT

Corporate Bond Issues



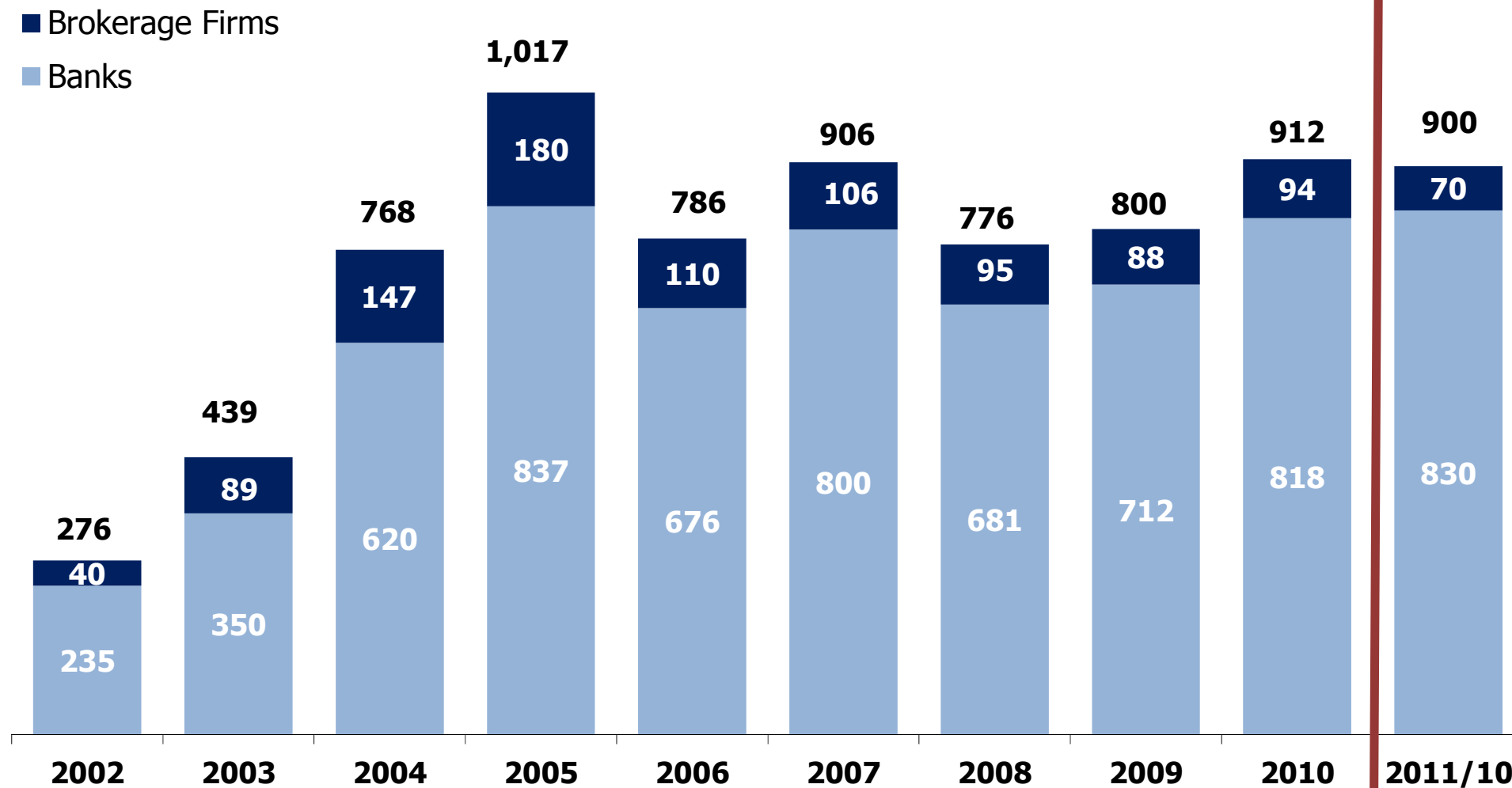
Source: CMB

Intermediaries in the Fixed Income Market



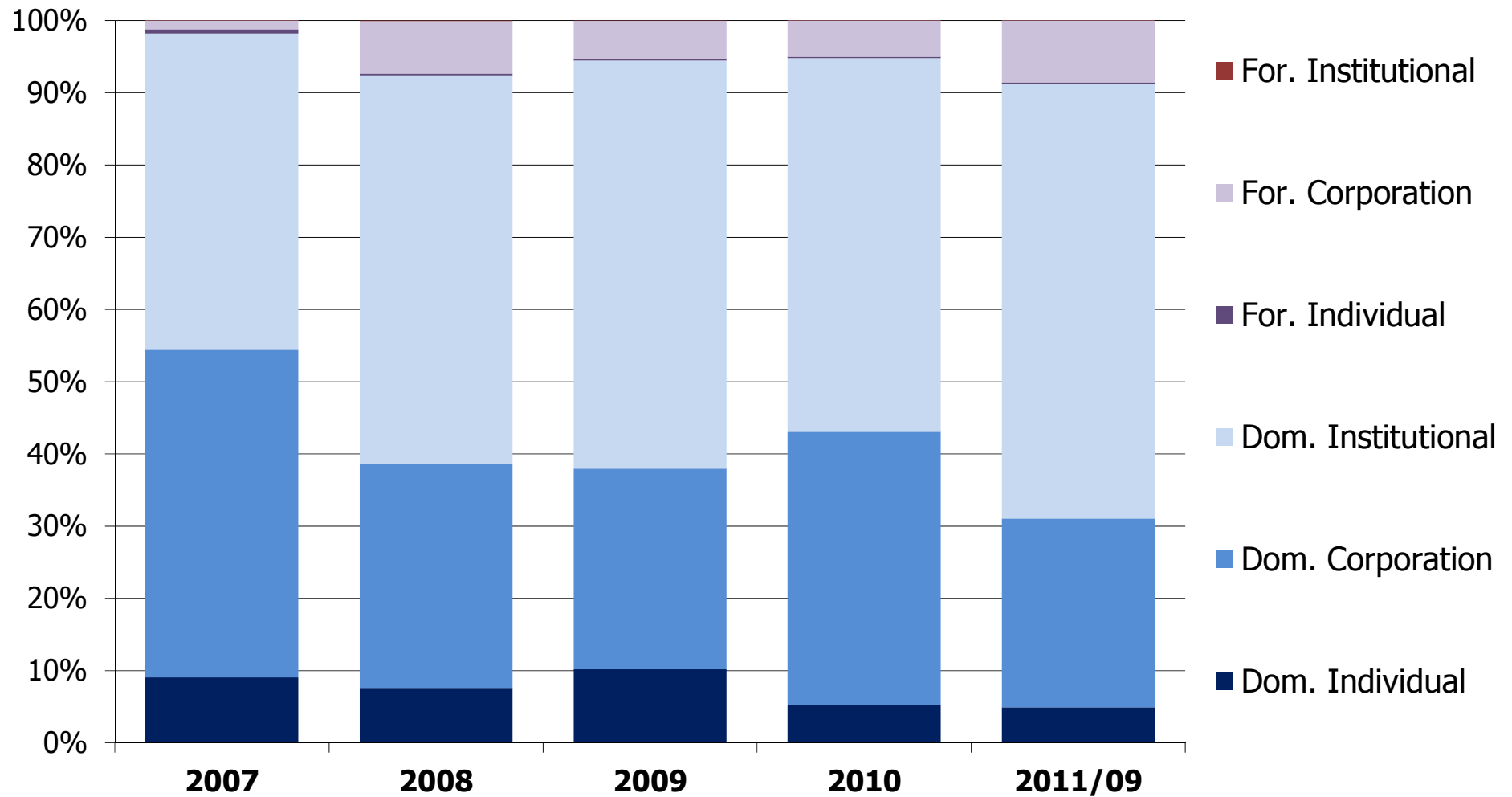
Source: ISE

Fixed Income Trading Volume of Intermediaries (Billion \$)



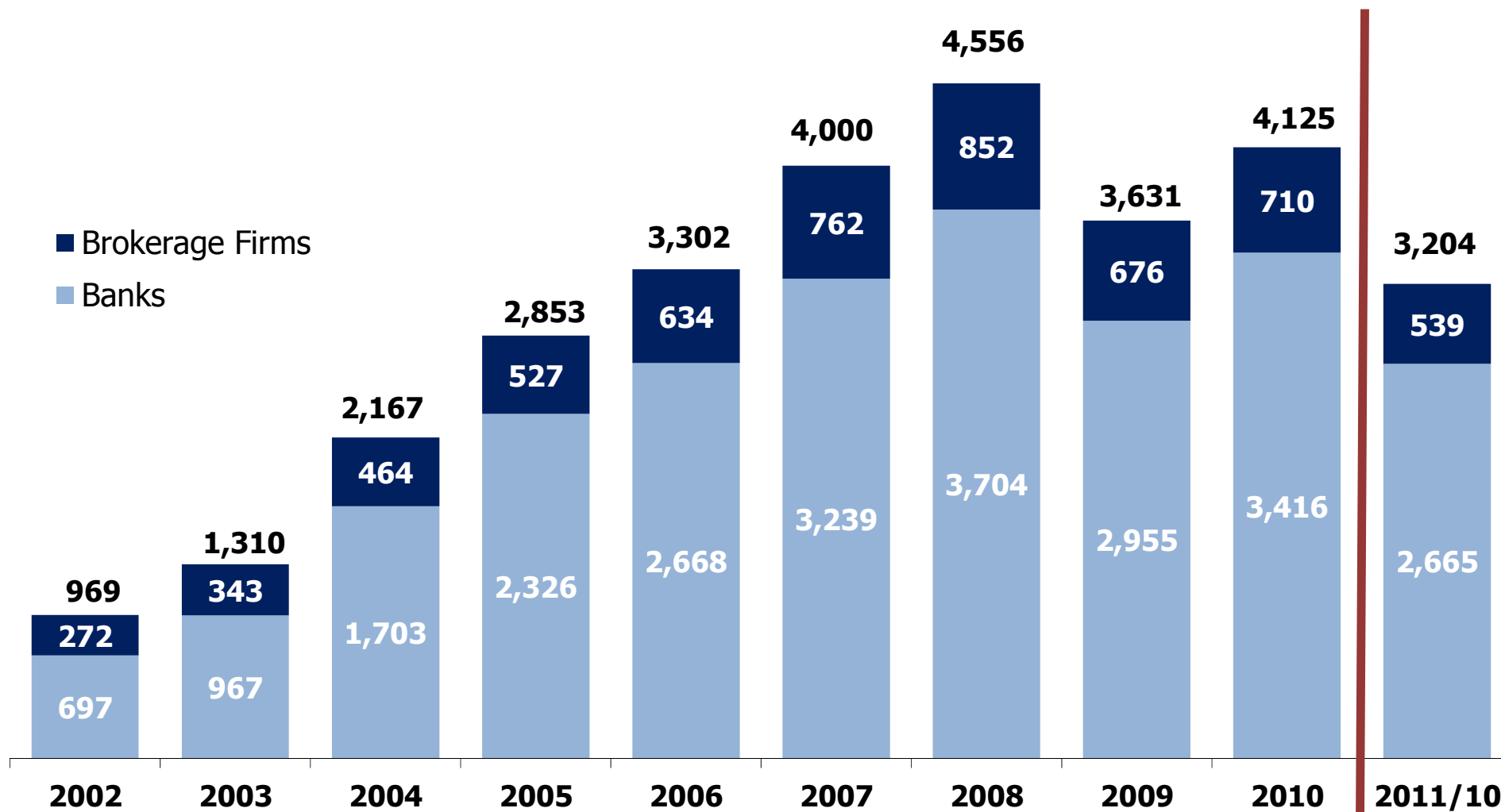
Source: ISE

Breakdown of Fixed Income Volume by Investor Categories (Brokerage Firms Only)



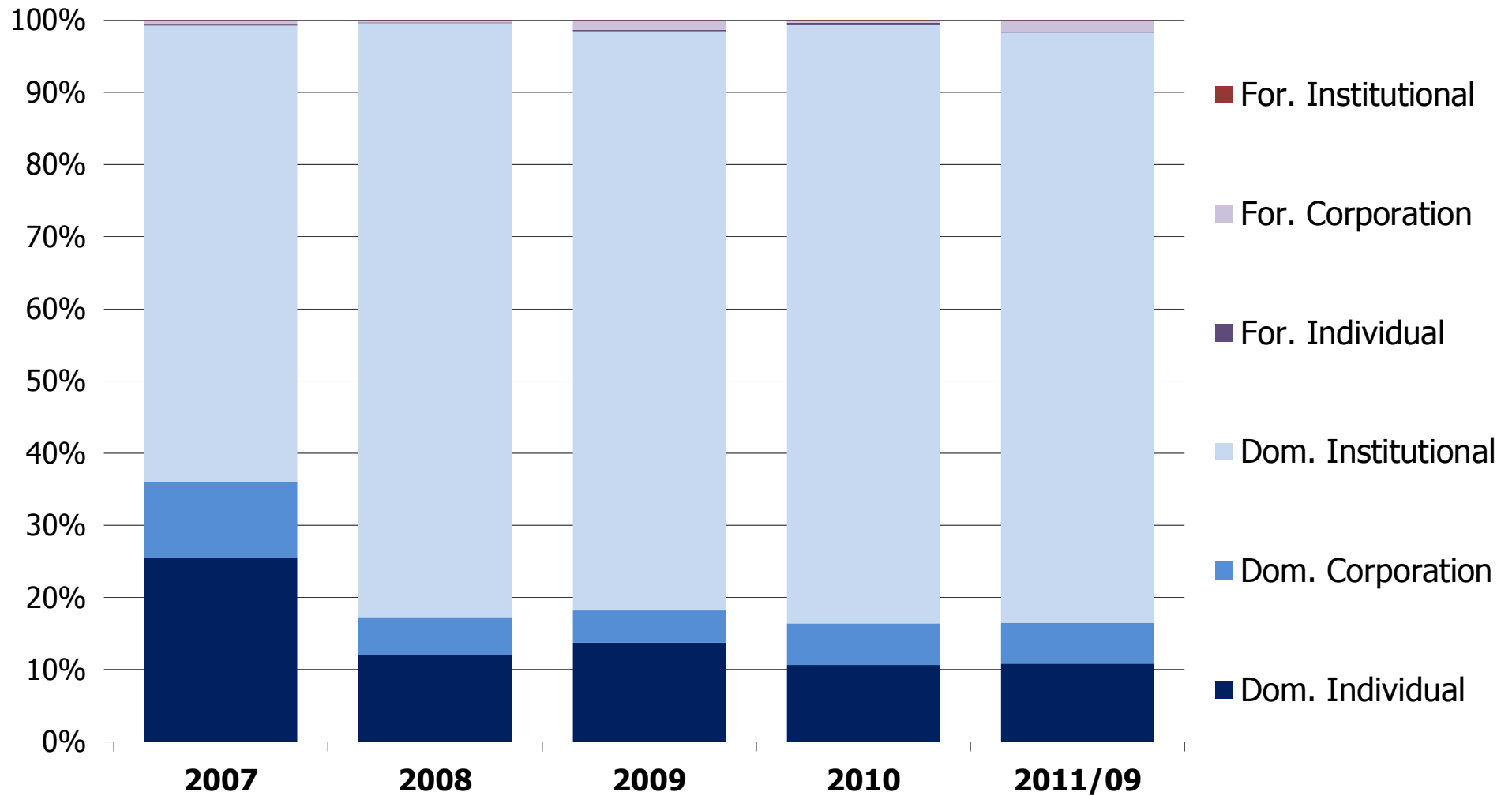
Source: TSPAKB

Repo-Reverse Repo Trading Volume of Intermediaries (Billion \$)



