

# Turkish Capital Markets

March 2019



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# STRUCTURE OF THE TURKISH CAPITAL MARKETS



## CAPITAL MARKETS BACKGROUND

- 1982: Capital Markets Board established.
- 1985: Istanbul Stock Exchange (ISE) established.
- 1992: Takasbank (Settlement & Custody Bank) established.
- 1995: Istanbul Gold Exchange (IGE) established.
- 1997: Banks are forbidden to trade equities.
- 2001: Association of Capital Markets Intermediary Institutions of Turkey established. Central Registry Agency established. Investors' Protection Fund established.
- 2002: Private pension system introduced.
- 2005: IFRS adopted for financial intermediaries and listed companies. Turkish Derivatives Exchange (TurkDex) established. Dematerialization of equities completed.
- 2006: Dematerialization of corporate bonds & mutual funds completed.
- 2009: Automated Disclosure Platform introduced. Istanbul International Financial Centre strategy announced.
- 2011: Forex regulation passed.
- 2012: New Capital Markets Law passed. ISE demutualised and merged with Istanbul Gold Exchange under Borsa Istanbul.
- 2013: Borsa Istanbul announced strategic partnership with Nasdaq. Borsa Istanbul and TurkDex merged.
- 2014: The structure of the Association has changed and the membership base was expanded to cover asset management companies and investments trusts, in addition to brokerage firms and banks. The name of the Association was revised to Turkish Capital Markets Association.
- 2015: Takasbank introduced the Electronic Fund Distribution Platform - TEFAS. Borsa Istanbul introduced new trading platform - BISTECH.
- 2016: TCMA arbitration committees established. Turkey Wealth Fund established
- 2017: Auto-enrollment in the private pension system introduced.

# REGULATORY STRUCTURE OF THE FINANCIAL MARKETS

## Banking

### Banking Regulation and Supervision Agency (BRSA)

- Banks' Association of Turkey
- Participation Banks' Association of Turkey
- Association of Financial Institutions

- Banks
- Participation Banks
- Savings Deposit Insurance Fund
- Leasing Companies
- Factoring Companies
- Consumer Finance Companies
- NPL Management Companies
- Payment Companies
- Electronic Money Companies
- Rating, Audit Firms
- Financial Holding Companies

## Capital Markets

### Capital Markets Board (CMB)

- Turkish Capital Markets Association
- Borsa Istanbul
- Turkish Appraisers Association

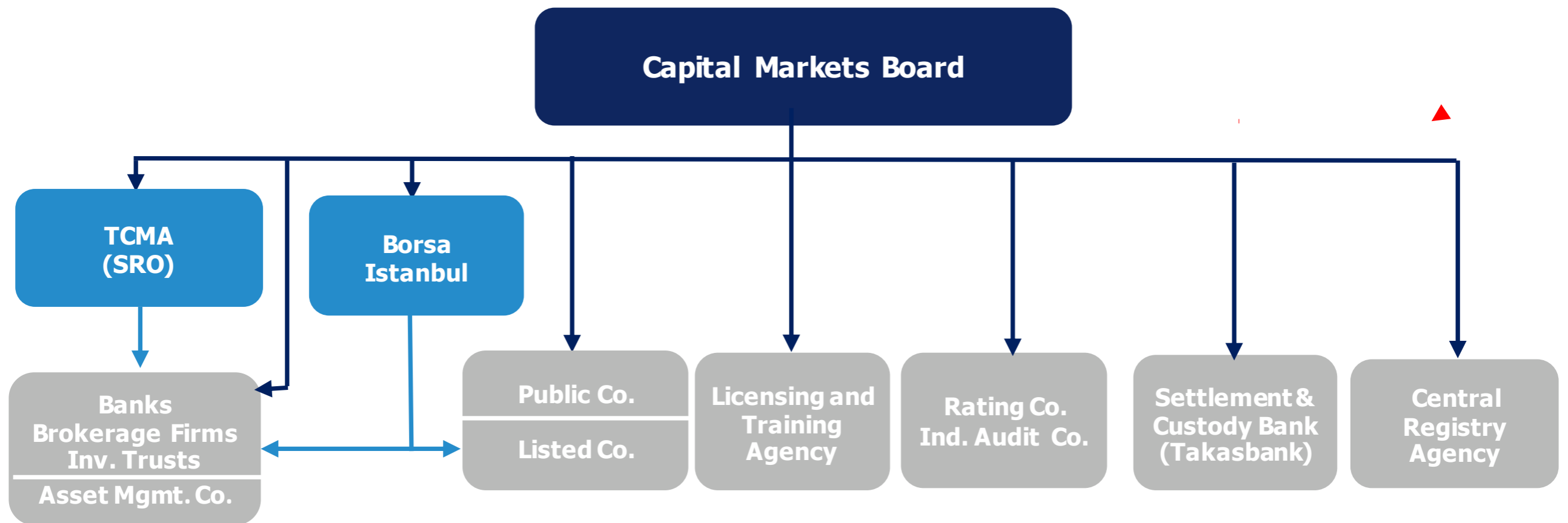
- Banks
- Brokerage Firms
- Asset Management Firms
- Investment Trusts
- Central Registry Agency
- Settlement and Custody Bank
- Capital Markets Licensing and Training Agency
- Investor Compensation Center
- Public and Listed Companies
- Rating, Appraisal, Audit Firms

## Insurance

### Insurance and Private Pension Regulation and Supervision Agency

- Insurance Association of Turkey
- Insurance Companies
- Pension Companies

# CAPITAL MARKET INSTITUTIONS IN TURKEY



- Capital Markets Board (CMB) 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,
  - Investment services.

- Borsa Istanbul, formerly named as Istanbul Stock Exchange, was established in 1985.
- The exchange was demutualised in 2013.
- The exchanges operating in Turkey, namely Istanbul Stock Exchange, Istanbul Gold Exchange and the Turkish Derivatives Exchange merged under the roof of Borsa Istanbul.
- European Investment Bank (EIB) acquired 10% share in 2015. Turkey Wealth Fund acquired Nasdaq's 7% stake in Borsa Istanbul in 2018, and EIB's 10% stake in 2019.
- The main markets and the traded securities on Borsa Istanbul are:
  - Equity Market: Shares, rights coupons, ETFs, warrants, certificates, real estate funds.
  - Debt Securities Market: Government bonds, corporate bonds, asset backed securities, Islamic bonds, repo-reverse repo transactions, Turkish eurobonds, money market and swap transactions.
  - Derivatives Market: Single stock, equity index, gold, currency, commodity, overnight repo, metal, ETF and power futures. Single stock, currency, equity index and mini index options.
  - Precious Metals and Diamond Market: Gold, silver, platinum and palladium.



