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Recent Developments in Turkish Capital Markets

February 2023

01

A temporary short selling ban has been imposed on the Istanbul Stock Exchange ("BIST") and the equity and equity index derivative markets have been temporarily closed

A temporary decision has been adopted on BIST equity markets. In this context, as of 6 February 2023, short selling transactions are banned, and positions opened and closed without using the short selling button on the same day are also covered by this ban. Investment institutions are responsible for monitoring and enforcing this decision.

Furthermore, due to the increased volatility and unusual price movements following the earthquake disaster, BIST closed the Equity & Index Derivatives Markets within the Equity Market and Derivatives Market under the framework of the Capital Market Law Regulations, from 8 February 2023 until 14 February 2023, i.e., for a period of five business days, in order to ensure the reliable, transparent, efficient, stable, fair and competitive operation of the markets. Taking into account the low trading volume, it was also decided to cancel transactions that do not provide a healthy price formation in the closed markets.

02

Trading halt decision adopted regarding investment funds and pension mutual funds

In accordance with the decision numbered 7/158 dated 8 February 2023 of Turkey's Capital Markets Board ("the Board"), the transactions described below have been suspended due to the closure of BIST, until the date the market is reopened, provided that the portfolio keeper is informed and investors are notified through a disclosure on the Public Disclosure Platform ("KAP").

Regarding investment funds:

- Calculation of unit share prices and participation share trading transactions have been suspended, except for umbrella funds issued in connection with debt instruments, money markets, guaranteed/protected umbrella funds, funds issued under the precious metals umbrella fund, hedge funds with the phrases "foreign exchange", "money market" and "short-term" in their titles, and funds with the phrase "foreign" in their titles, and
- Calculation of unit share prices and participation share trading transactions have been suspended for funds related to participation umbrella funds, except for funds that contain a specific asset group (lease certificates, gold, precious metals, money markets) in their title.
- In addition, transactions on the Electronic Fund Trading Platform of Turkey (TEFAS) for the said funds have also been suspended.

Regarding pension mutual funds:

- Share price calculations and share trading transactions, except for debt instruments, money markets, participation (excluding participation share funds), precious metals and initial pension funds, are suspended.
- Share price calculations and share trading transactions of pension mutual funds, including OKS funds, except pension mutual funds with the words "foreign" and "currency" in their titles, have been suspended.
- In this context, the trading of these funds on the Individual Pension Fund Trading Platform (BEFAS) is also suspended.

For investment funds and pension mutual funds, it has been decided to consider the first day of the BIST Equity Market's opening as the valuation date in the execution of share purchase/sell orders (including transactions realised on TEFAS/BEFAS) that have a valuation date of 8 February 2023.

In addition, according to the decision numbered 8/173 of 9 February 2023, the decision regarding retirement investment funds will be applied to all retirement funds.

03

Changes have been made to the regulations regarding credit interest rates and risk calculations for intermediary institutions

In accordance with the Board's announcement numbered 9/179 dated 14 February 2023 in order to reduce the negative impact of the earthquakes on financial markets and prevent investor victimisation:

- To determine the maximum credit interest rate to be applied to customers whose portfolio size is 1,000,000 Turkish liras or less by intermediary institutions and the interest rate to be applied in case the whole or part of the amount they are obliged to pay due to a non-margin buy order is not deposited on the settlement day, the Board, in its announcement, states that the loan to be given by the intermediary institution should be determined at a reasonable level, taking into account the cost of funds provided by the intermediary institution, until 10 April 2023,
- Until 30 June 2023, the position risk ratio for equity shares taken in their own portfolios by intermediary institutions is to be calculated at a rate of 3% instead of 10%, and the position risk ratio for "Other Customers" monitored under the credit account is to be calculated at a rate of 4% instead of 8%,
- Credits provided to customers residing in earthquake zones with a business address or an account in the branch located in the earthquake zones, it has been decided not to take into account in the general transaction limit calculation from 6 February 2023 until 30 June 2023, and
- The initial equity protection ratio, which was determined as 35% by the Board's decision numbered 17/400 dated 19 March 2020, will be applied as 20% until 10 April 2023.

04

Board facilitates share buyback transactions

According to the Board's principle decision numbered 9/177 and dated 14 February 2023, publicly traded companies and their subsidiaries whose shares are listed on the stock exchange can initiate a share buyback program with a board of directors' resolution without the need for a general assembly decision. The board of directors' decision must specify details such as the purpose, duration, number of shares to be purchased, and fund amount, and must be disclosed to the public in accordance with the rules of special circumstances disclosure. The board of directors' decision must also be presented to shareholders at the first general assembly meeting. Companies and subsidiaries that already have a buyback program in place do not need to take an additional board of directors' decision.

It has been decided to apply the principles mentioned above for bonus shares acquired due to repurchased shares. In addition, repurchased shares will not be sold for 30 days from the date of repurchase and the "first in, first out" method will be applied for sales. Moreover, the Board has decided not to apply certain articles in the Regulation on Repurchased Shares numbered II-22.1.