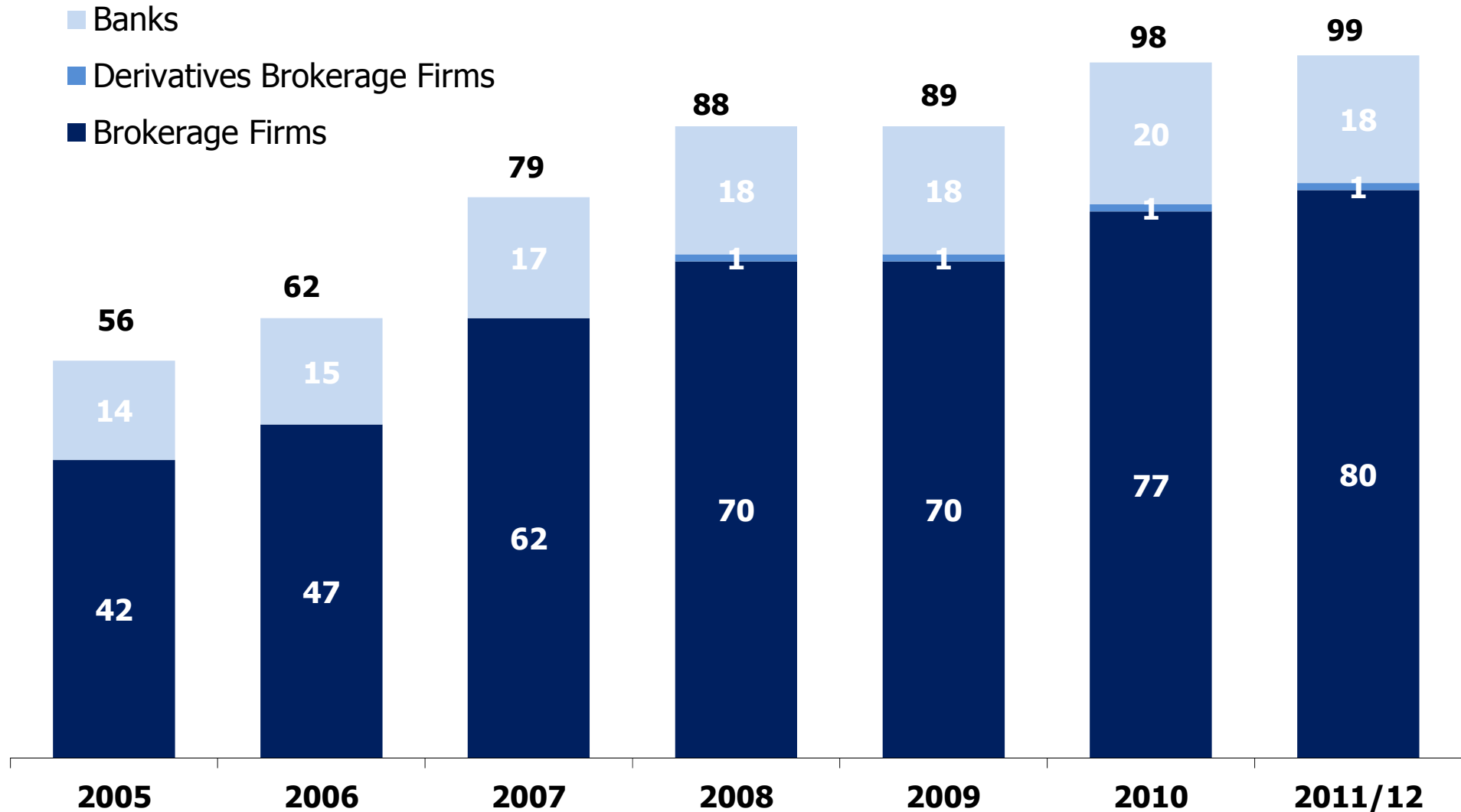
Source: ISE

Breakdown of Repo Transactions by Investor Categories (Brokerage Firms Only)