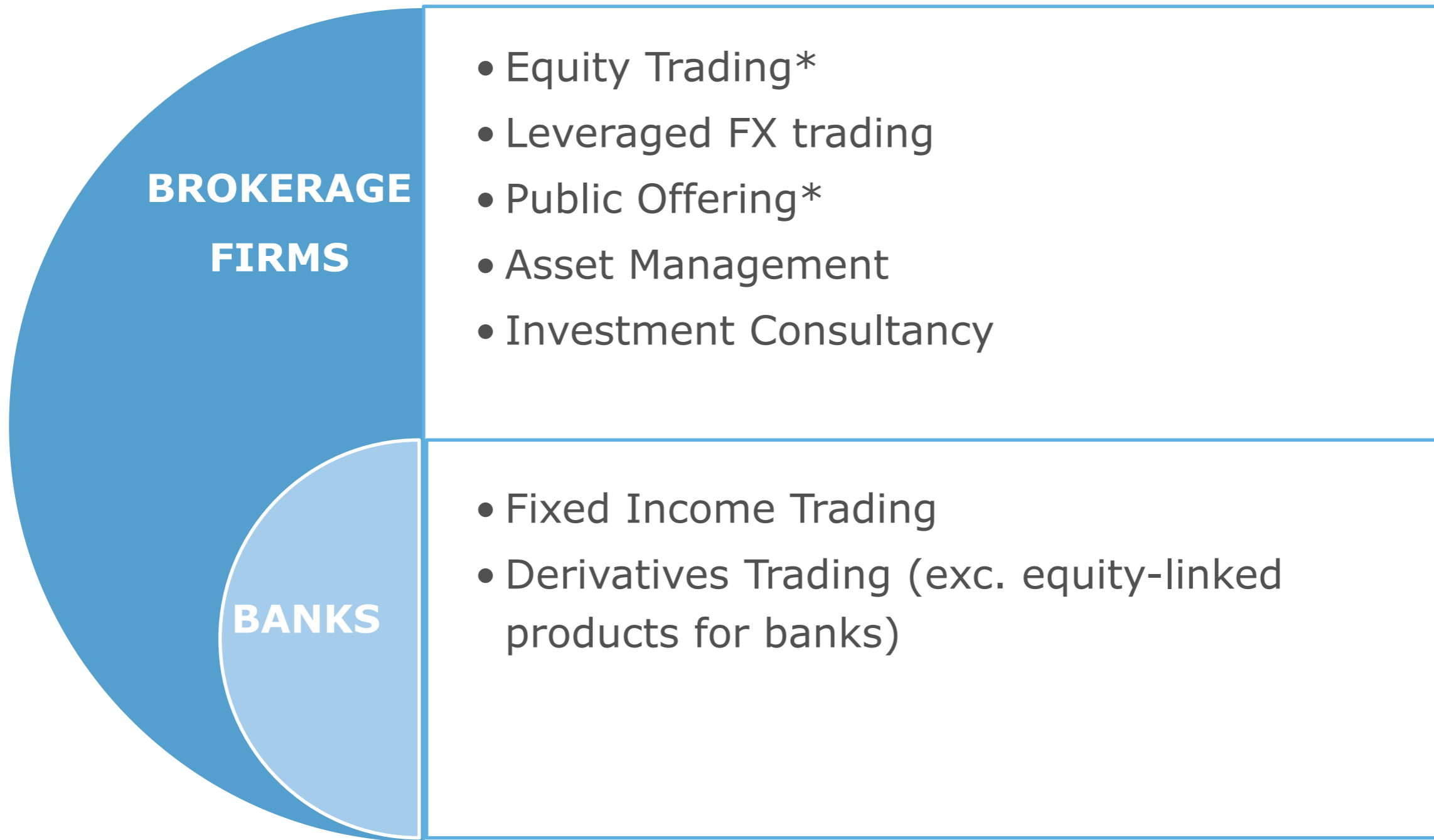
## TAKASBANK (ISTANBUL SETTLEMENT AND CUSTODY BANK)

- Takasbank was established in 1988 as a department of Borsa Istanbul. It was incorporated as a separate company in 1992 and became a non-deposit taking bank in 1995.
- Takasbank is:
  - The clearing and settlement centre for Borsa Istanbul,
  - The central counterparty for Borsa Istanbul Futures & Options, Debt Securities, Equities, Money and Swap markets
  - The national numbering agency of Turkey.
- Takasbank operates the Securities Lending & Borrowing Market and Takasbank Money Market, and acts as CCP in those markets
- It offers clearing and central counter party services for Turkish Lira IRS (Interest Rate Swap) and OIS (Overnight Index Swap) contracts in OTC markets
- It serves as a custodian to private pension system.
- It operates the Electronic Fund Distribution Platform (TEFAS).
- It records leveraged transactions and handles collateral management as an authorized trade repository institution.

- Merkezi Kayit Istanbul – CSD of Turkey was established in 2001 as a private company.
- It is the only central depository for all dematerialized capital market instruments.
- The dematerialization process is completed for equities, mutual funds, corporate bonds, warrants, certificates, asset backed securities, government debt holdings (excluding investment institutions), real estate certificates and electronic warehouse receipts.
- Operates the Public Disclosure Platform.
- Runs various electronic services for investors and public companies such as; Investor Notification and Alert System (eCAS), Companies Information Portal (e-Company), Electronic General Assembly (e-GEM), corporate management and investor relations portal (e-Governance) or Electronic Warehouse Receipt Center (e-Warehouse).

- Investors' Protection Fund, which covered equity settlement obligations, was established in 2001.
- Investor Compensation Centre replaced the Investors' Protection Fund in 2013 with the renewed Capital Market Law.
- It covers settlement obligations of all capital market instruments, up to TL 217,801 (~\$ 36,000) in 2020, in case of liquidation or bankruptcy of investment institutions.
- All investment institutions have to be a member of the Investor Compensation Centre.

# ACTIVITIES OF INTERMEDIARIES



\*Authorized activities for Investment Banks

# TYPES OF BROKERAGE FIRMS



## Market Makers

- execution of orders from their own account by positioning their customers as counterparty
- minimum capital: TL 28.7 mn.

## Execution Brokers

- execution of orders of in the name of customers and/or their own account
- offering custody services
- minimum capital: TL 11.5 mn.

## Introducing Brokers

- reception of orders and transfer them to other brokers
- minimum capital: TL 2.3 mn.



## **Portfolio Management Companies**

- May establish stock, bond, balanced mutual funds
- Mn. capital required varies btw. TL 2.9 million and TL 14.4 million depending on AUM.

## **Real Estate/ Venture Capital Portfolio Management Companies**

- May establish only real estate or venture capital investment funds
- Mn. capital required varies btw. TL 1.4 million and TL 7.2 million depending on AUM.

# TURKISH CAPITAL MARKETS ASSOCIATION

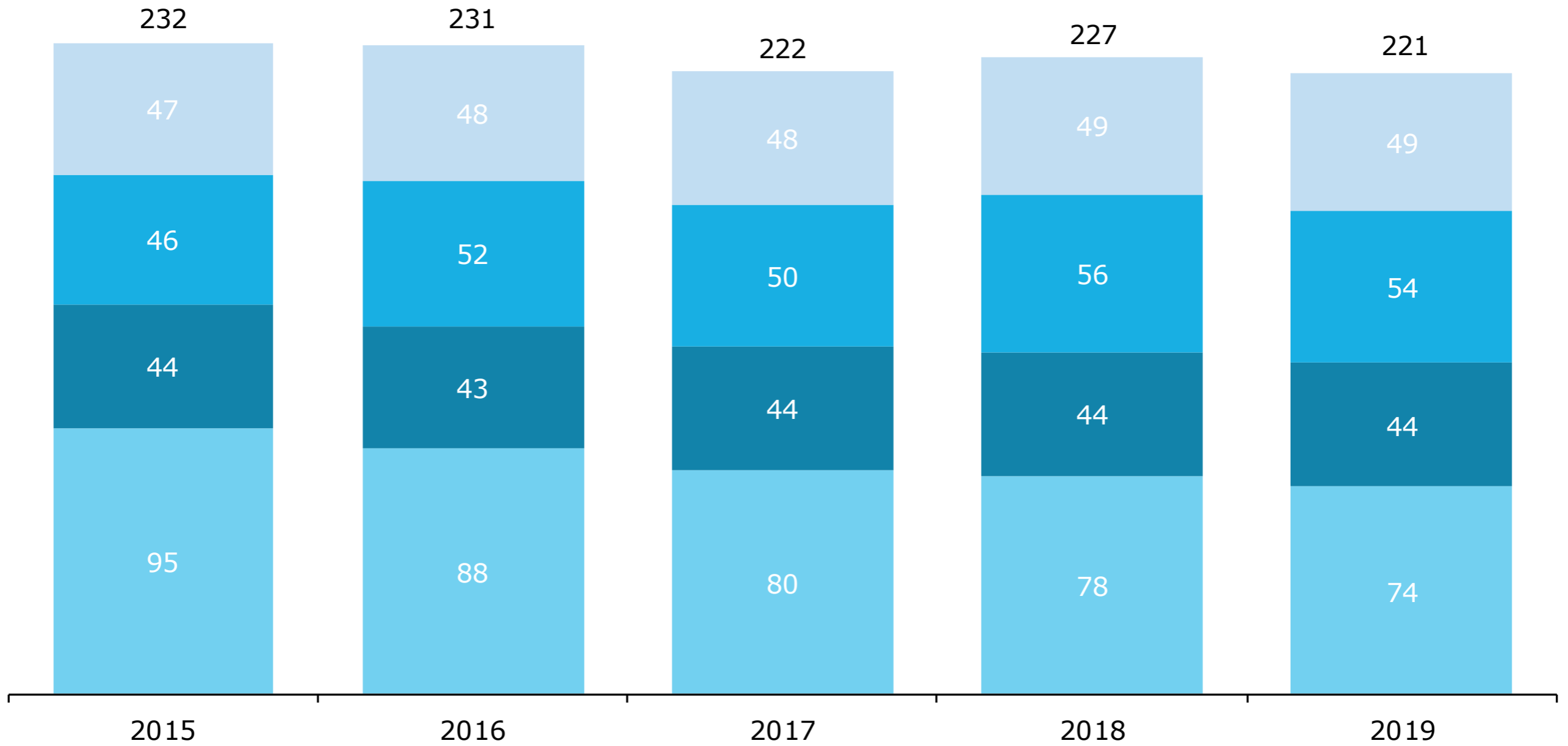


- TCMA is the self-regulatory professional organization in the Turkish capital markets.
- Brokerage firms, banks, asset management companies, and investment trusts are members of the Association.
- Founded in April 2001 according to the Capital Markets Law.
- Membership base expanded in 2014 with new law.
- Membership is mandatory.
- Under CMB supervision