05

Changes have been made to the notification deadlines of financial reports for companies located in earthquake zones

In order to minimise the negative impact of the earthquake on the financial markets and prevent investor grievances, the Board has allowed businesses subject to capital markets legislation to submit their financial reports for the year 2022 until the final notification date determined in capital markets legislation. Investment funds have been granted an additional period until 30 April 2023 for the announcement of independently audited financial reports for the year 2022 and annual reports for pension mutual funds for the year 2022 to be published on KAP.

06

Amendments to Portfolio Management Companies in Turkey

The Capital Markets Board of Turkey (“**CMB**”) has made amendments to the organisational structure and capital requirements of portfolio management companies in Turkey (“**Companies**”) with amendments to Communiqué numbered III-55.1 on the Principles regarding Portfolio Management Companies and their Activities (“**Communiqué**”) published in the Turkish Official Gazette dated 18 February 2023.

The most prominent among the amendments is the increase of the initial share capital and the amount of the minimum equity capital obligations required for the incorporation of such Companies. Accordingly, while the initial share capital increased from TRY 6,000,000 to 30,000,000, the portfolio size thresholds that determines the minimum equity capital obligations of the Companies, and therefore the minimum equity capital obligations, have also increased. Consequently, while the portfolio size thresholds were previously between TRY 200,000,000 and 7,500,000,000 before the amendment, they have now increased five times, from TRY 1,000,000,000 to 36,000,000,000, and the minimum equity capital obligations increased to TRY 30,000,000 and 100,000,000.

Prior to the amendment, the number of the portfolio managers who need to be employed by the Companies who apply to the CMB to conduct portfolio management activities was two, and the CMB provided flexibility for the Companies in this respect. Upon the entry into force of the amendment, the number of portfolio managers to be employed has increased to a minimum of three, four, five and six portfolio managers, respectively. In addition, the amendments provide that an accountant manager should be employed full time.

Another important amendment is the opportunity to procure services that are used in the activities of the Companies (e.g., information systems services, research services, risk management services) from other Companies who established units within themselves dedicated to such services, compared to procuring such services only from investment institutions or other specialised institutions prior to the amendment.

In terms of organisational structure, the Companies have been enabled to incorporate liaison offices. While the Companies could only open branches or set up agencies with intermediaries prior to the amendment, they can now set up liaison offices in and outside Turkey. The incorporation of branches, liaison offices or agencies must be publicly announced and registered at the trade registry. If the Companies set up agencies, they can now enter into agreements with clients in electronic form.

Further, the Companies are required to notify the relevant public authorities provided in the Communiqué of any changes in staff or change of address that occurs in the units set up outside of their Turkish headquarters.

Issuances Approved By The Capital Markets Board Of Türkiye – February 2023

INITIAL PUBLIC OFFERINGS		
COMPANY NAME	TYPE of SALE	SIZE of ISSUANCE
Göknur Gıda Maddeleri Enerji İmalat İthalat İhracat Ticaret ve Sanayi AŞ	Offering Through Issuance of New Shares AND Sale of Existing Shares	TRY 65,000,000 AND TRY 14,250,000

SHARE ISSUANCES of PUBLIC COMPANIES		
COMPANY NAME	TYPE of SALE	SIZE of ISSUANCE
Barem Ambalaj Sanayi ve Ticaret A.Ş.	Issuance Through Internal Resources	TRY 210,000,000
İşbir Sentetik Dokuma Sanayi A.Ş.	Issuance Through Internal Resources	TRY 282,931,987.84
Koza Altın İşletmeleri AŞ	Issuance Through Internal Resources	TRY 3,050,000,000

DEBT INSTRUMENTS ISSUANCES		
COMPANY NAME	TYPE of SALE	ISSUANCE LIMIT
Aktif Yatırım Bankası A.Ş.	Qualified Investor	TRY 1,000,000,000
Mercedes Benz Kamyon Finansman A.Ş.	Qualified Investor / Private Placement	TRY 700,000,000
Şekerbank T.A.Ş.	Overseas	USD 300,000,000
Trive Yatırım Menkul Değerler A.Ş.	Qualified Investor	TRY 280,000,000
Destek Finans Faktoring A.Ş.	Overseas	USD 5,420,000
Halk Yatırım Menkul Değerler AŞ	Qualified Investor	TRY 1,250,000,000
Volkswagen Doğu Finansman AŞ	Qualified Investor	TRY 600,000,000
Tam Finans Faktoring AŞ	Qualified Investor / Private Placement	TRY 306,500,000
Oyak Yatırım Menkul Değerler AŞ	Qualified Investor / Private Placement	TRY 3,800,000,000
T.C. Ziraat Bankası AŞ	Qualified Investor / Private Placement	TRY 30,000,000,000
Türkiye Sınai Kalkınma Bankası AŞ	Overseas	USD 1,000,000,000
T.C. Ziraat Bankası AŞ	Overseas	USD 4,000,000,000

OTHER ISSUANCES

COMPANY NAME	ORIGINATOR / FUND USER	TYPE of CAPITAL MARKETS INSTRUMENT	TYPE of SALE
Halk Varlık Kiralama AŞ	Kayseri Şeker Fabrikası AŞ	Lease Certificate Based on Management Agreement	Qualified Investor



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