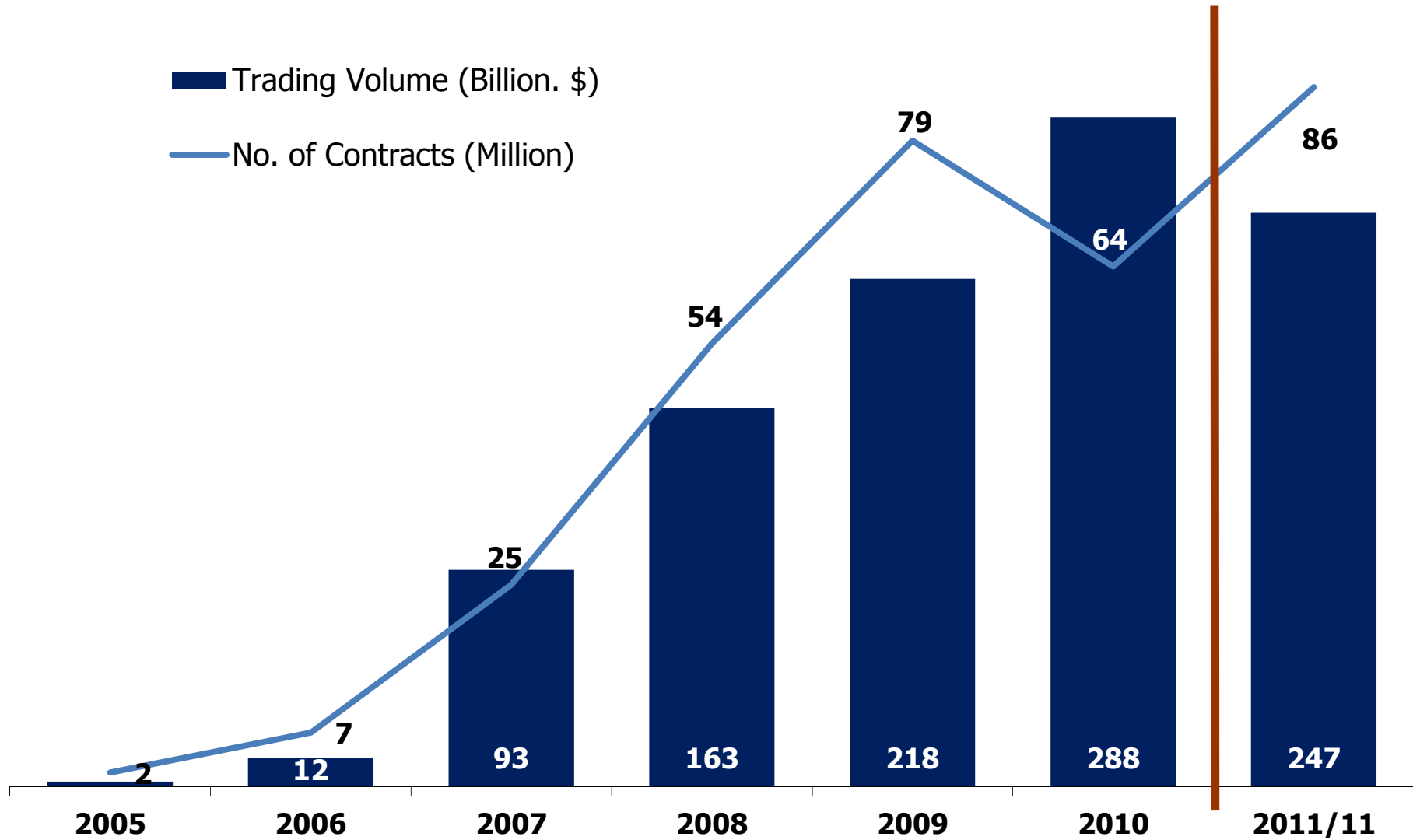
Source: TSPAKB

Intermediaries in TurkDex



Source: TurkDex

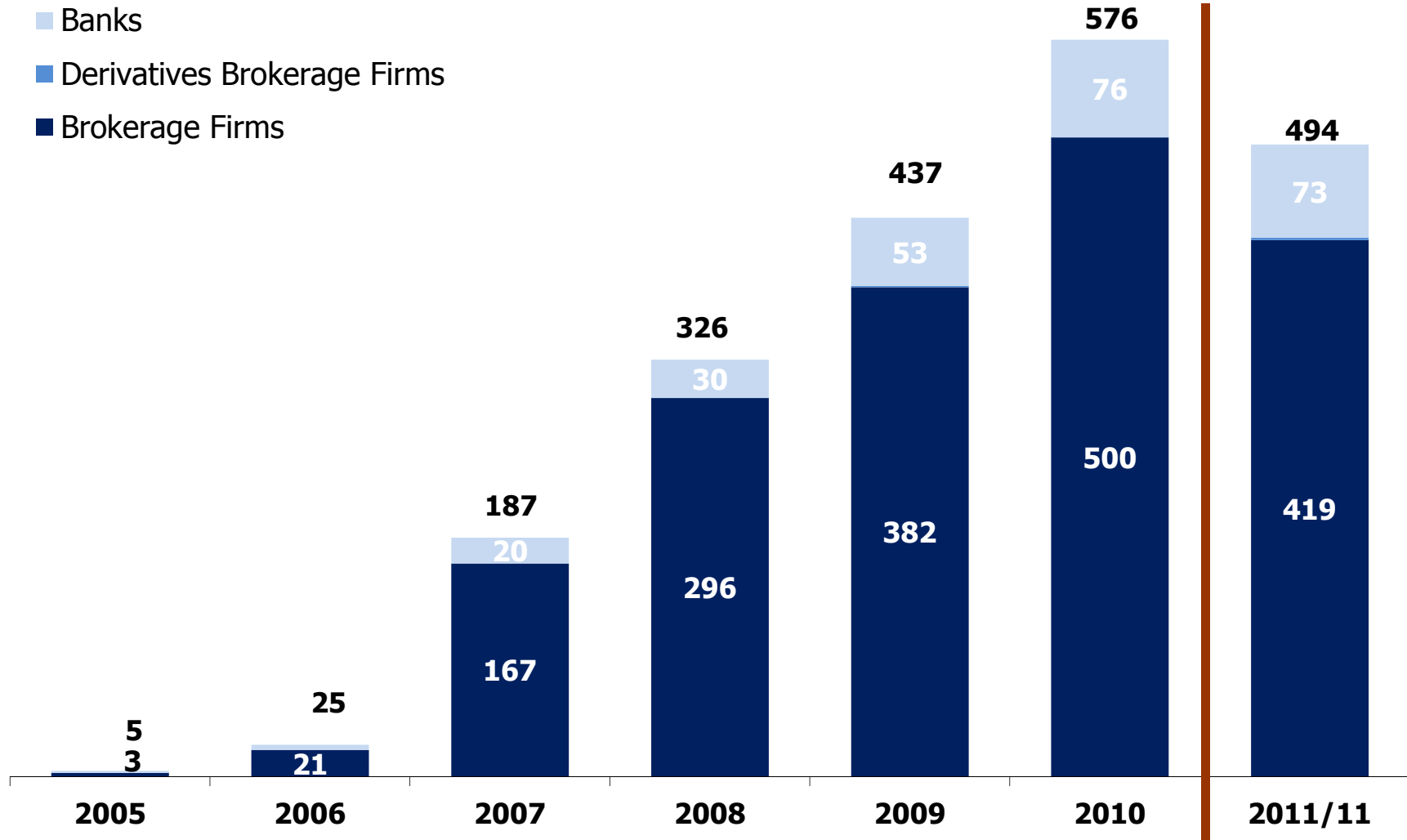
Trading Volume in TurkDex



Source: TurkDex

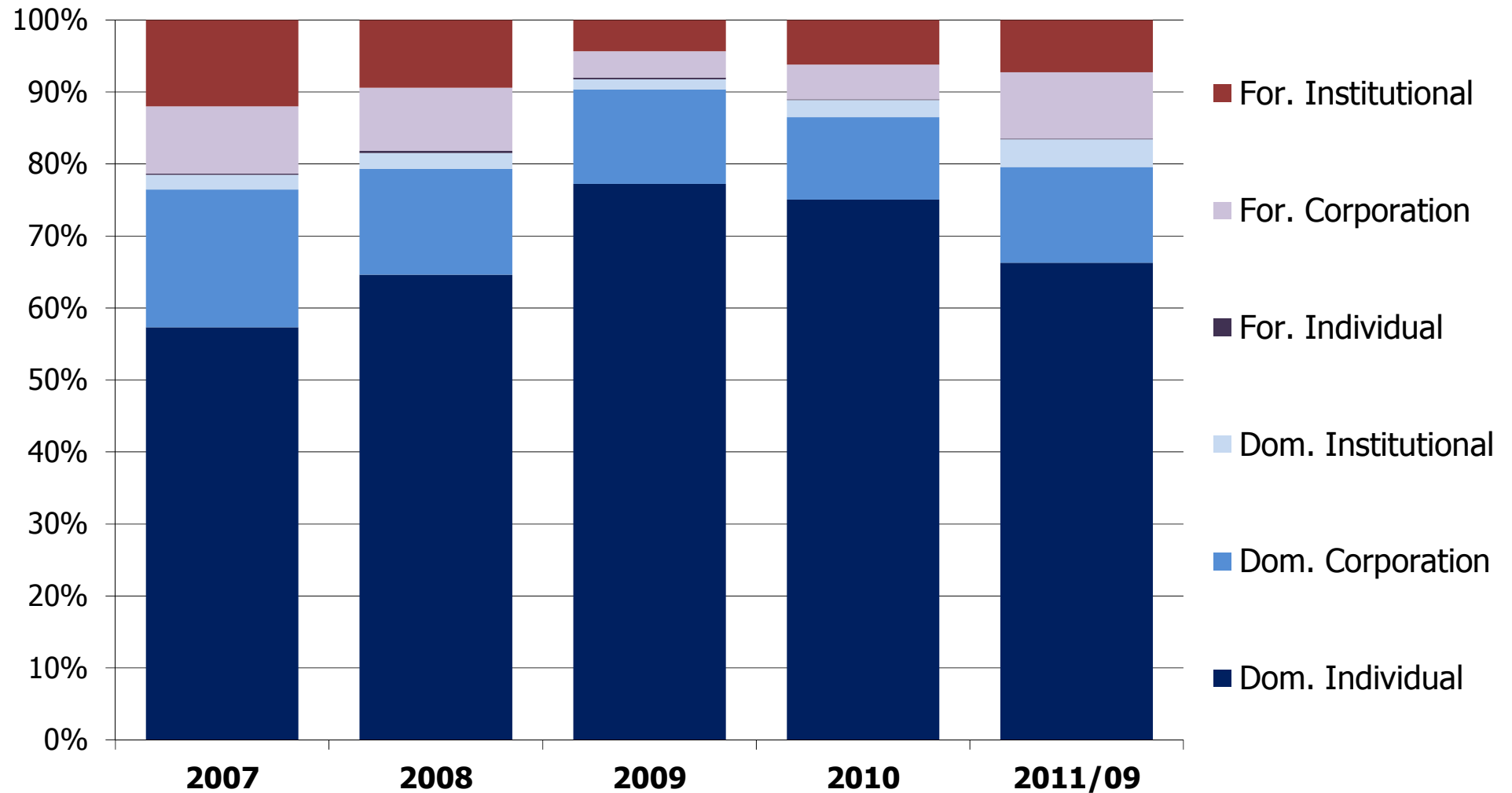
Derivatives Trading Volume of Intermediaries

(Billion \$)



Source: TurkDex

Breakdown of Derivatives Trading Volume by Investor Categories (Brokerage Firms Only)

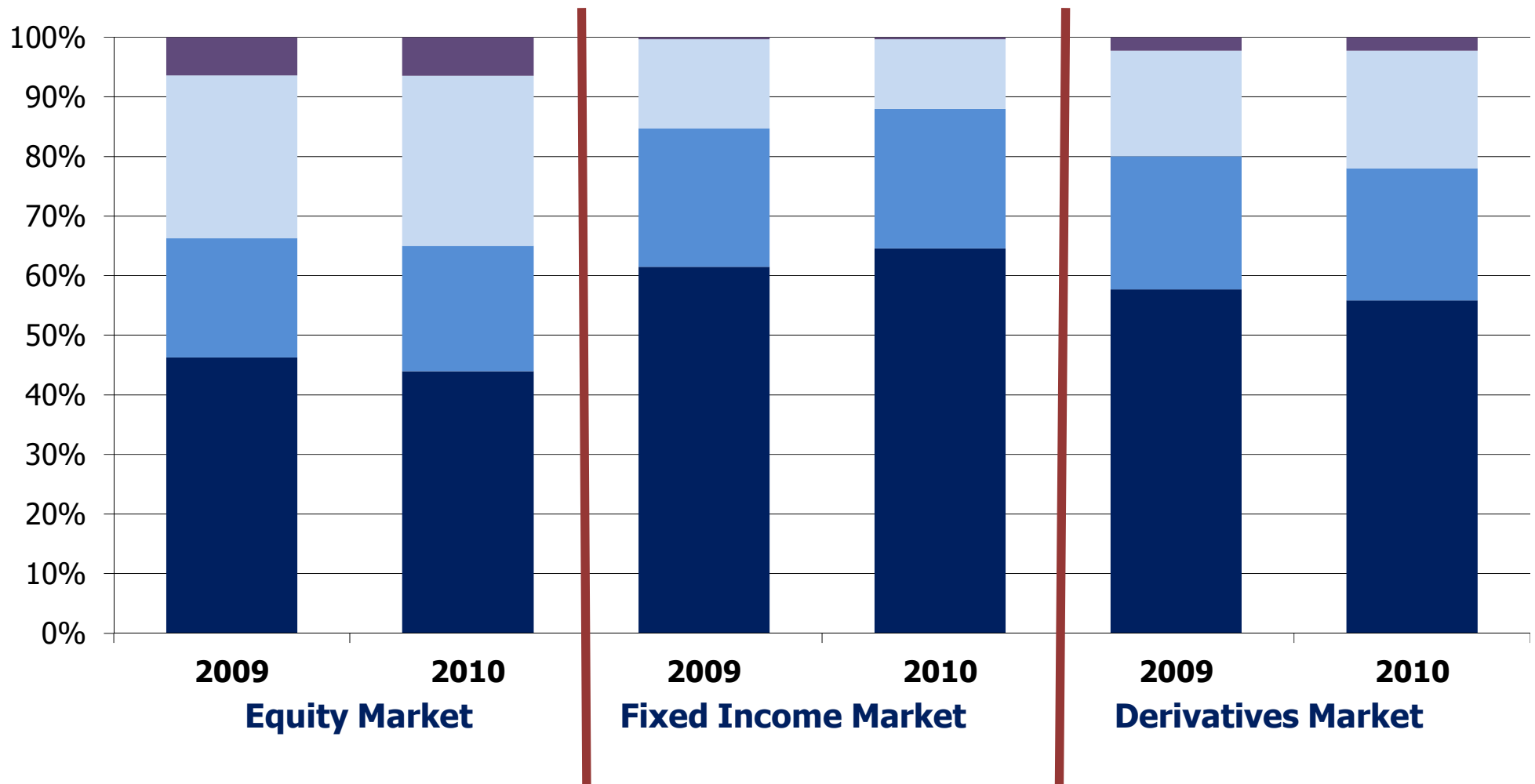


Source: TSPAKB

Concentration in Trading Volumes

No. of Intermediaries

■ 51+ ■ 21-50 ■ 11-20 ■ 1-10



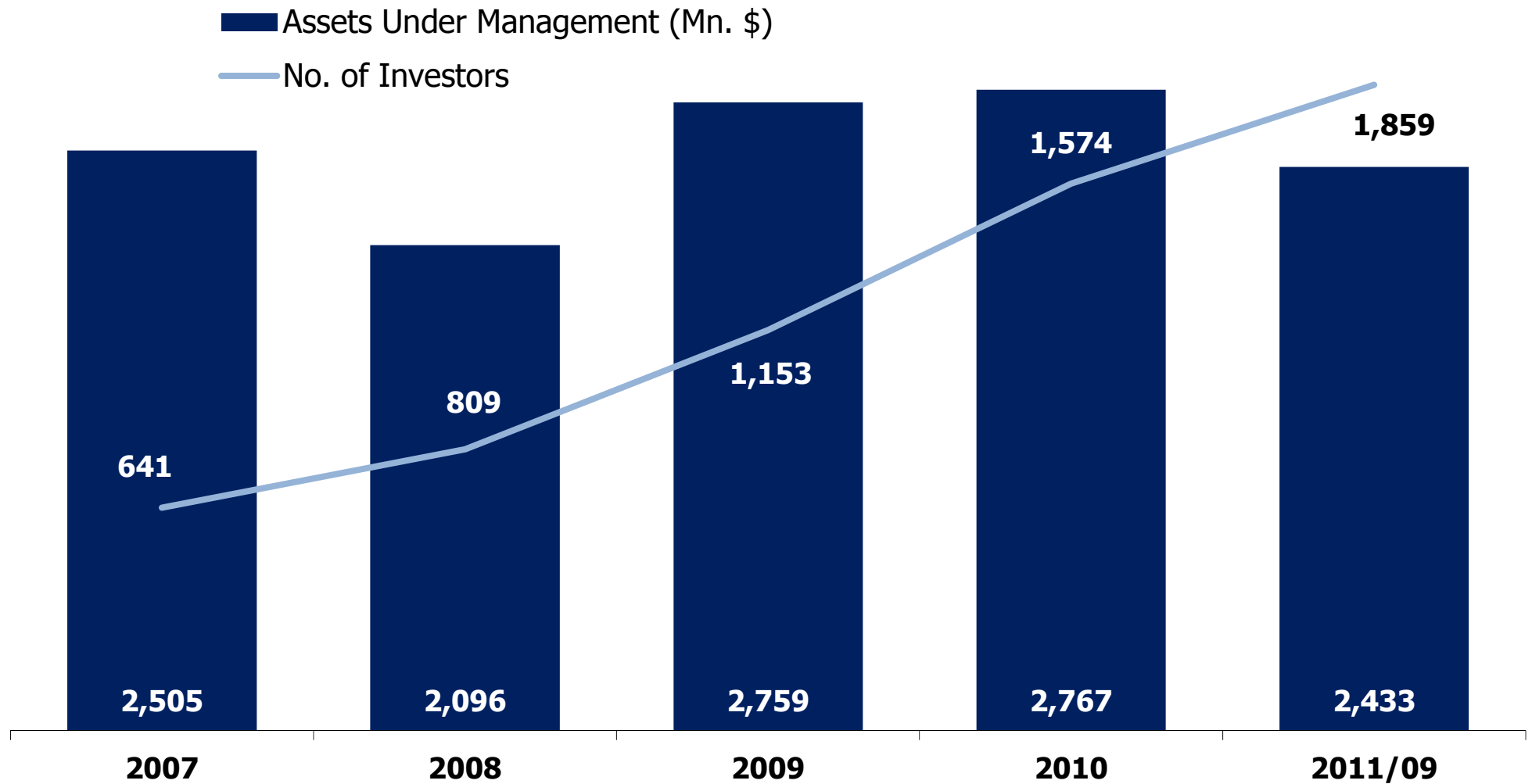
Source: ISE, TurkDex

Top 10 Members in the Markets

2011/10 Rank	Name	Volume-Mn. \$	(%) Equity Market
1	İŞ YATIRIM MENKUL DEĞERLER A.Ş.	55,335	7%
2	GARANTİ YATIRIM MENKUL KIYMETLER A.Ş.	44,813	6%
3	YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş.	41,857	5%
4	FINANS YATIRIM MENKUL DEĞERLER A.Ş.	27,841	4%
5	MEKSA YATIRIM MENKUL DEĞERLER A.Ş.	27,433	4%
6	DENİZ YATIRIM MENKUL KIYMETLER A.Ş.	26,293	3%
7	AK YATIRIM MENKUL DEĞERLER A.Ş.	26,094	3%
8	TEB YATIRIM MENKUL DEĞERLER A.Ş.	25,042	3%
9	TACİRLER YATIRIM MENKUL DEĞERLER A.Ş.	23,642	3%
10	GEDİK YATIRIM MENKUL DEĞERLER A.Ş.	23,152	3%
	Total	763,749	100%
Fixed Income Market			
1	AKBANK T.A.Ş.	192,673	21%
2	JPMORGAN CHASE BANK	91,002	10%
3	TÜRK EKONOMİ BANKASI A.Ş.	60,164	7%
4	EUROBANK TEKFEN A.Ş.	55,502	6%
5	DEUTSCHE BANK A.Ş.	51,049	6%
6	YAPI VE KREDİ BANKASI A.Ş.	49,632	6%
7	T.GARANTİ BANKASI A.Ş.	38,098	4%
8	CITIBANK A.Ş.	34,941	4%
9	ING BANK A.Ş.	34,932	4%
10	ŞEKERBANK T.A.Ş.	32,220	4%
	Total	900,354	100%
Derivatives Market			
1	İŞ YATIRIM MENKUL DEĞERLER A.Ş.	57,688	13%
2	SANKO MENKUL DEĞERLER A.Ş.	29,055	6%
3	T.GARANTİ BANKASI A.Ş.	28,987	6%
4	TURKISH YATIRIM A.Ş.	19,779	4%
5	TERA MENKUL DEĞERLER A.Ş.	18,263	4%
6	DENİZ YATIRIM MENKUL KIYMETLER A.Ş.	17,896	4%
7	AKBANK T.A.Ş.	17,629	4%
8	EFG İSTANBUL EQUITIES MENKUL DEĞERLER A.Ş.	17,005	4%
9	YATIRIM FİNANSMAN MENKUL DEĞERLER A.Ş.	15,604	3%
10	YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş.	14,208	3%
	Total	459,019	100%