# MEMBERS

Investment Trusts    Asset Management Firms    Banks    Brokerage Firms

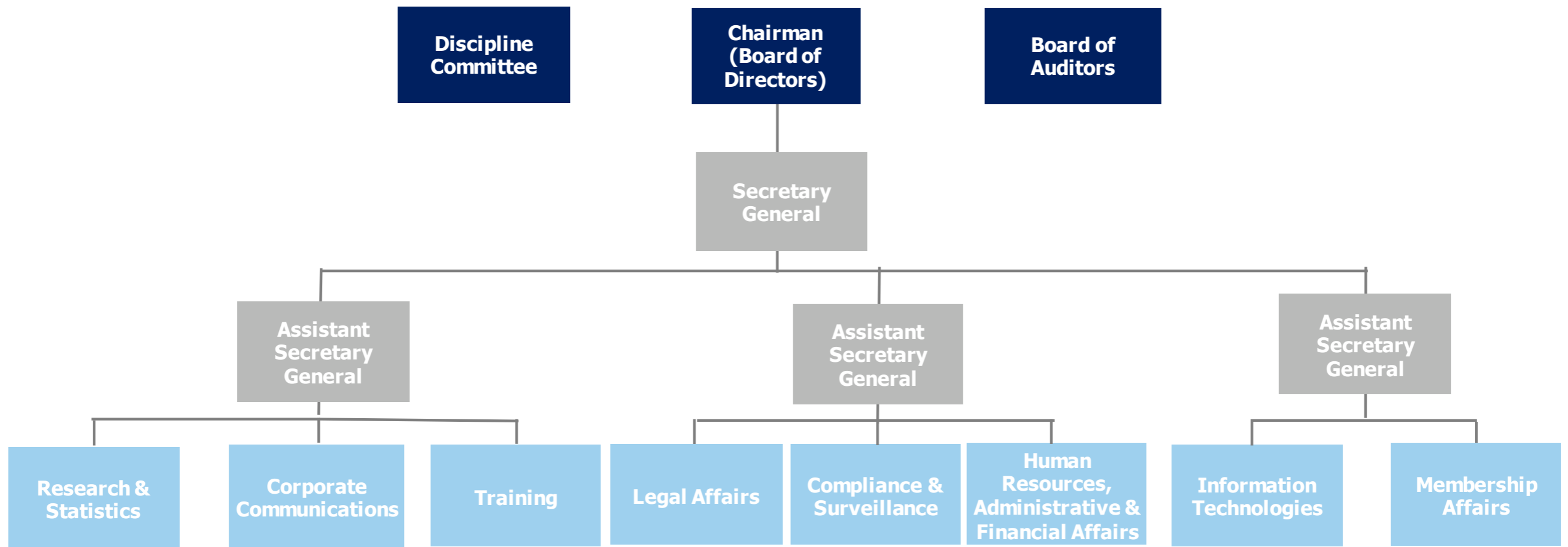


- Contribute to the development of the capital market
- Meet the collective needs of members and facilitate solidarity among its members,
- Prevent unfair competition between its members,
- Enhance know-how in the sector.

## FUNCTIONS

- Establish code of ethics for the profession,
- Establish professional rules and regulations,
- Conduct research,
- Offer educational programs,
- Assist in the resolution of disputes,
- Cooperate with related foreign institutions,
- Engage in financial literacy activities.

# ORGANISATION



## INTERNATIONAL MEMBERSHIPS

- Asia Securities Forum (ASF) member since 2009.
- OECD International Network on Financial Education (INFE) affiliate member since 2015.
- International Council of Securities Associations (ICSA) member since 2006.
- International Forum for Investor Education (IFIE) member since 2009. International Forum for Investor Education/Asia Chapter founding member since 2010.
- International Organization of Securities Commissions (IOSCO) affiliate member since 2003.

### **CENTRAL REGISTRY AGENCY**

- 5% stake
- one seat at the board of directors, out of 8 members

### **BORSA ISTANBUL**

- 1.3% stake

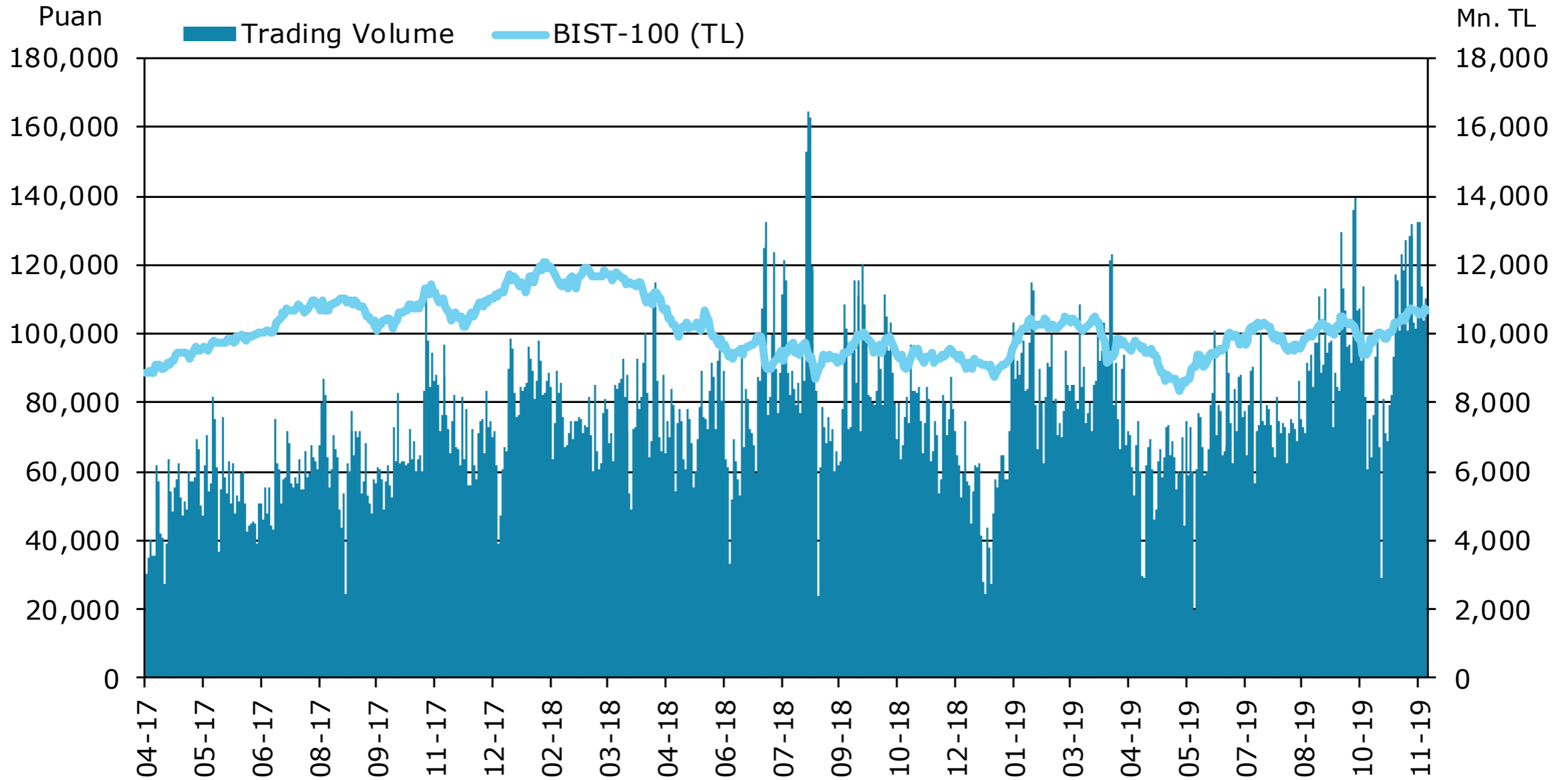
### **CAPITAL MARKETS LICENSING & TRAINING AGENCY**

- 49% stake
- 2 seats at the board of directors, out of 7 members

# TURKISH CAPITAL MARKETS



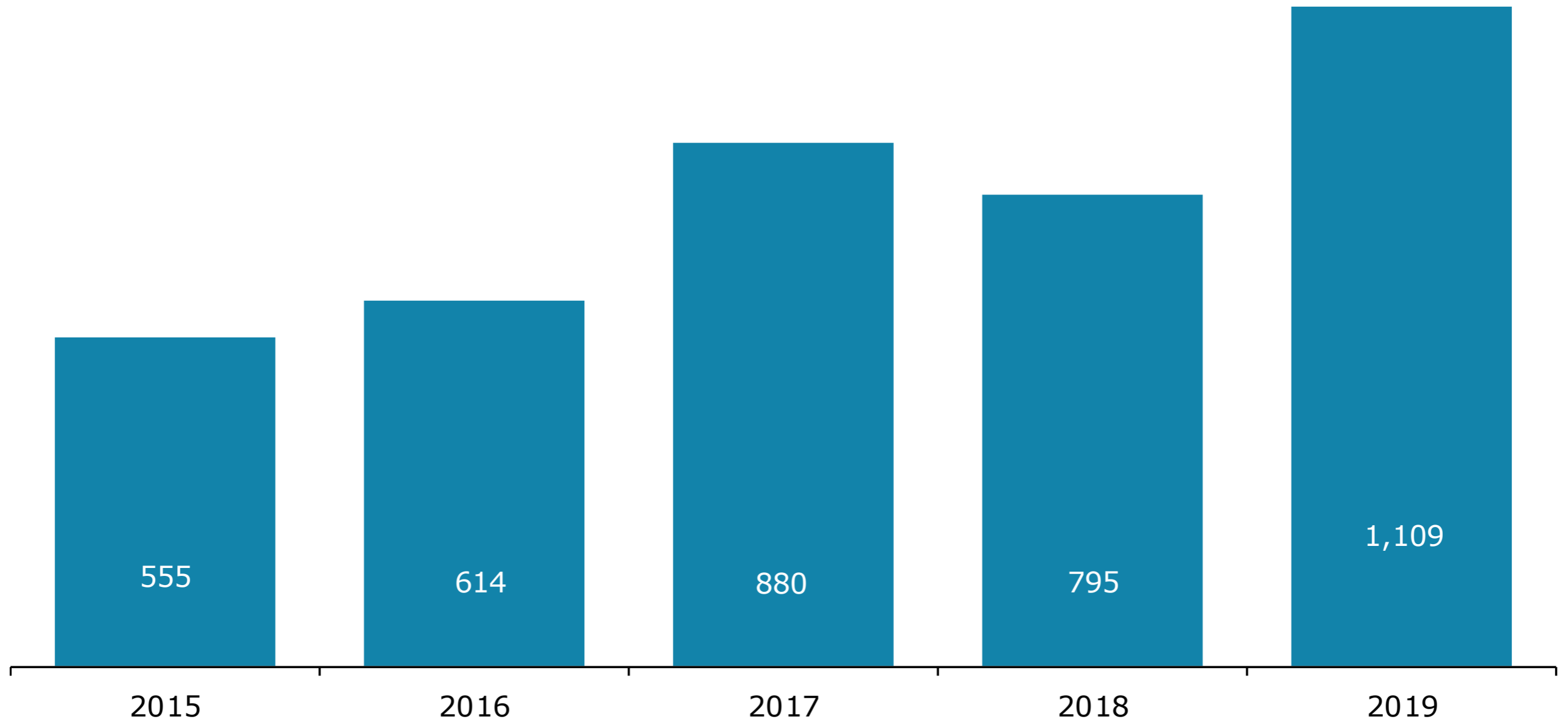