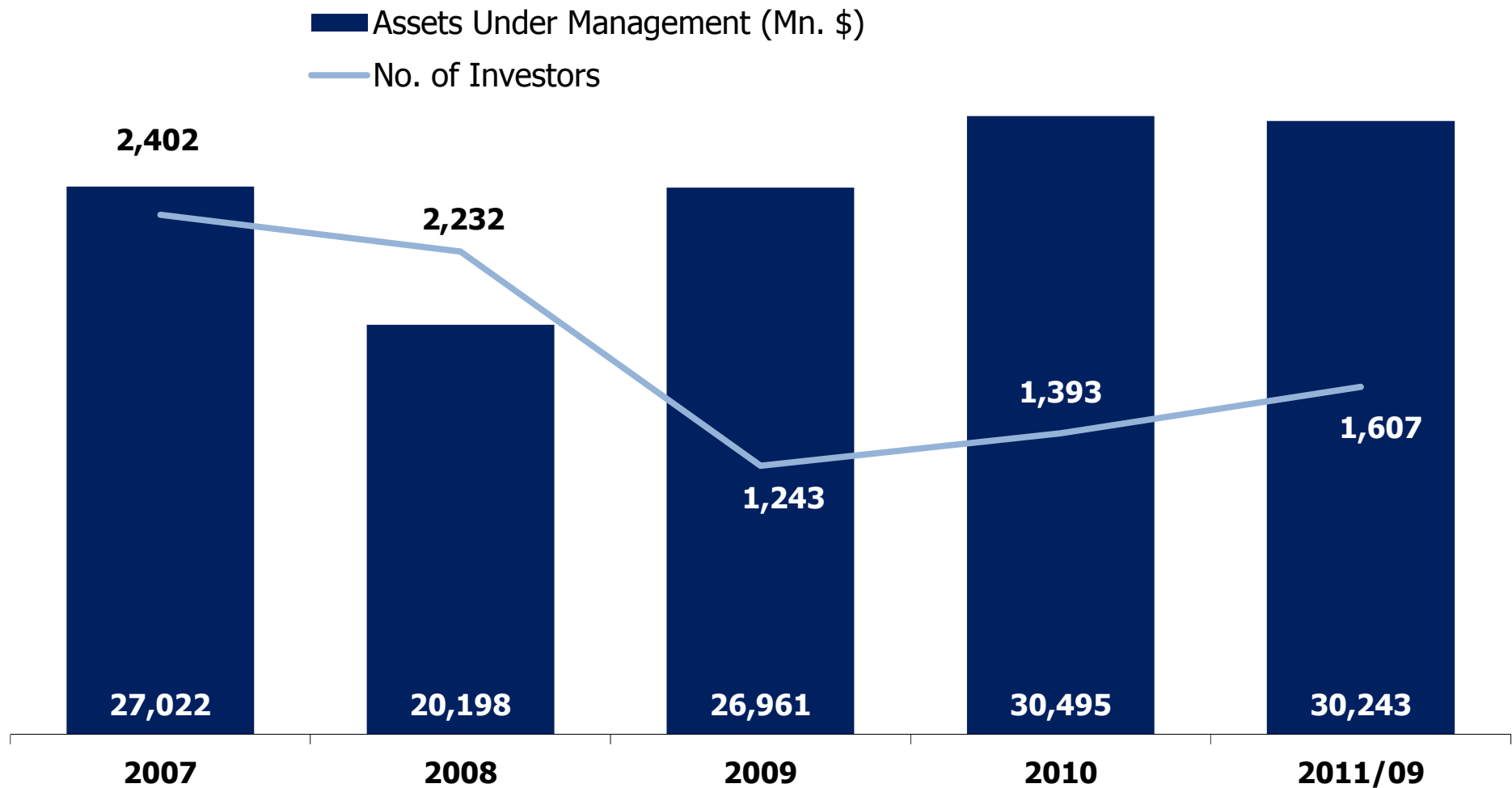
Source: ISE, TurkDex

Asset Management by Brokerage Firms



Source: TSPAKB

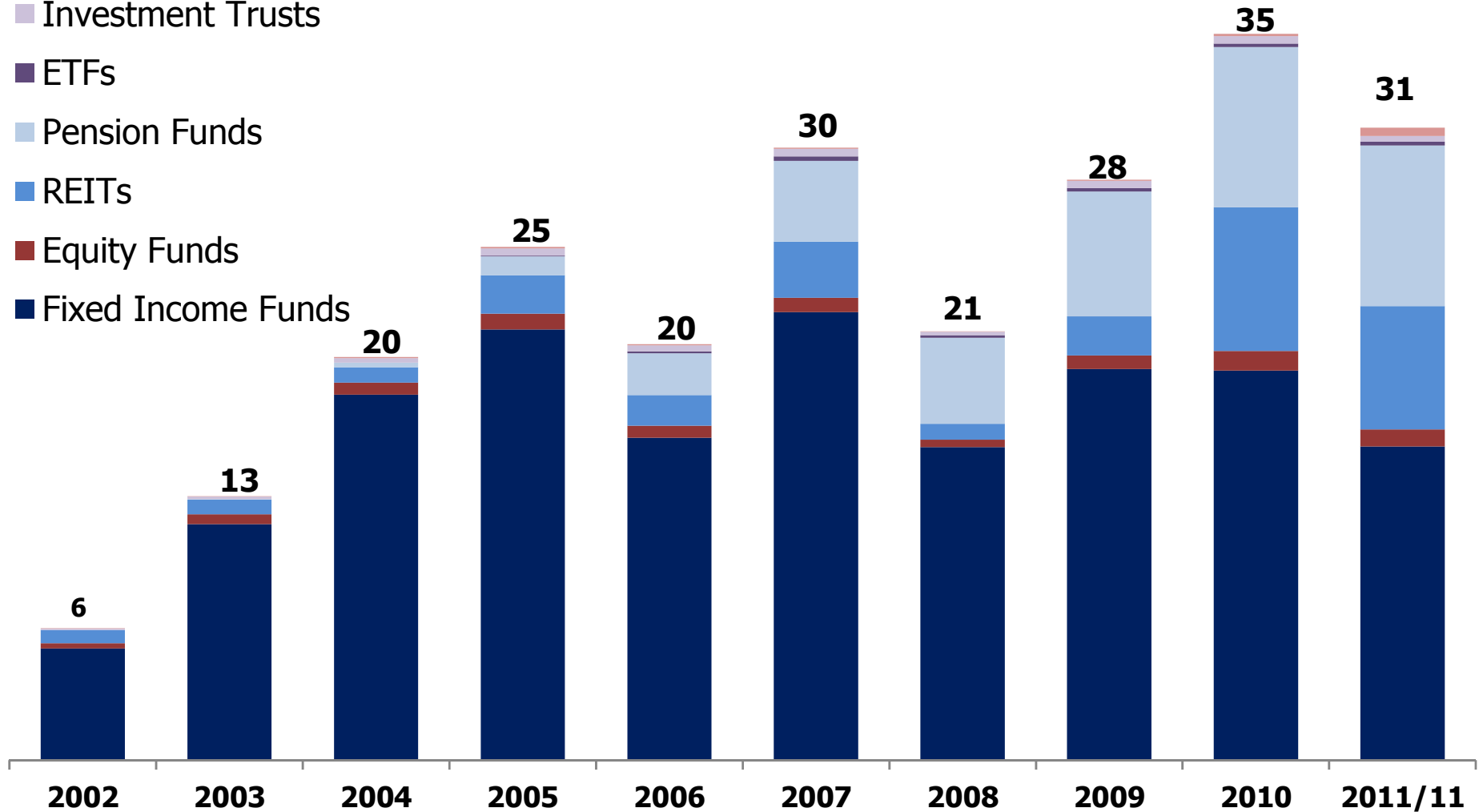
Asset Management by Portfolio Management Companies



Source: CMB

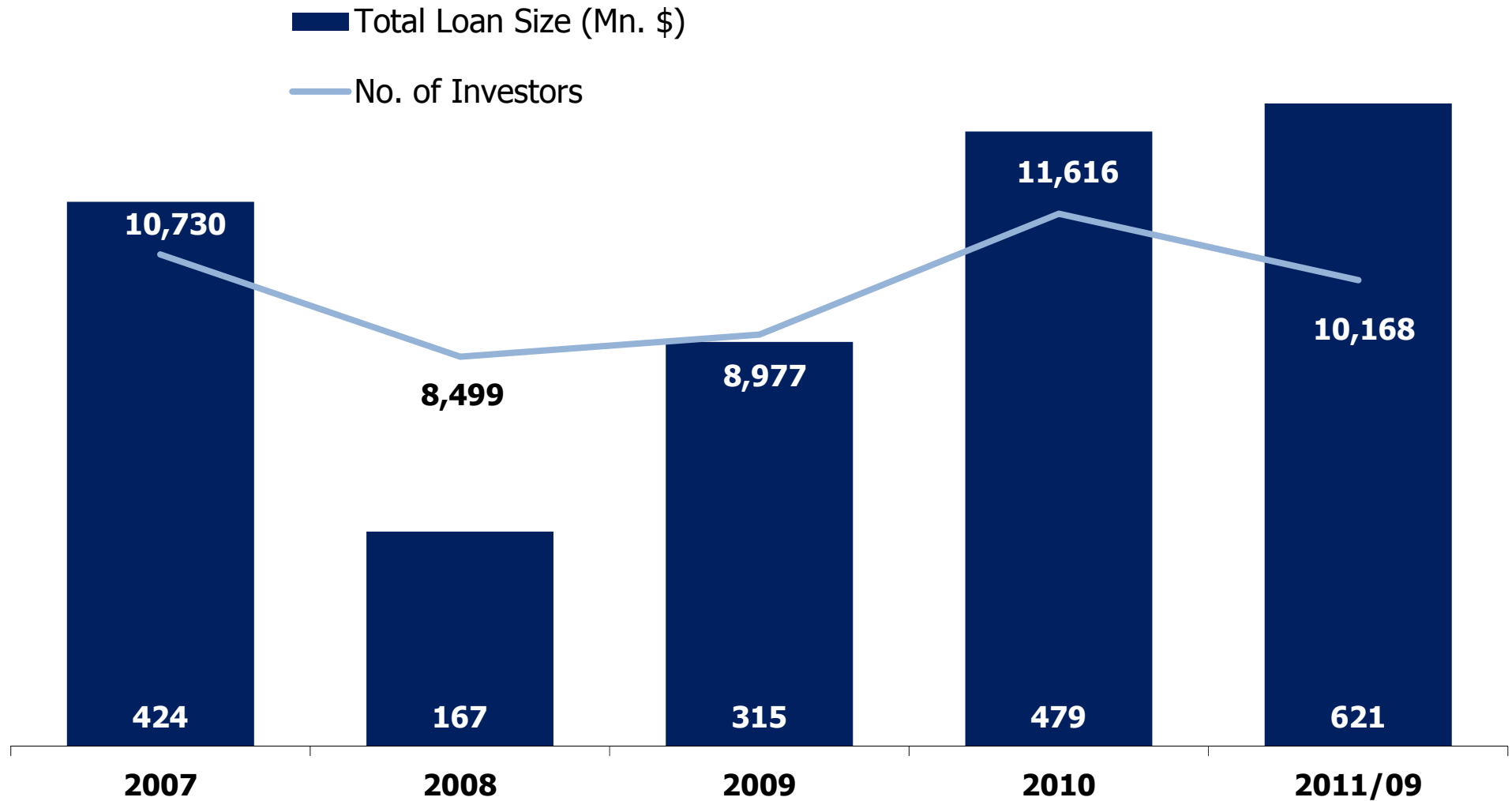
Institutional Investments (Million \$)

- Venture Capital Inv. Trusts
- Investment Trusts
- ETFs
- Pension Funds
- REITs
- Equity Funds
- Fixed Income Funds



Source: CMB, Garanti Investment

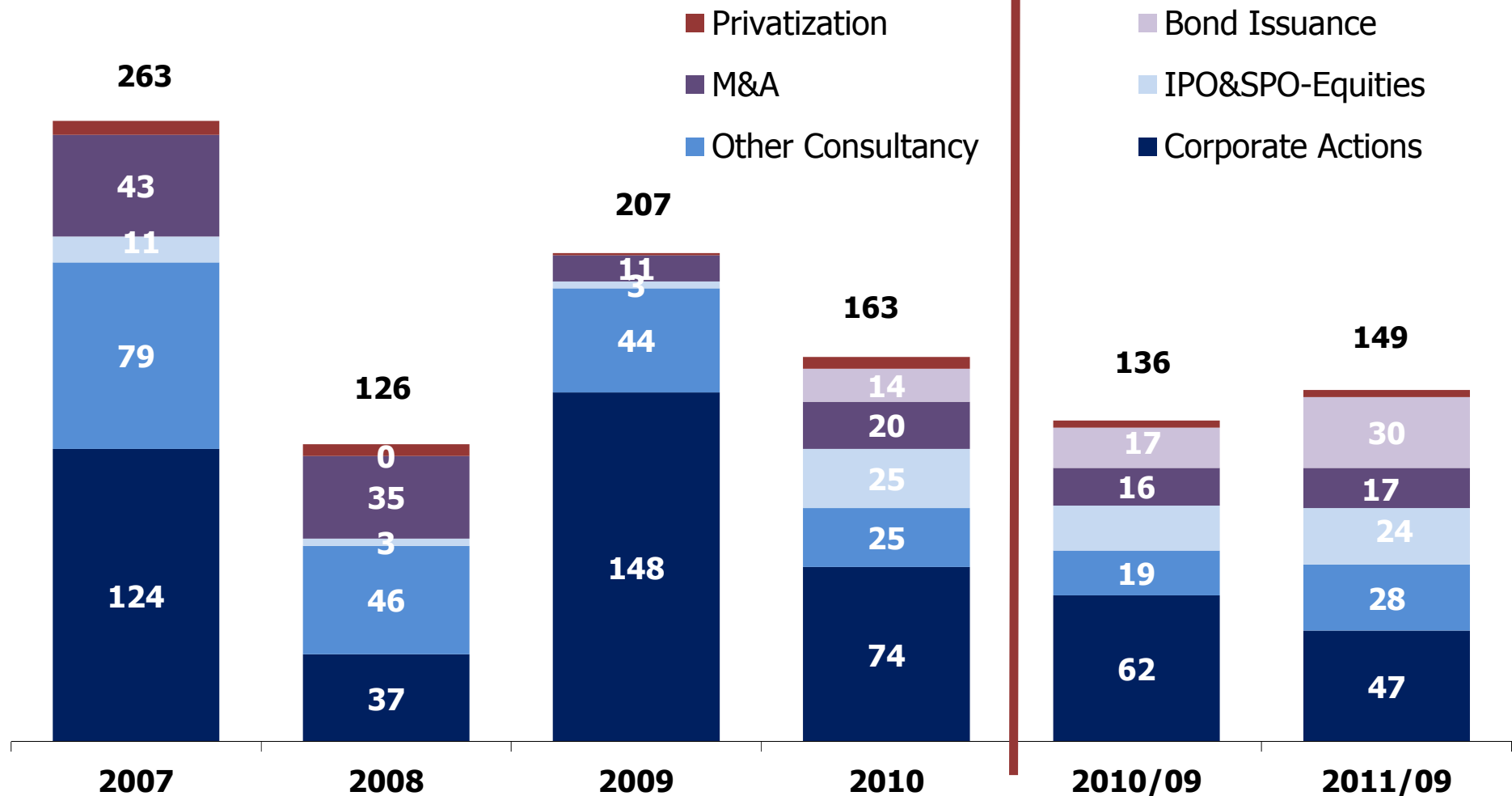
Margin Trading



Source: TSPAKB

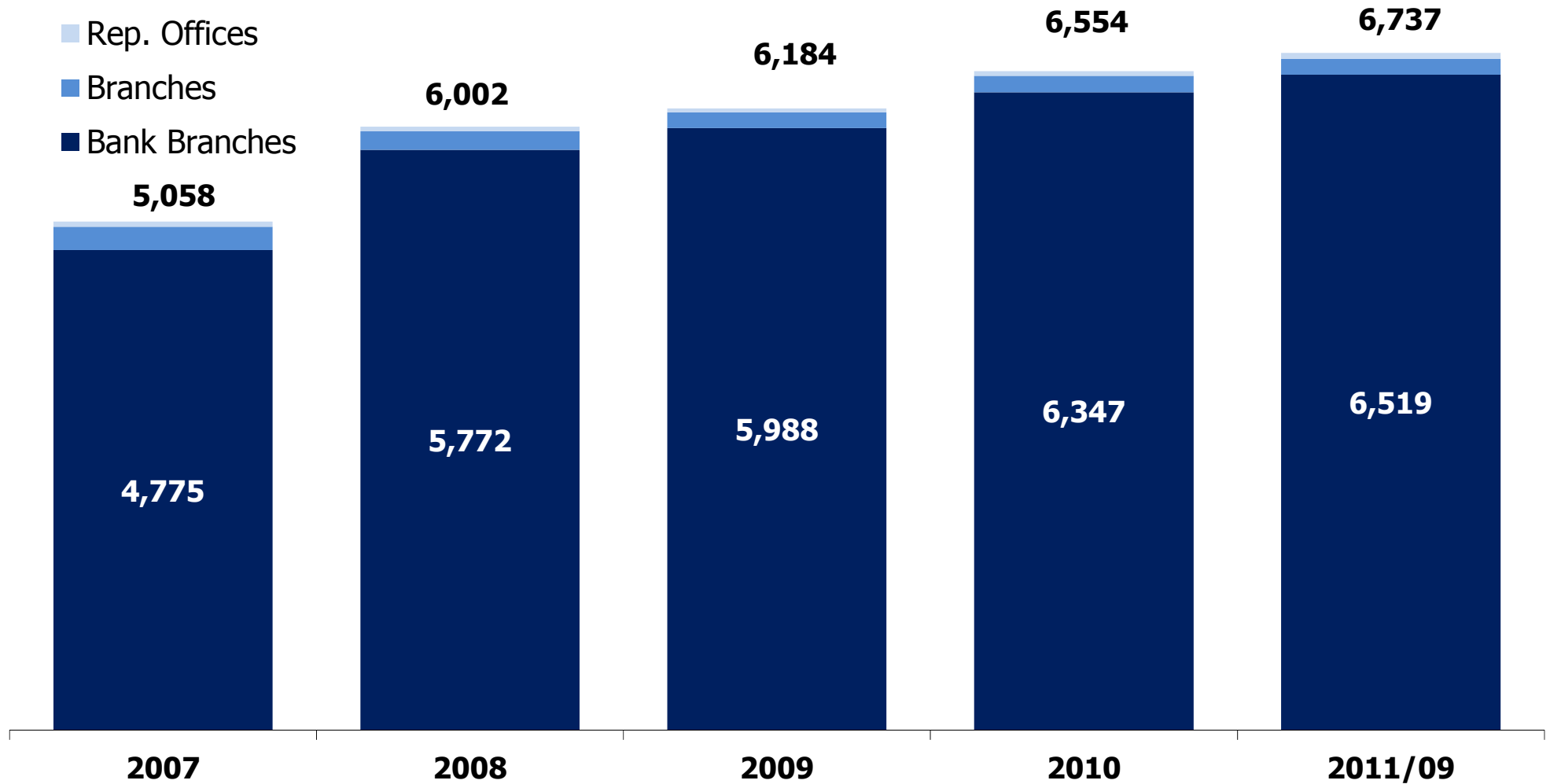
No. of Finalized Corporate Finance Deals