# BIST-100 INDEX & TRADING VOLUME



Source: Borsa Istanbul

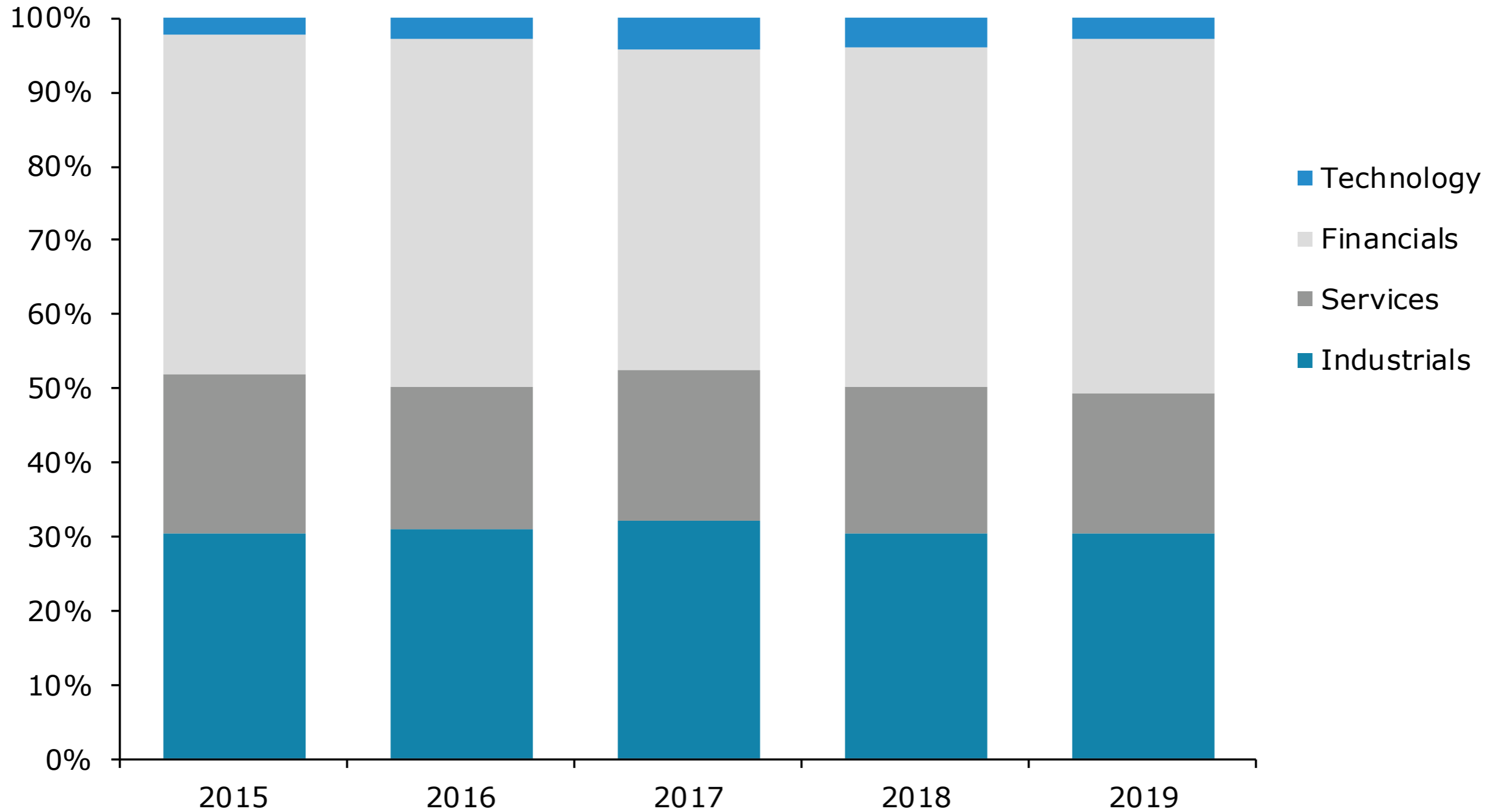


# MARKET CAPITALIZATION OF BORSA ISTANBUL (BILLION TL)



Source: Borsa Istanbul

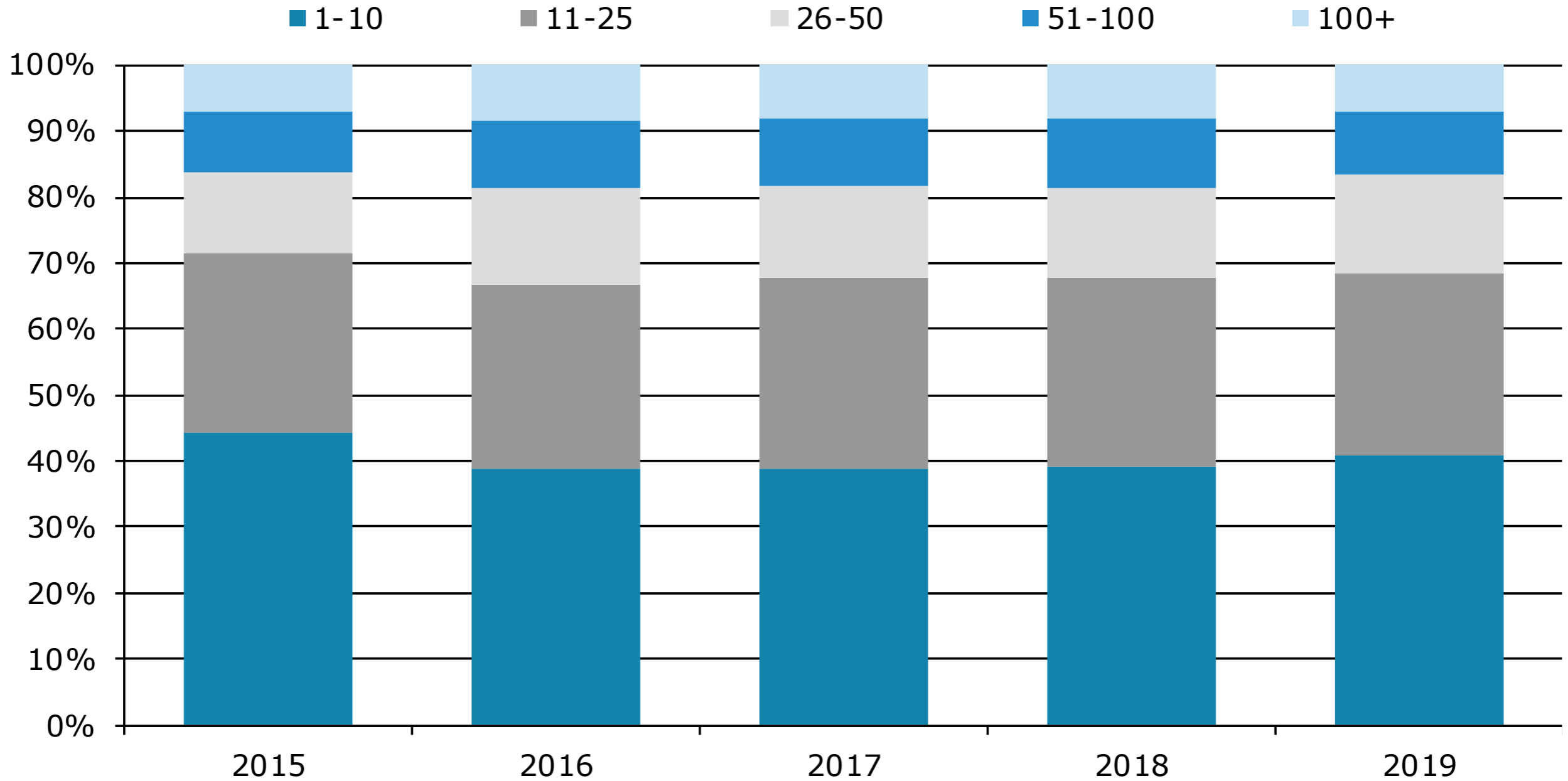
# BREAKDOWN OF BORSA ISTANBUL MARKET CAPITALIZATION



Source: Borsa Istanbul

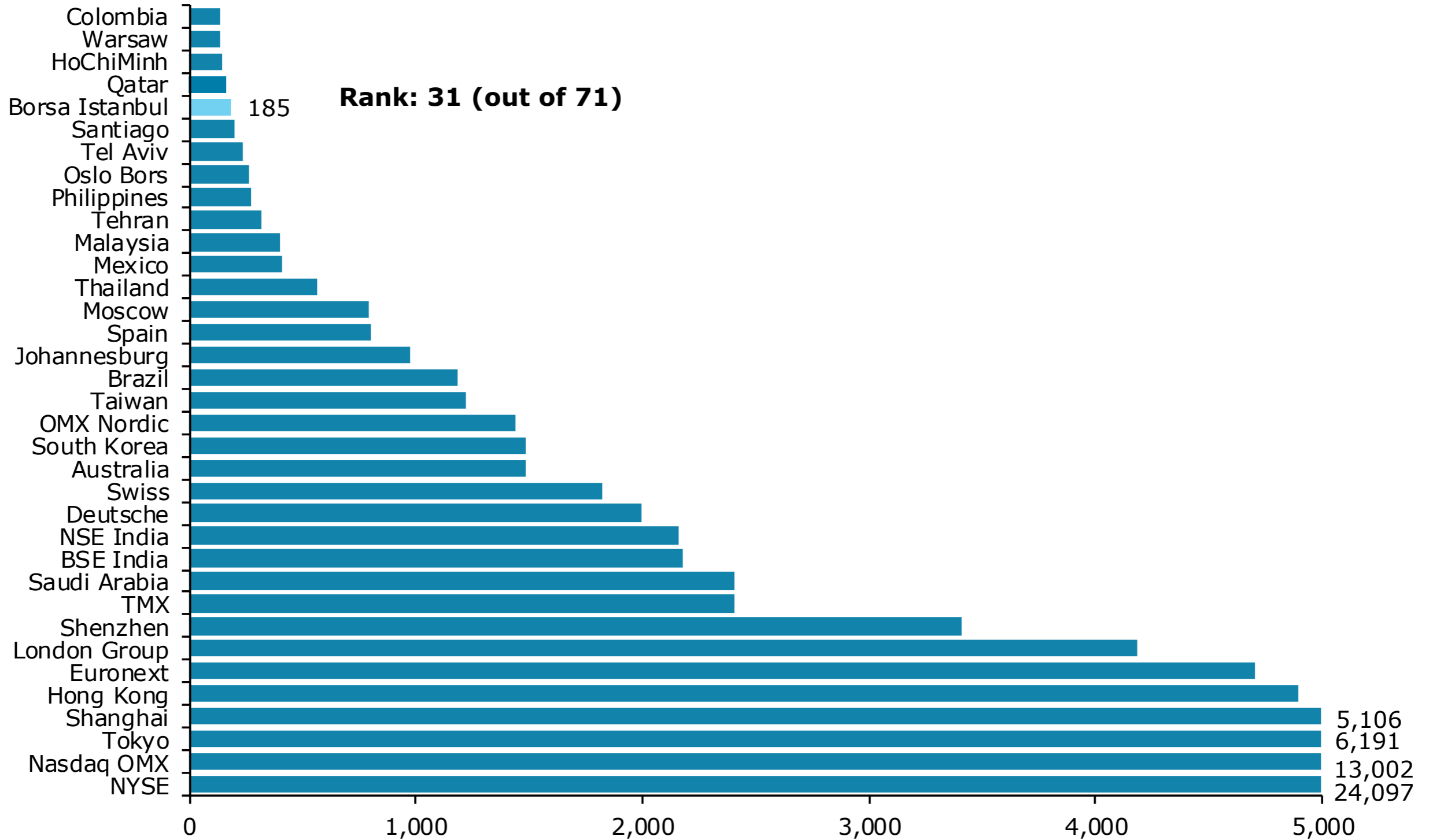
# CONCENTRATION IN THE EQUITY MARKET (MCAP)

No. of Equities



Source: Borsa Istanbul

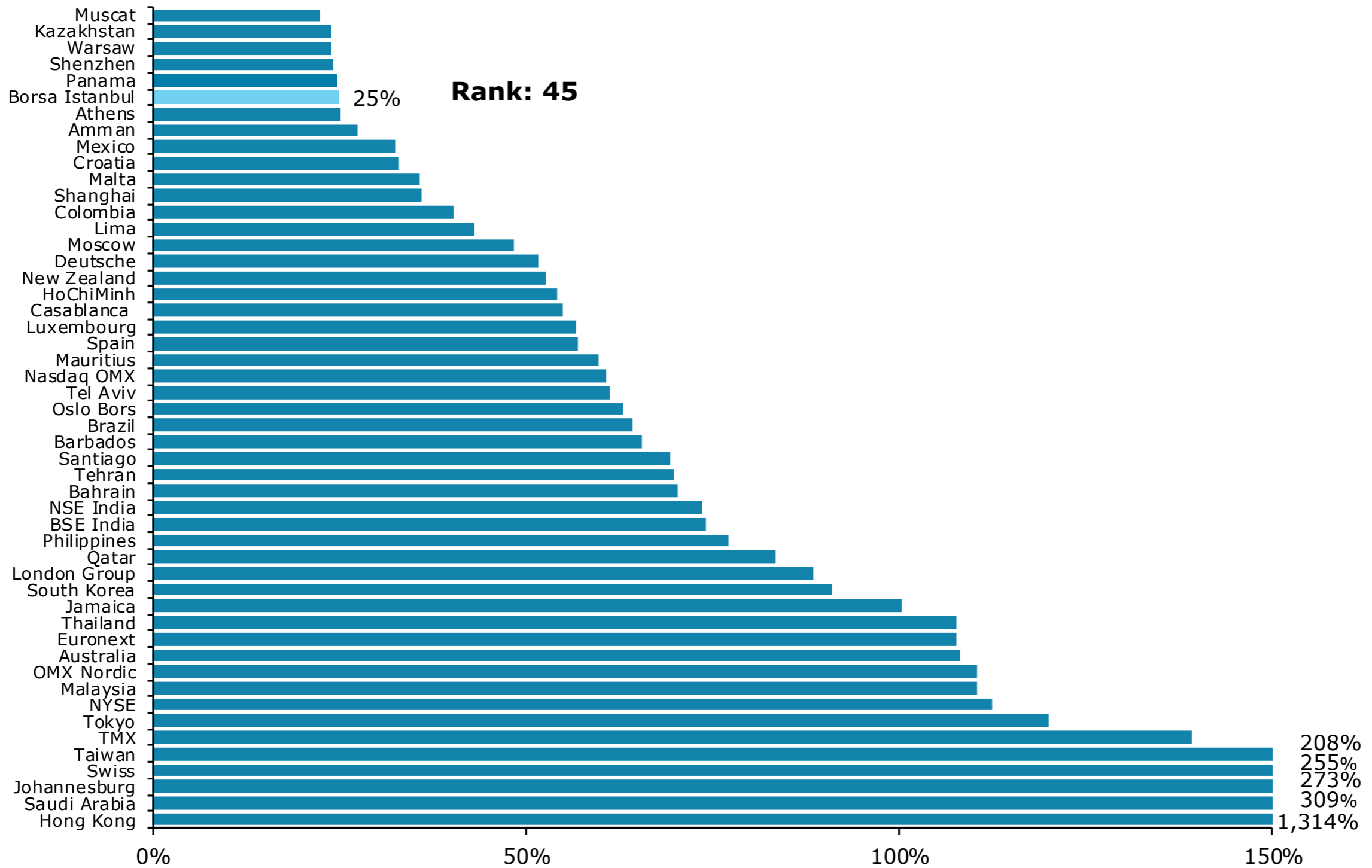
# DOMESTIC MARKET CAPITALIZATION (2019, BILLION \$)



Source: WFE

Total: \$ 90,3 trillion

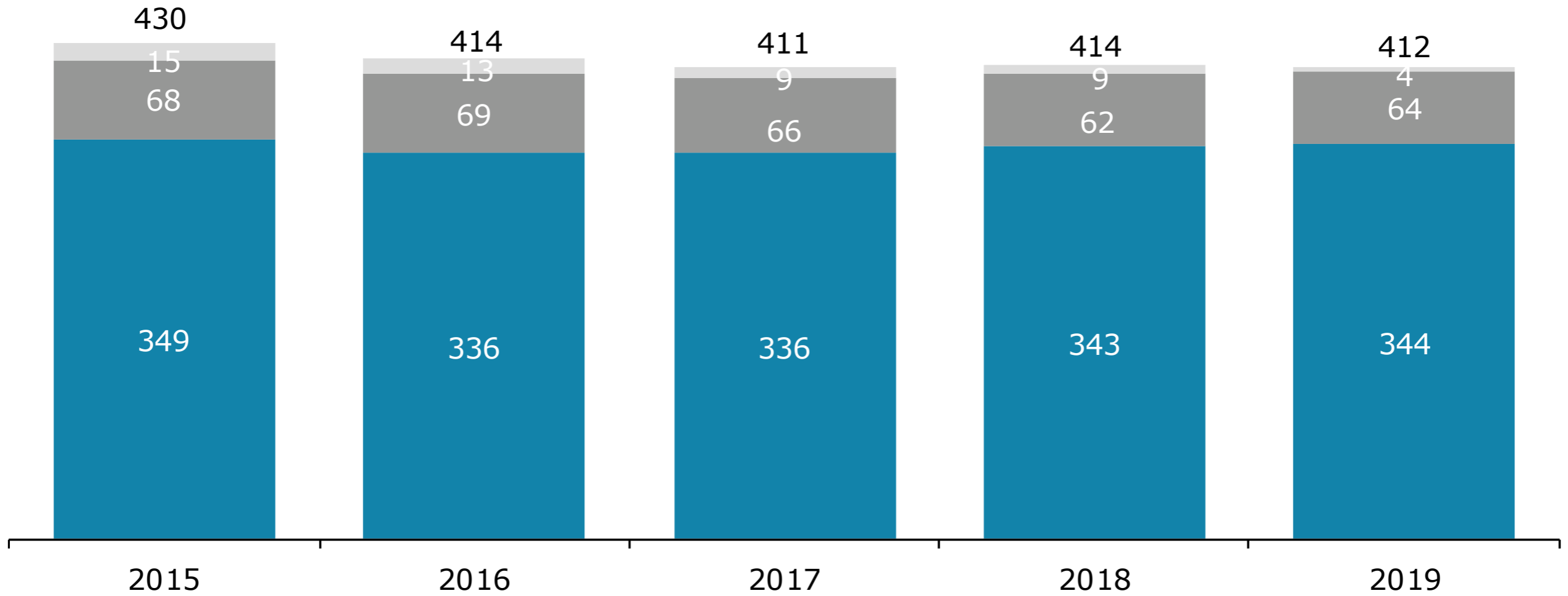
# MARKET CAPITALIZATION/GDP (2019)



Source: WFE, IMF

# NUMBER OF SECURITIES IN THE EQUITY MARKET

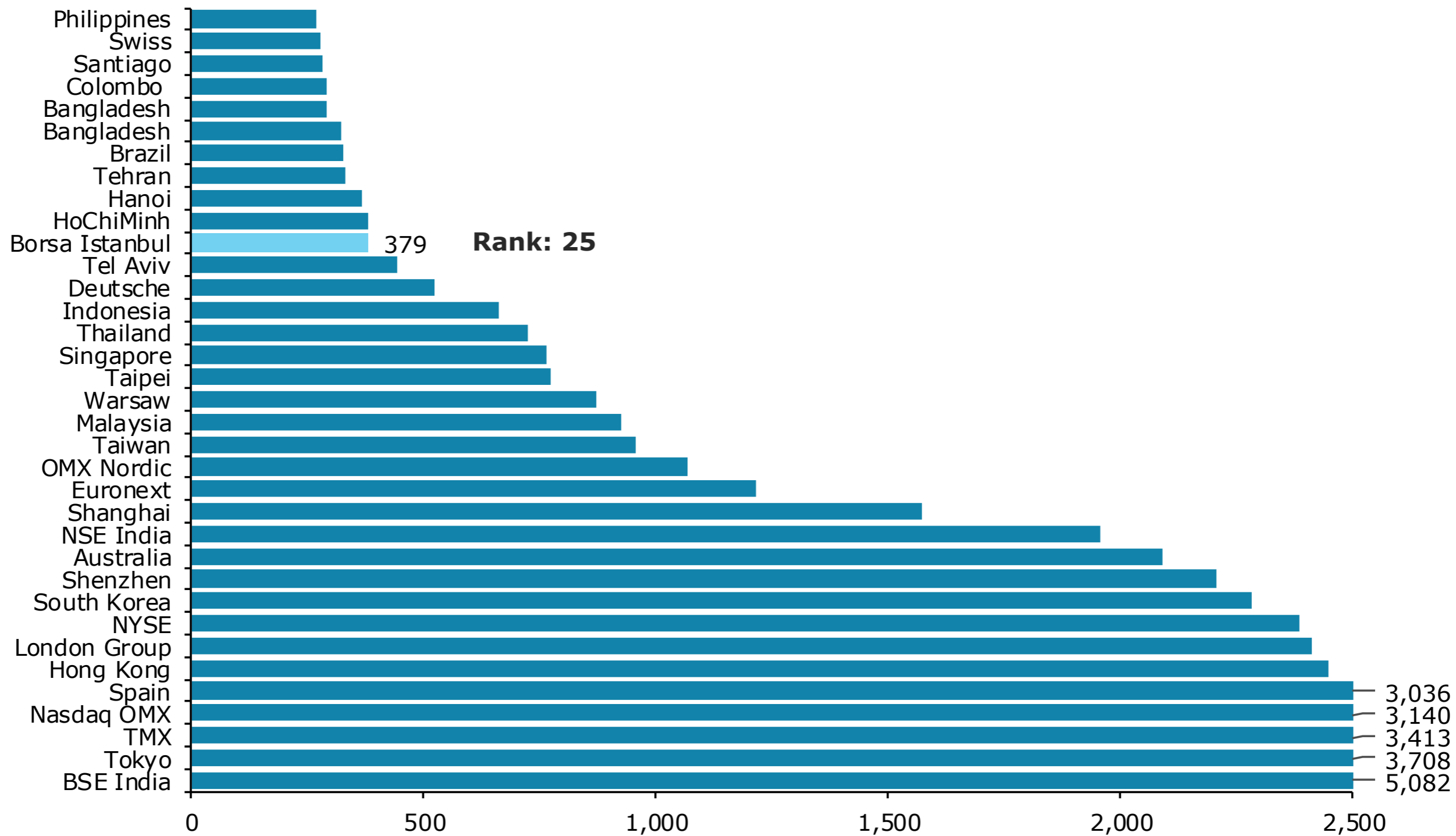
■ Real Estate/Venture Capital Investment Trusts/Funds 
 ■ ETF 
 ■ Other Equities 
 ■ Equities