Brokerage Firms Only



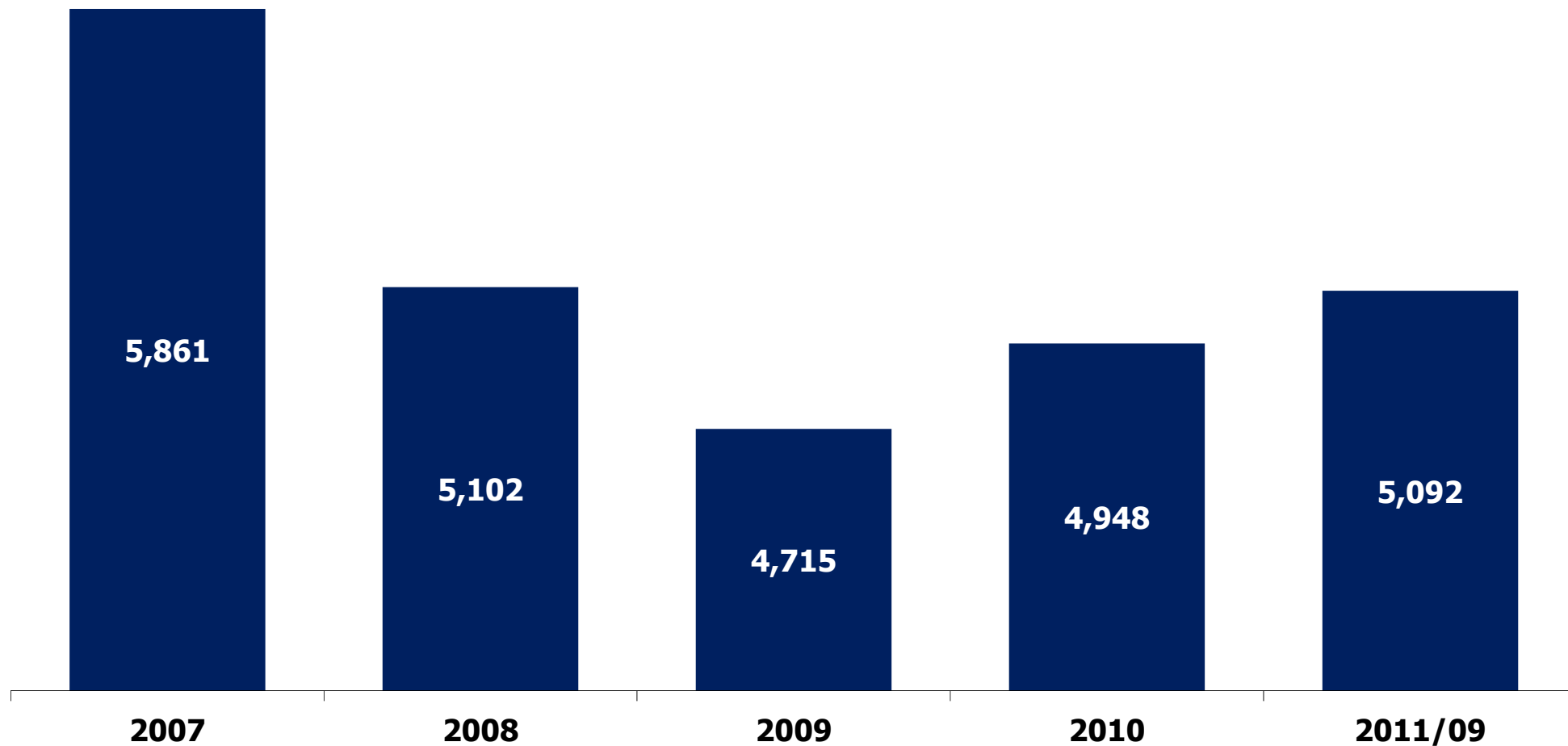
Source: TSPAKB

Brokerage Firms' Branch Network



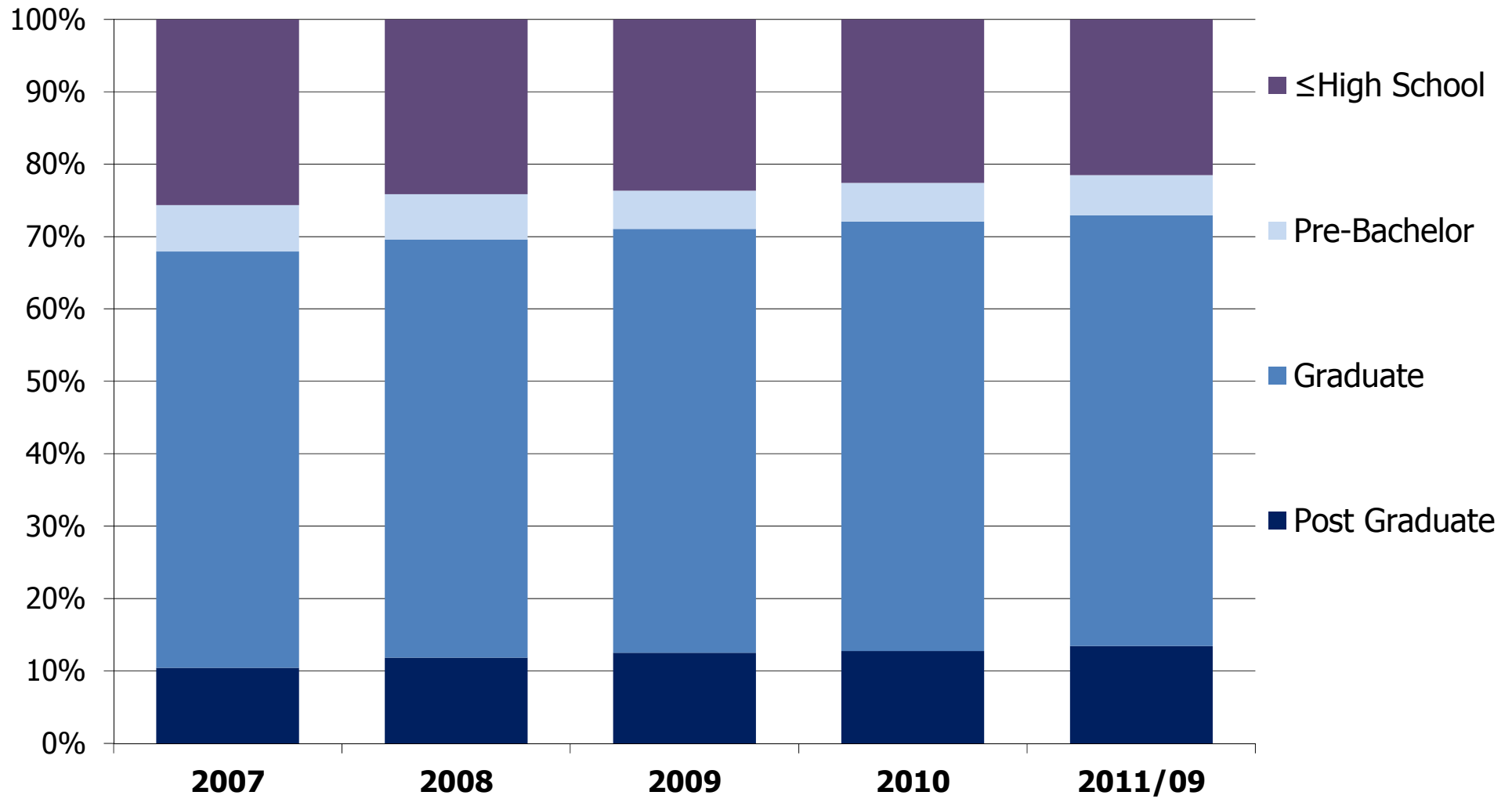
Source: TSPAKB

Brokerage Firms' Employees



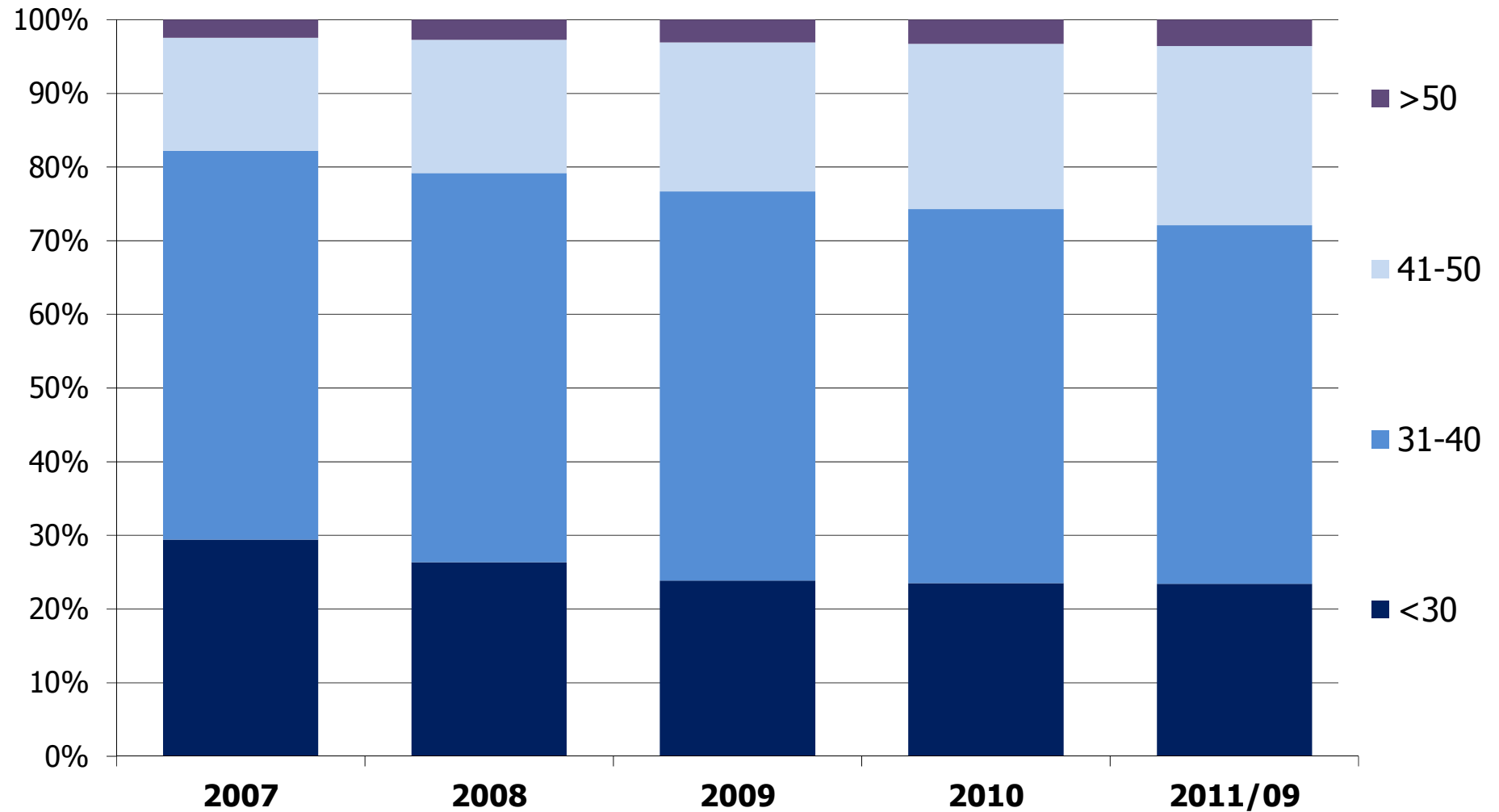
Source: TSPAKB

Education of Employees



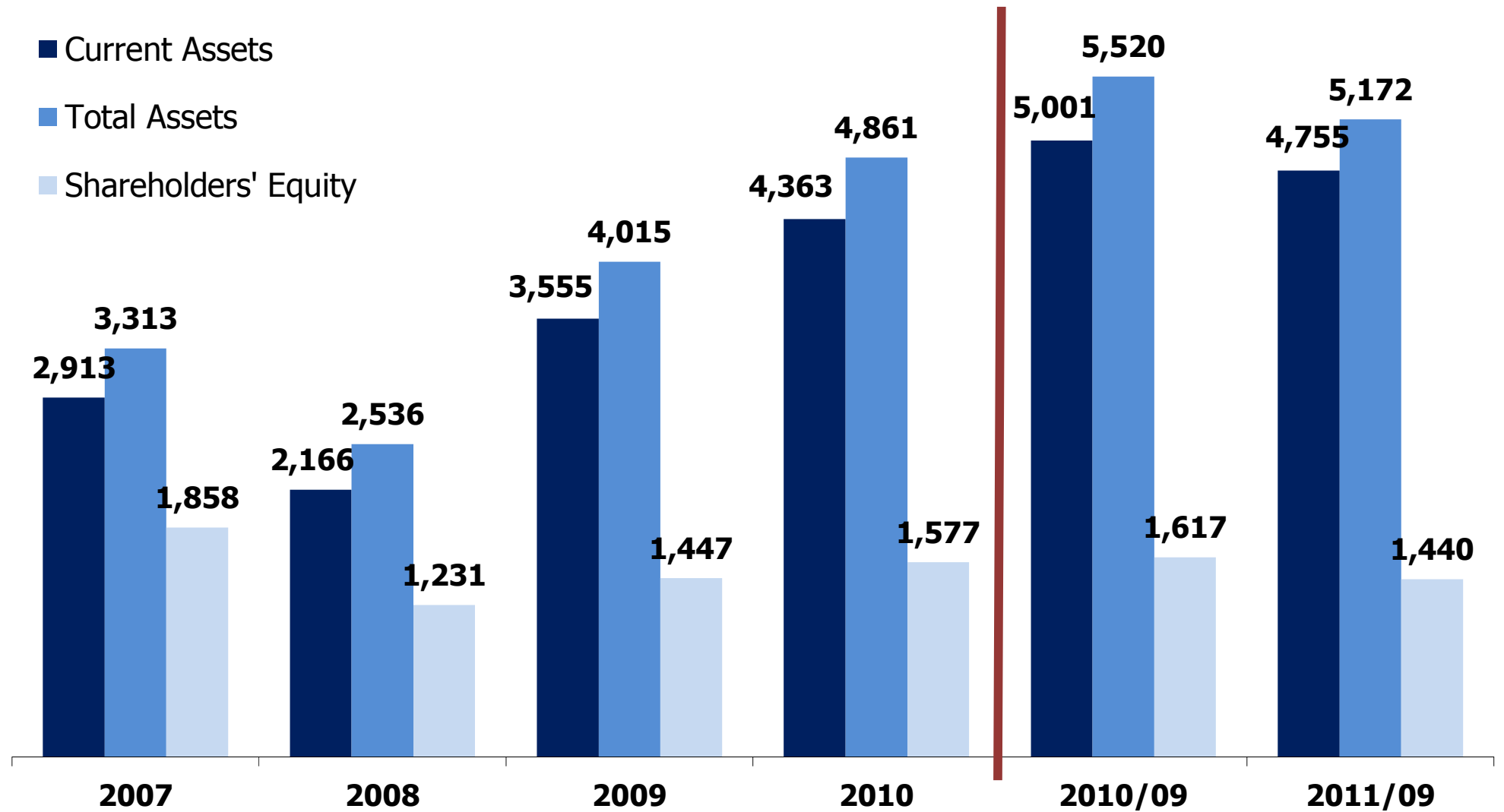
Source: TSPAKB

Age Group of Employees



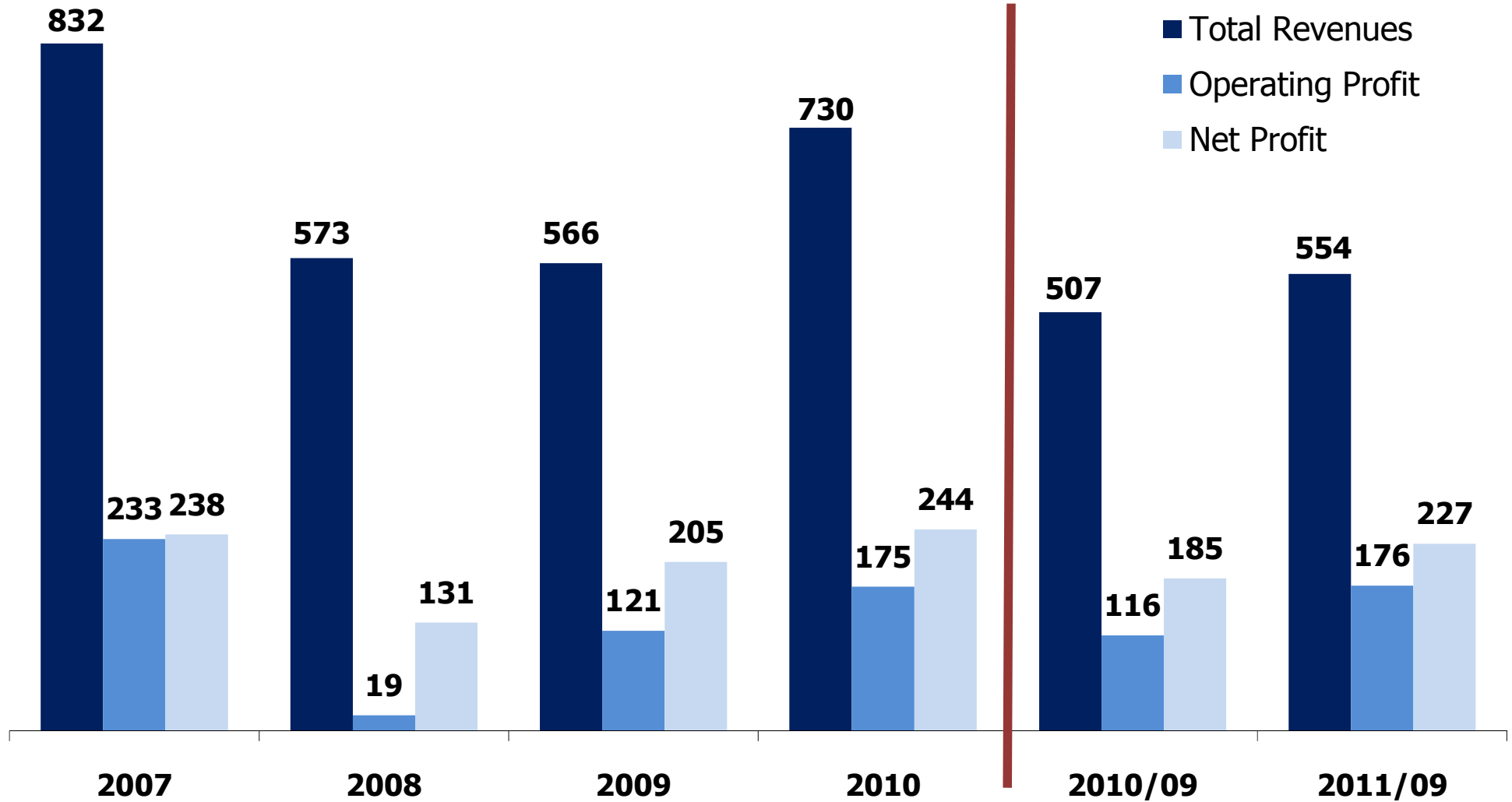
Source: TSPAKB

Balance Sheet of Brokerage Firms (Million \$)



Source: TSPAKB

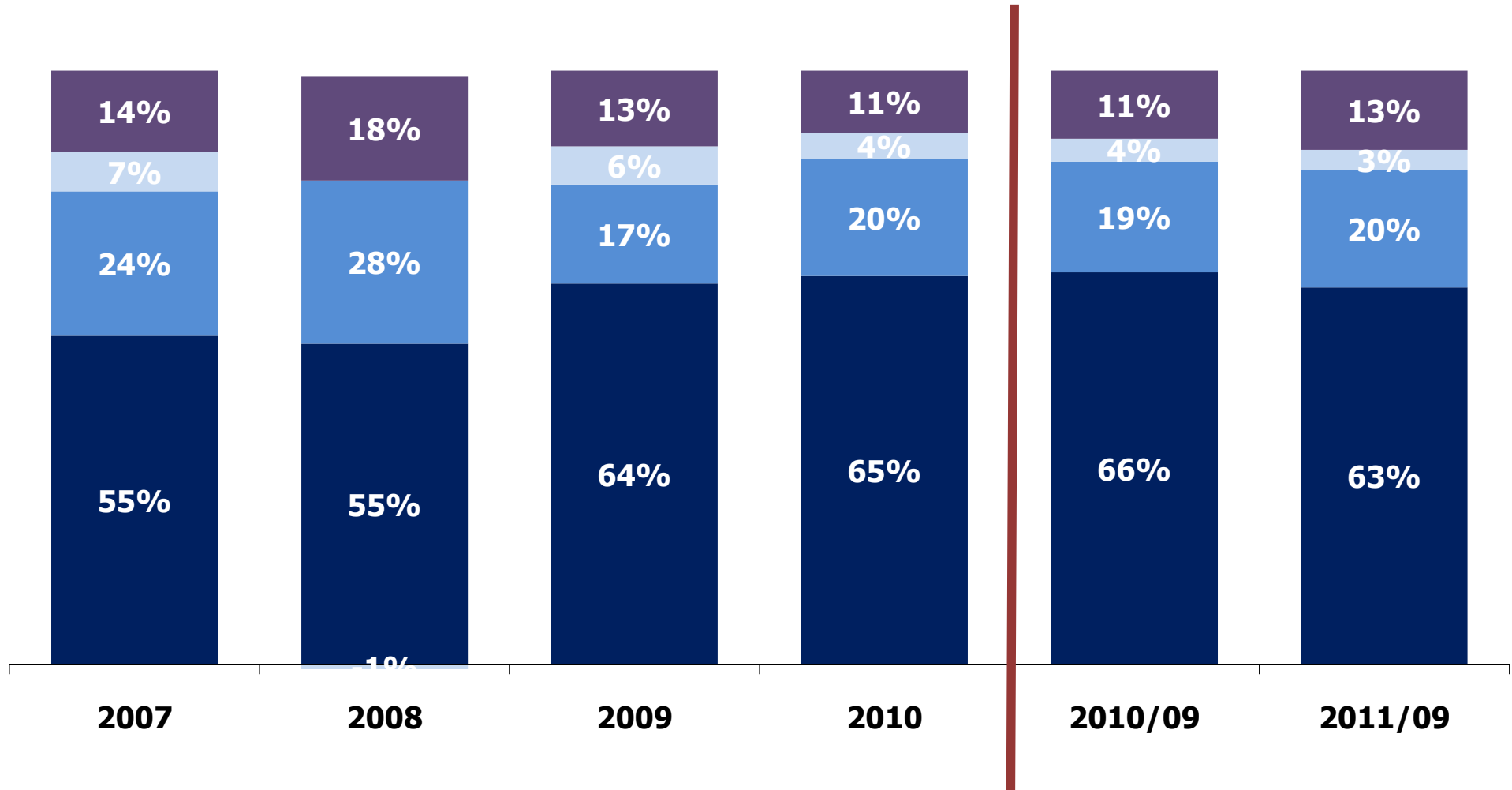
Income Statement of Brokerage Firms (Million \$)



Source: TSPAKB

Breakdown of Brokerage Firms' Revenues

■ Brokerage Commissions
 ■ Revenues from Services
 ■ Proprietary Trading Profits
 ■ Other Revenues

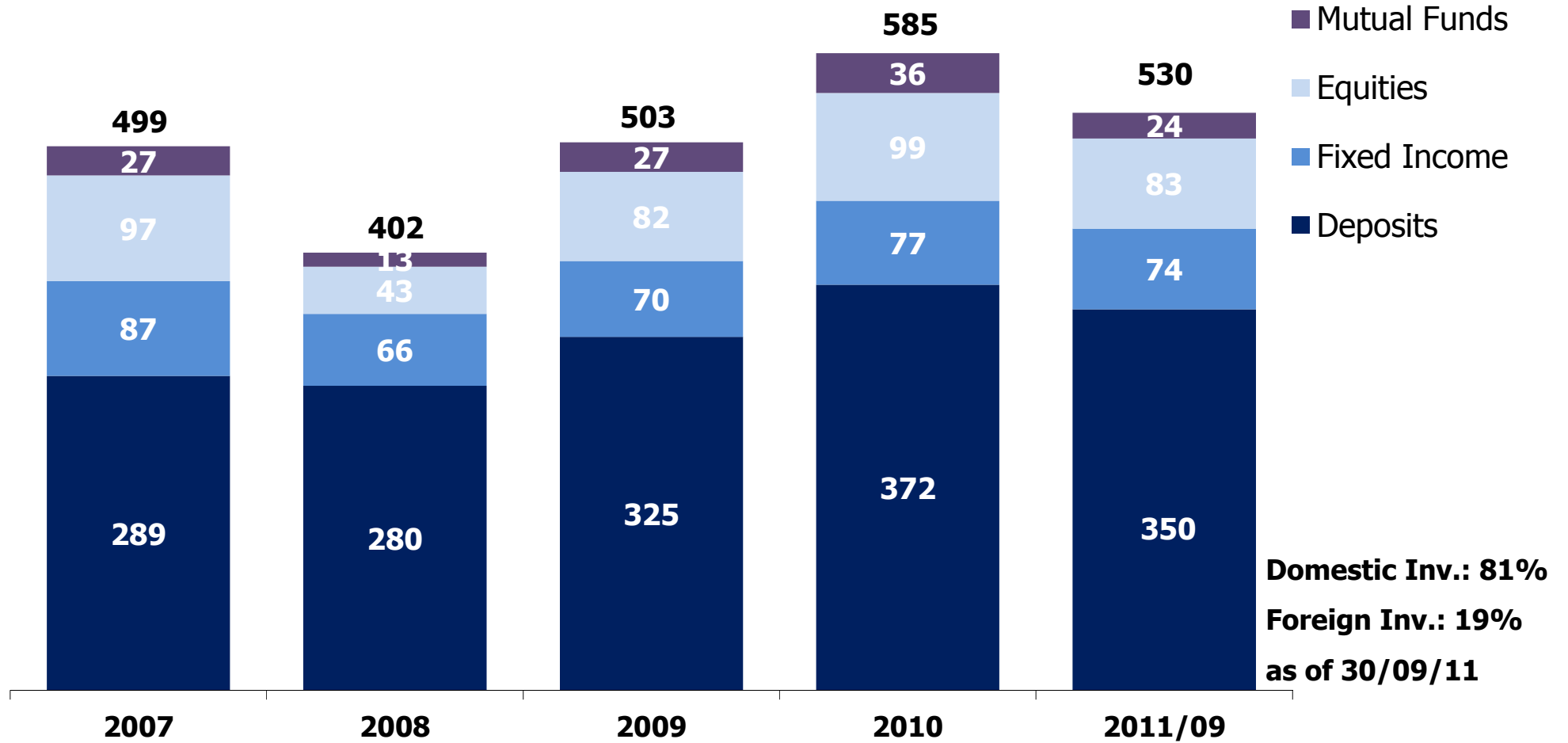


Source: TSPAKB



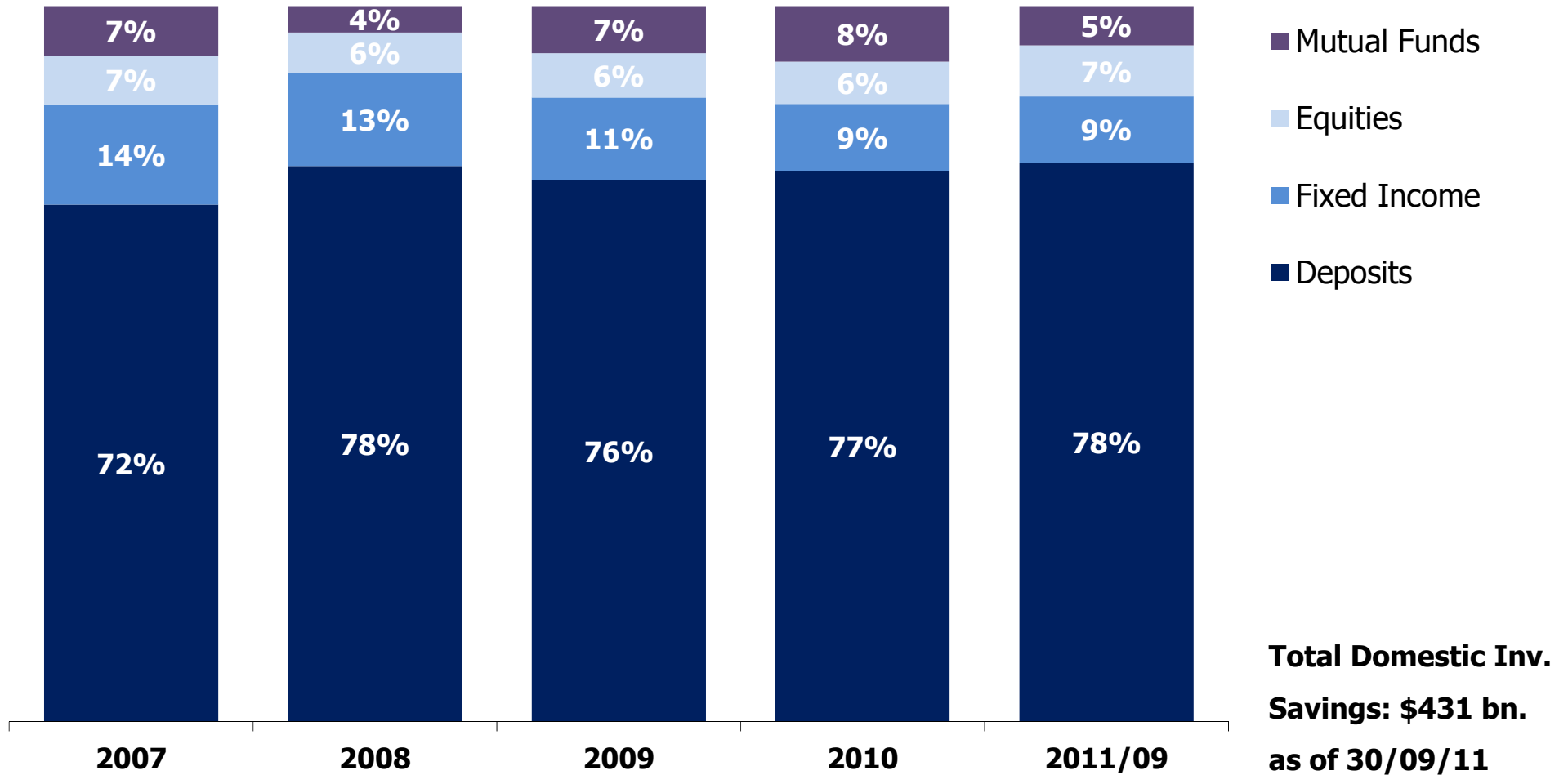
Investor Profile...

Breakdown of Total Savings (Billion \$)