Source: Borsa Istanbul

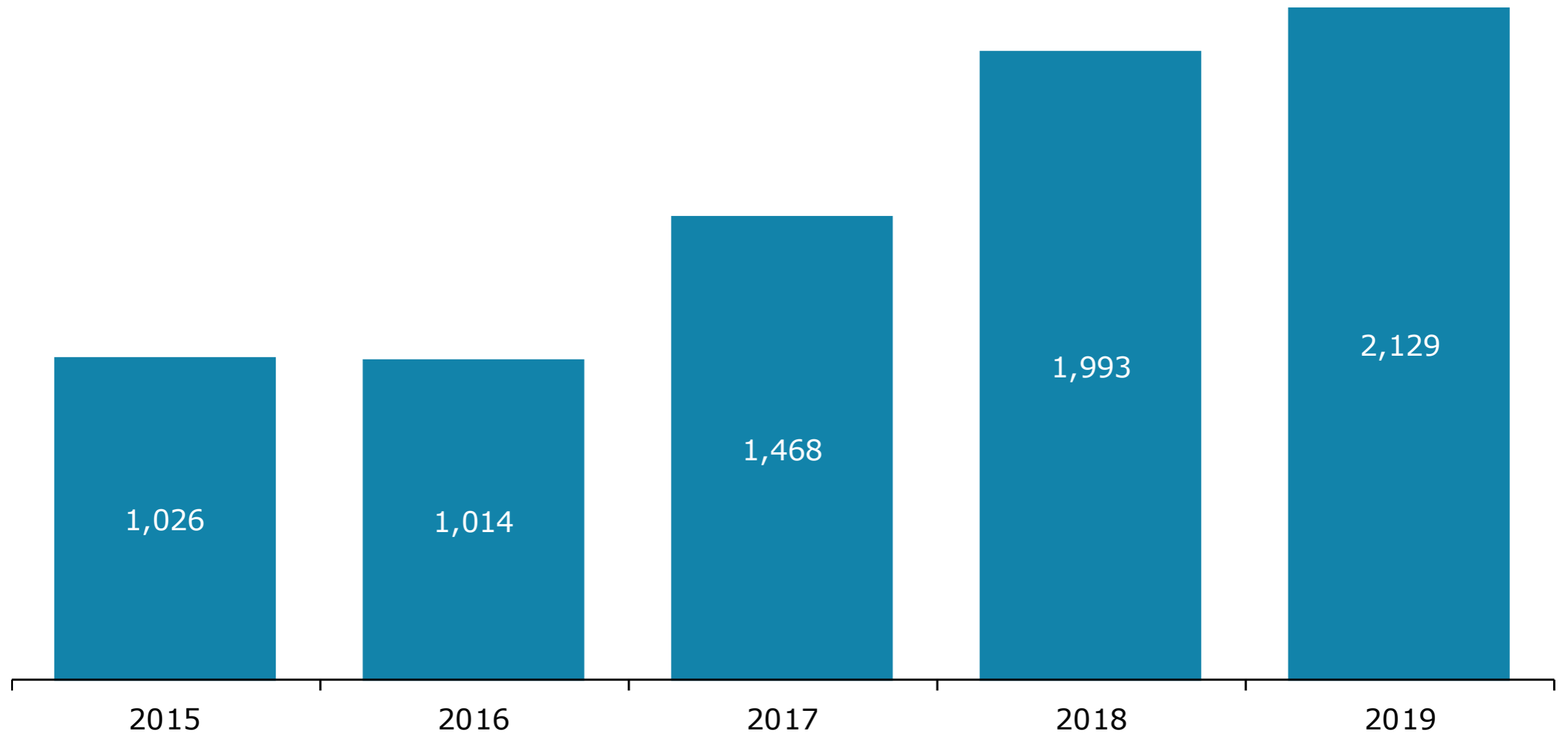
Equities: BIST Main+BIST Star  
 Other Equities: BIST Emerging Companies, Watchlist,  
 Pre-Market Trading Platform,

# NUMBER OF LISTED COMPANIES (2019)



Source: WFE

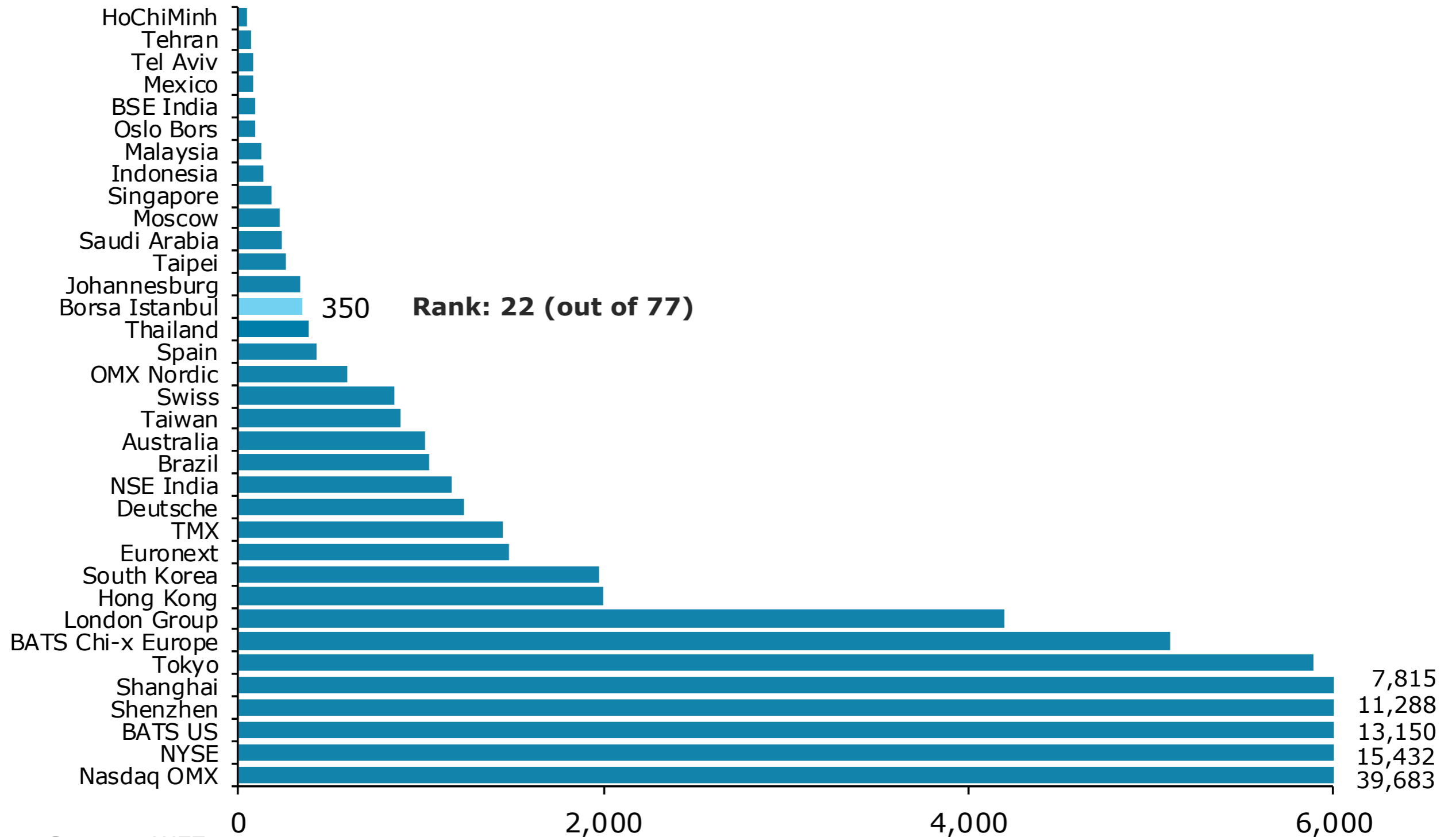
# EQUITY TRADING VOLUME OF BORSA ISTANBUL (BILLION TL)