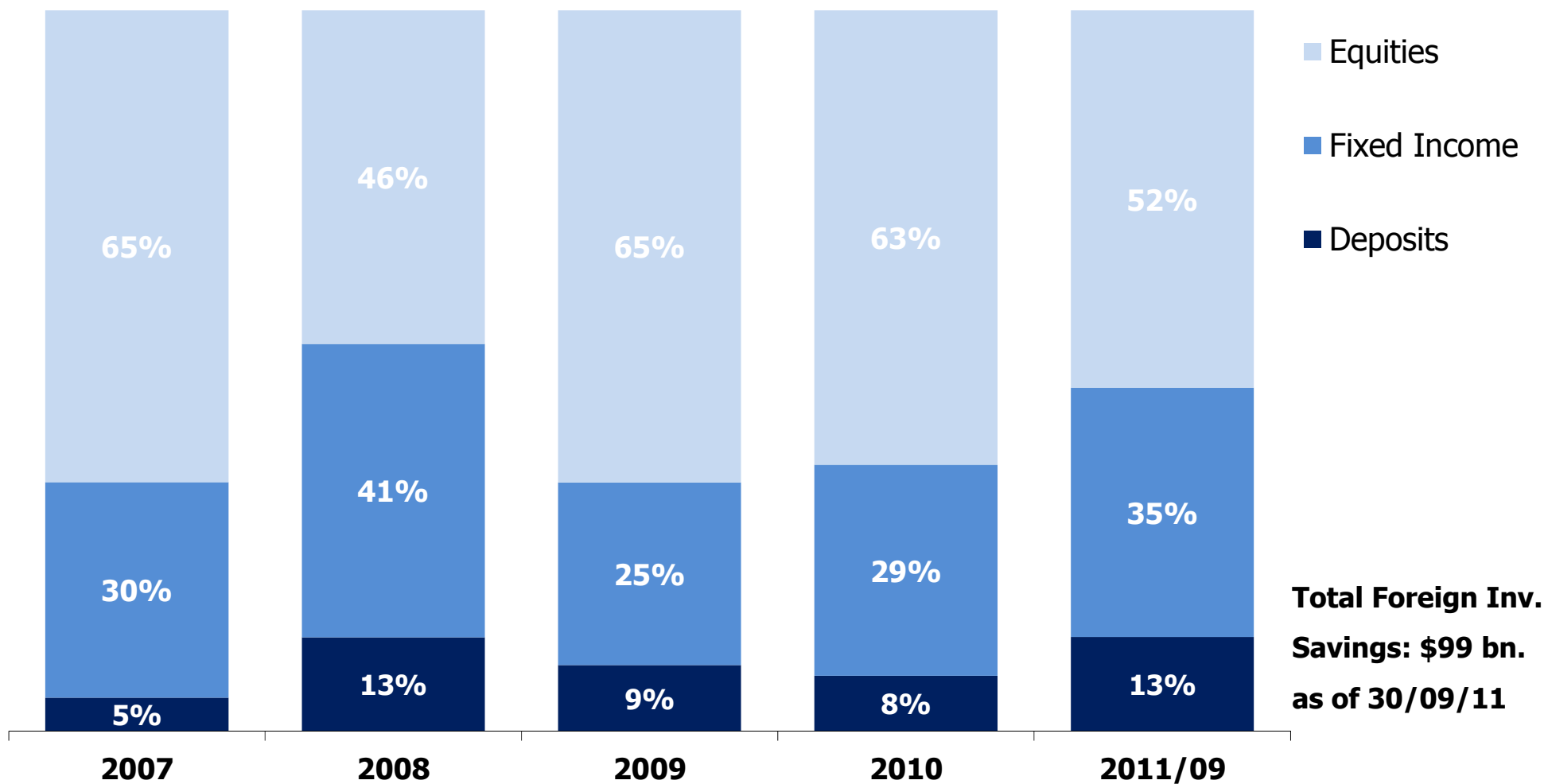
Source: Ministry of Development

Savings of Domestic Investors



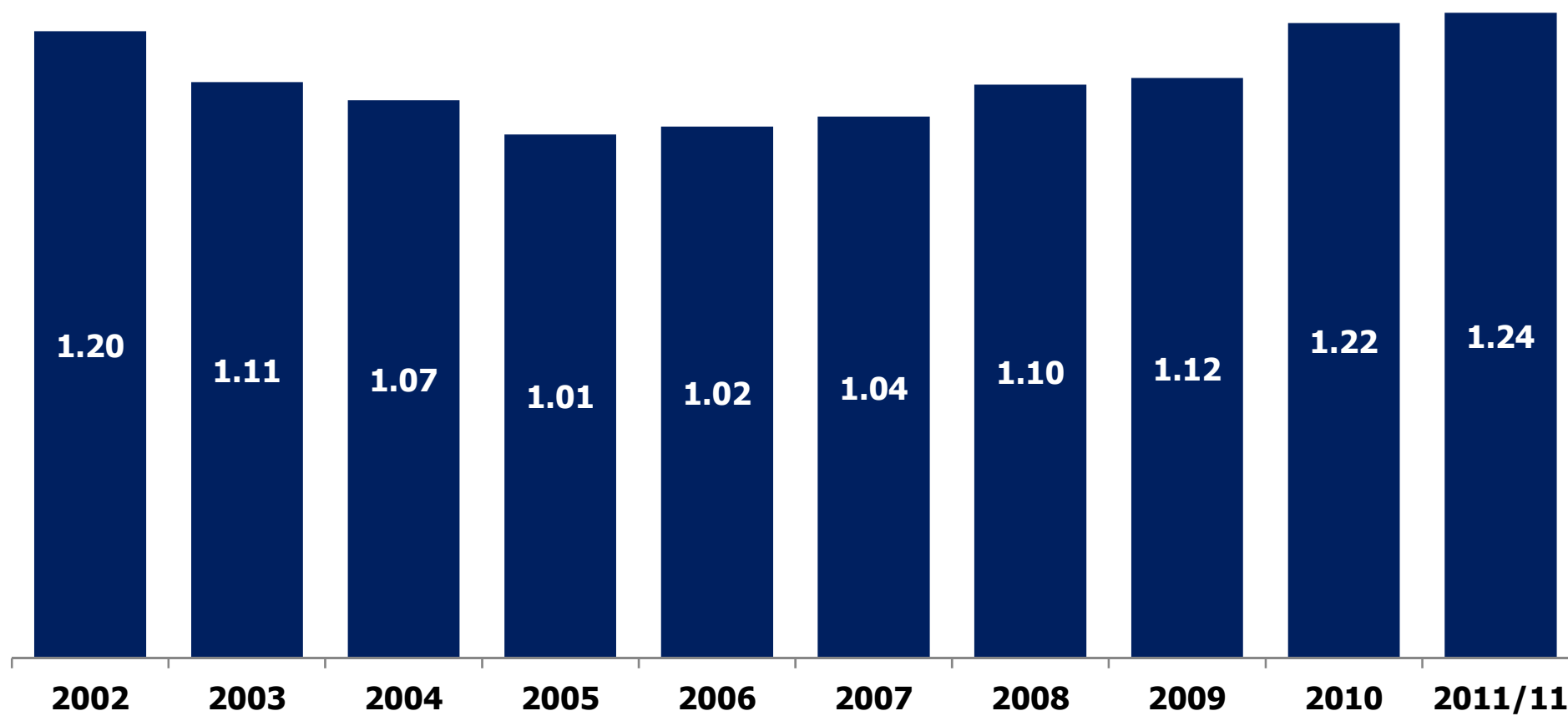
Source: Ministry of Development

Savings of Foreign Investors



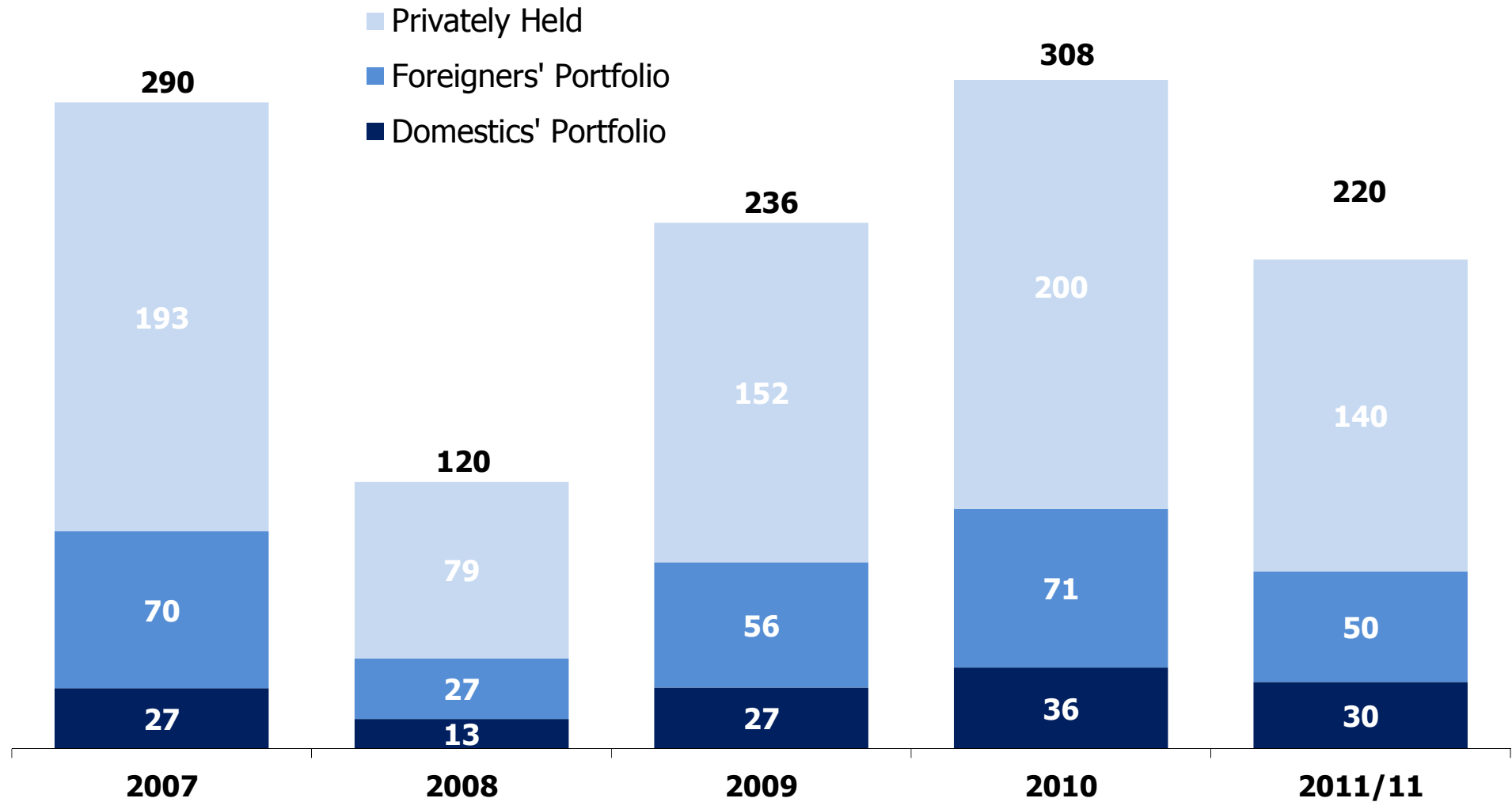
Source: Ministry of Development

Number of Equity Accounts (Million)



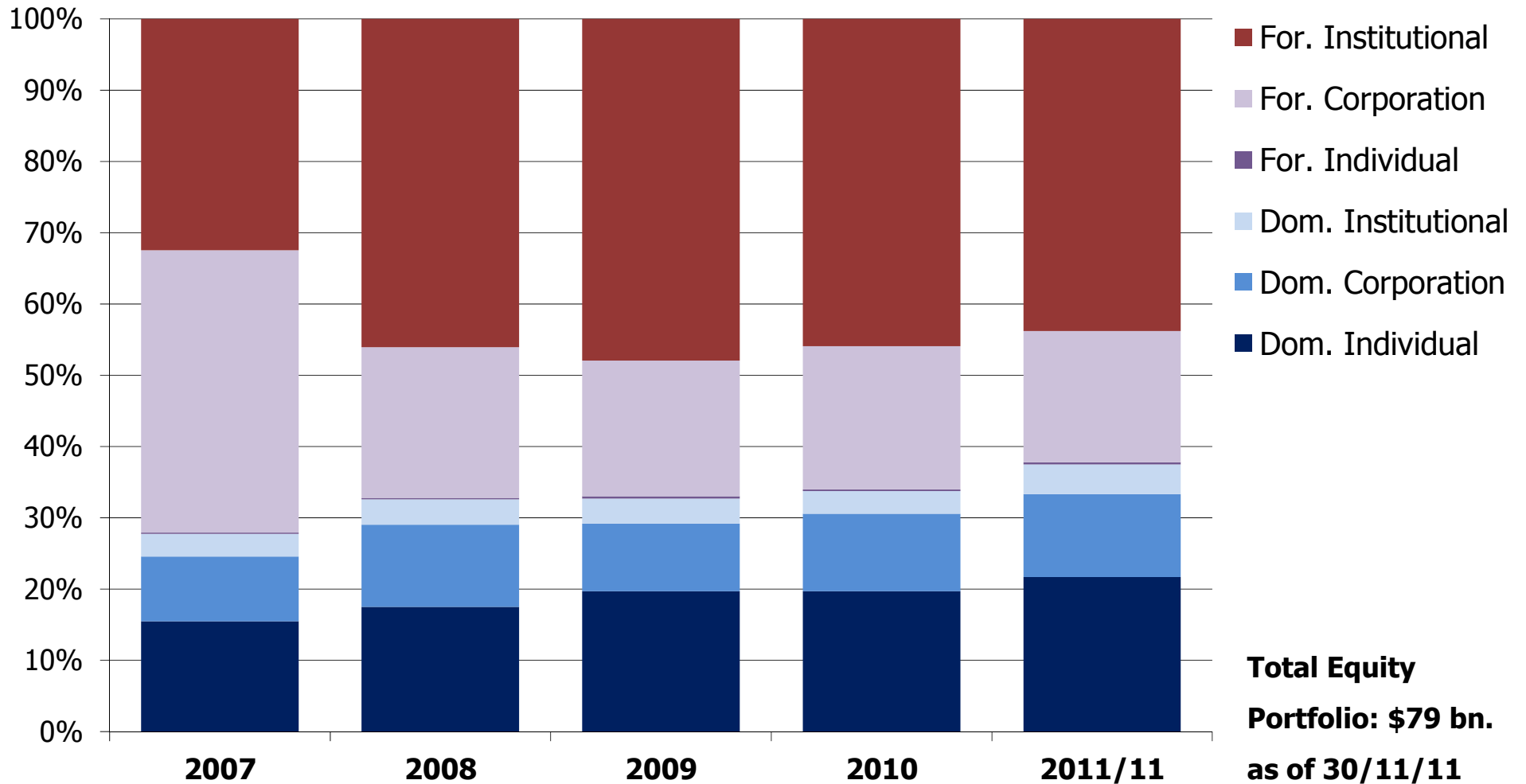
Source: CRA, Takasbank

Breakdown of Market Capitalization (Billion)



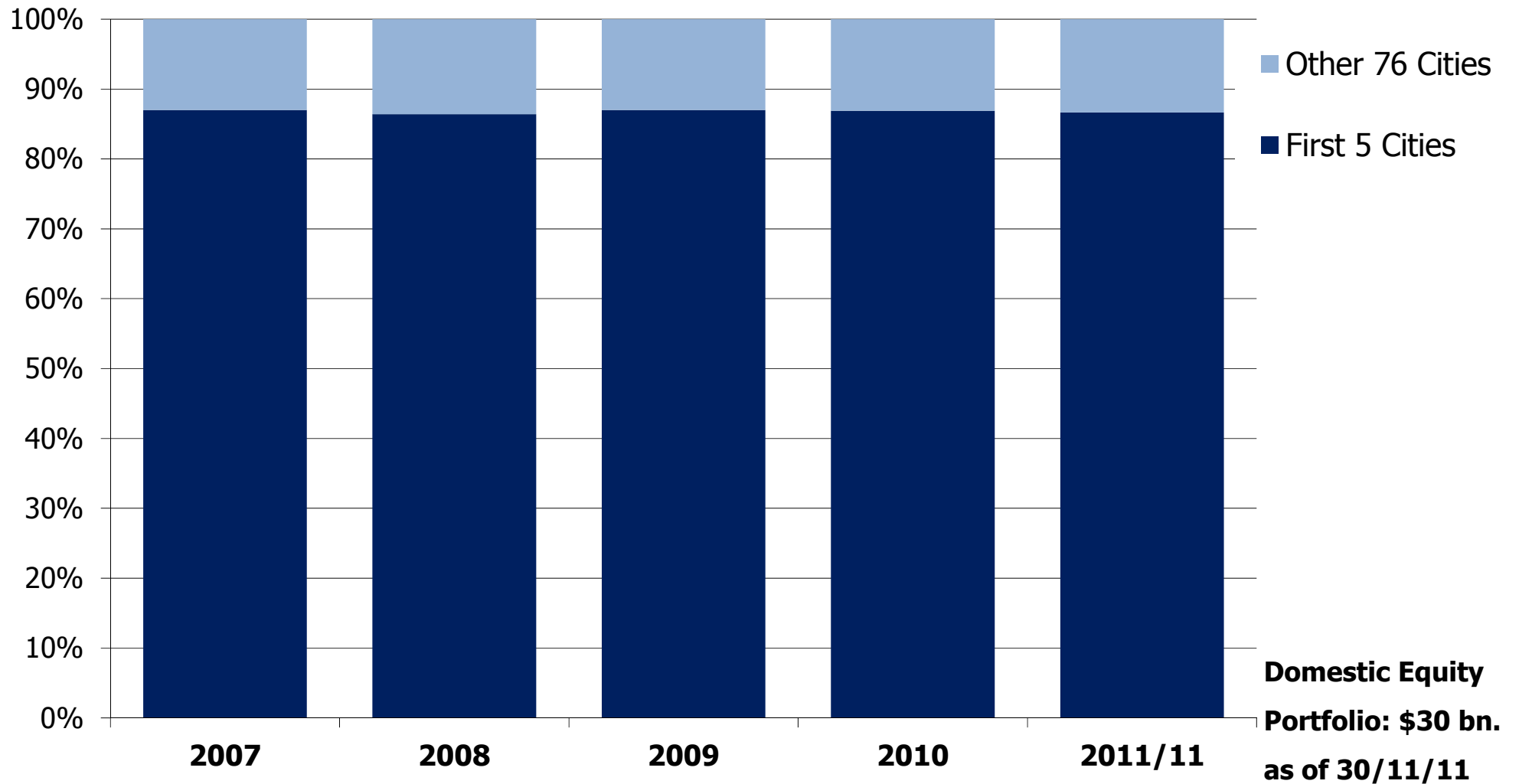
Source: CRA, ISE

Equity Ownership According to Investor Categories



Source: CRA

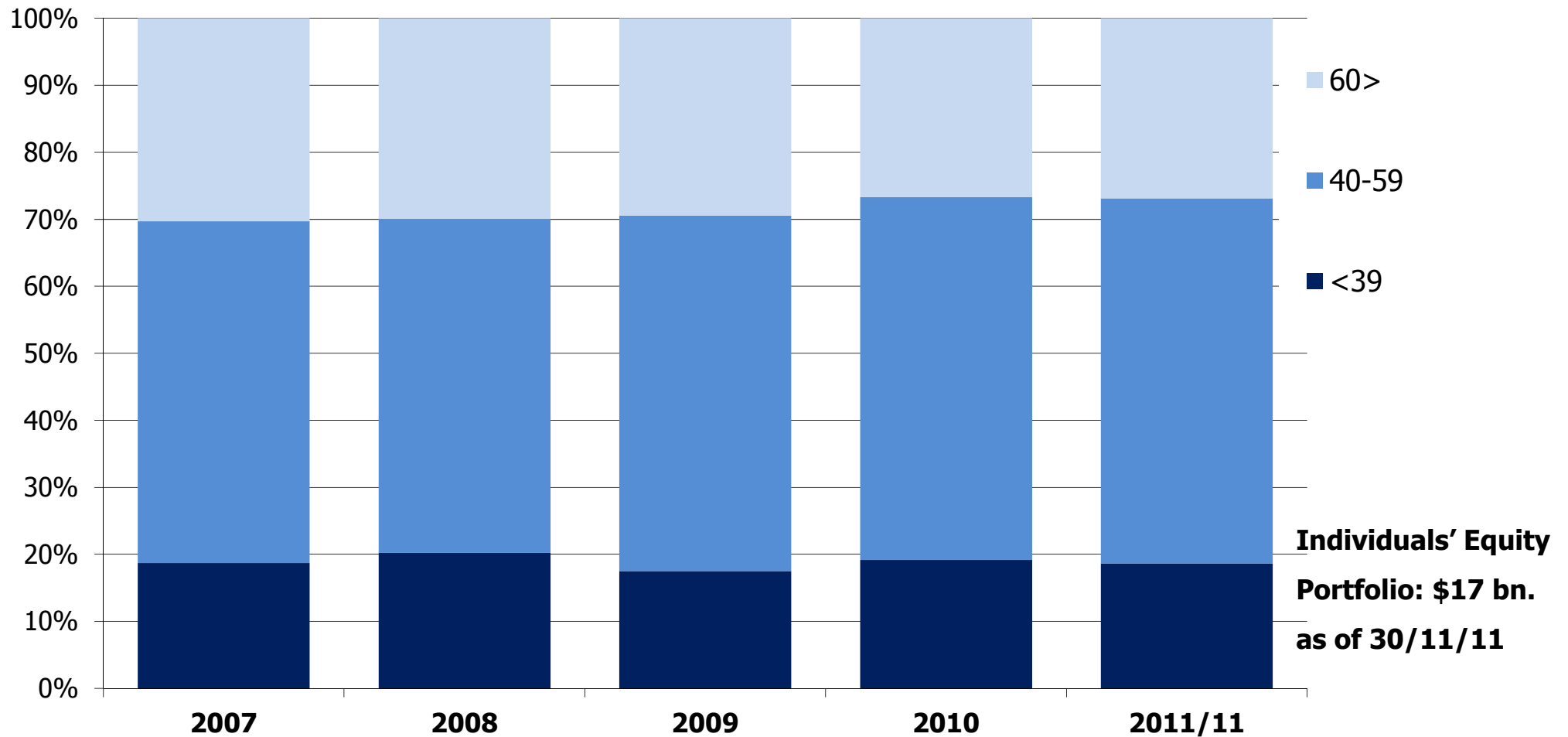
Domestic Equity Ownership According to Cities



Source: CRA

First 5 Cities: İstanbul, Ankara, İzmir, Bursa, Kocaeli

Individuals' Equity Ownership According to Age Categories



Source: CRA



Current Agenda

- ❖ **Istanbul Financial Centre project.**
- ❖ **Initial Public Offering campaign.**
- ❖ **IPO campaign for small and medium sized companies.**
- ❖ **Investor education campaign.**
- ❖ **Introduction of new products.**



TSPAKB

THE ASSOCIATION OF CAPITAL MARKET
INTERMEDIARY INSTITUTIONS OF TURKEY

THANK YOU!

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