Source: Borsa Istanbul



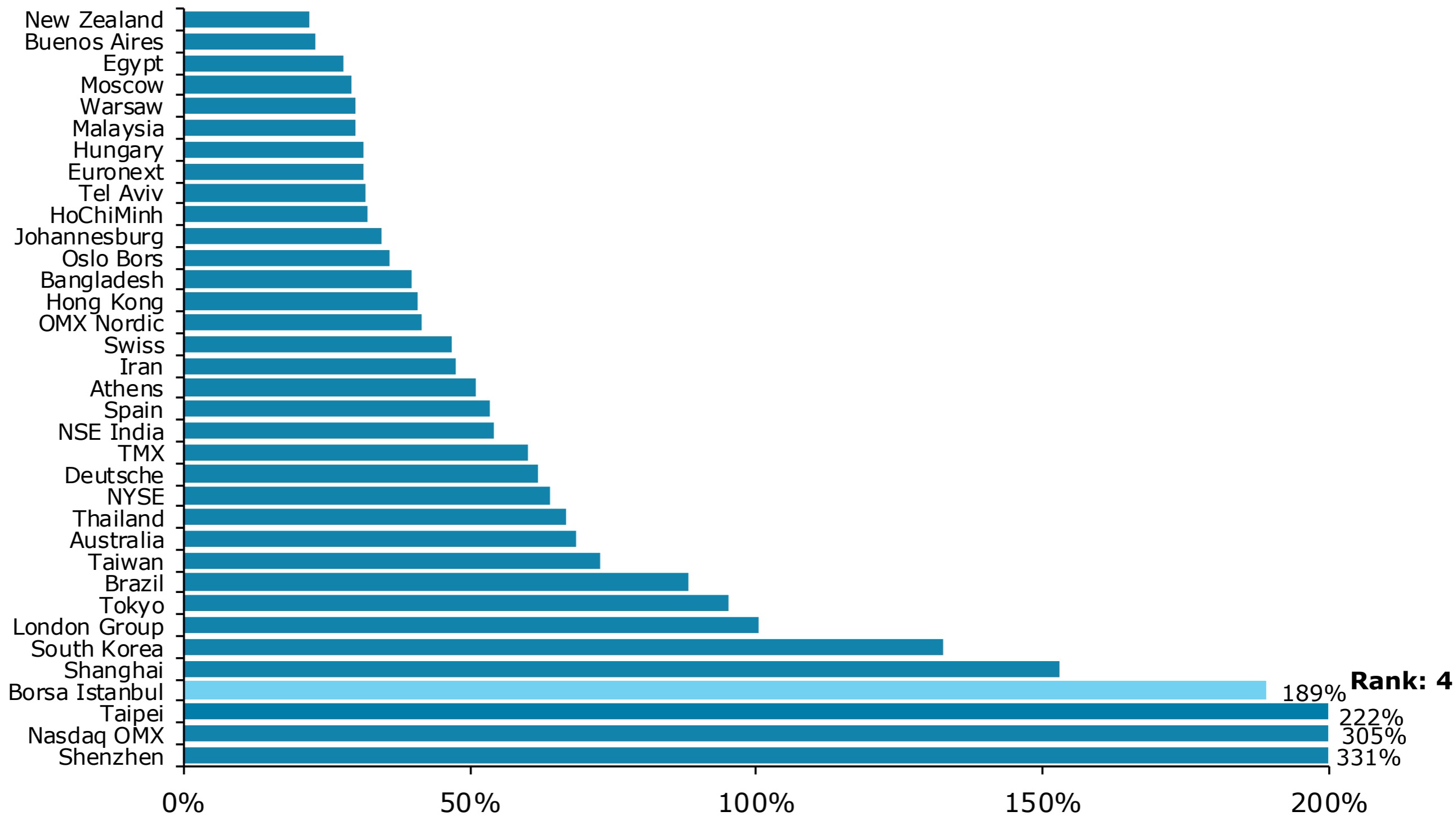
# EQUITY TRADING VOLUME (2019, BILLION \$)



Source: WFE

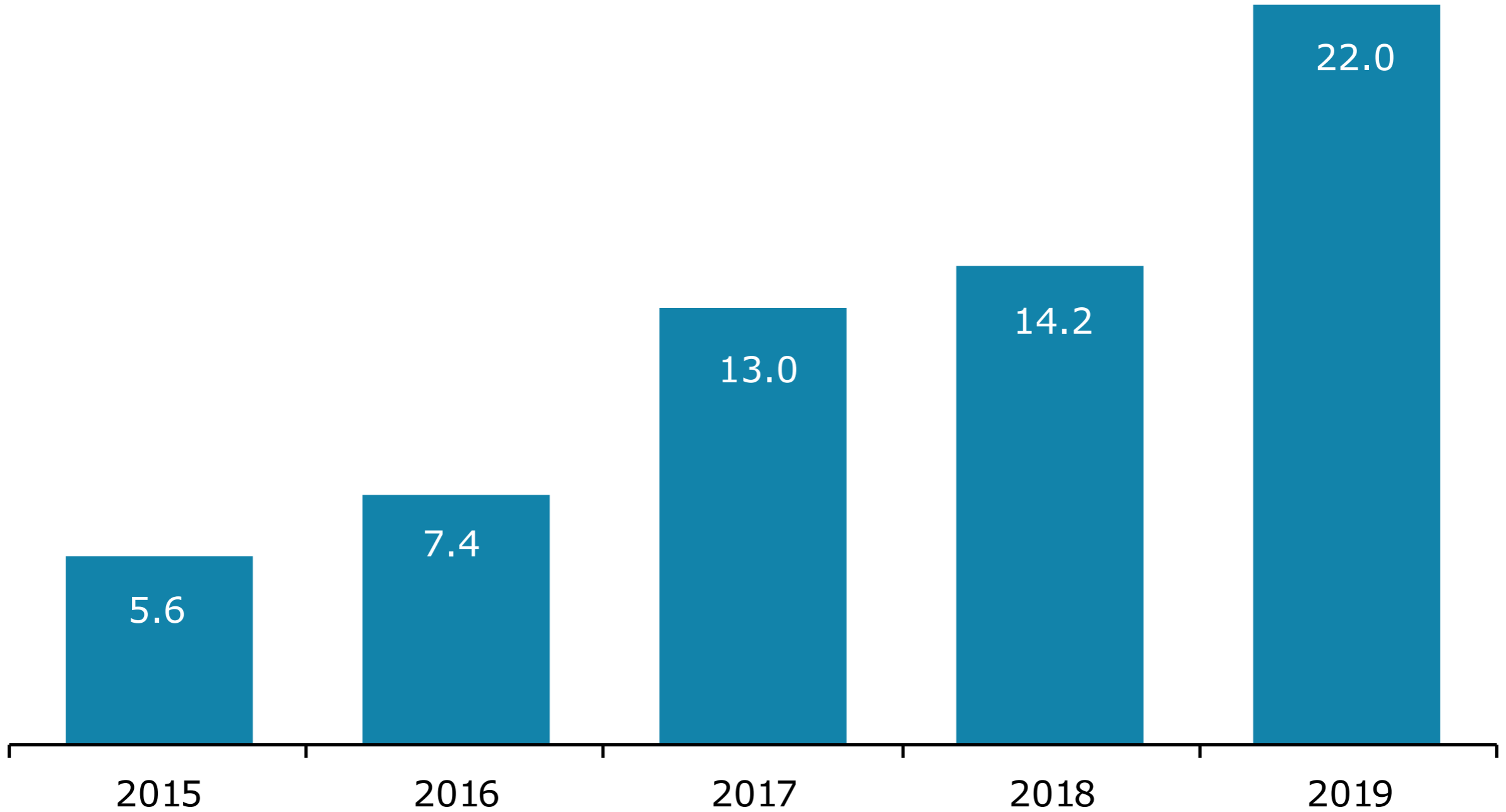
Total: \$ 120 trillion

# TURNOVER RATIO (EQUITY TRADING VOLUME/MARKET CAPITALIZATION - 2019)



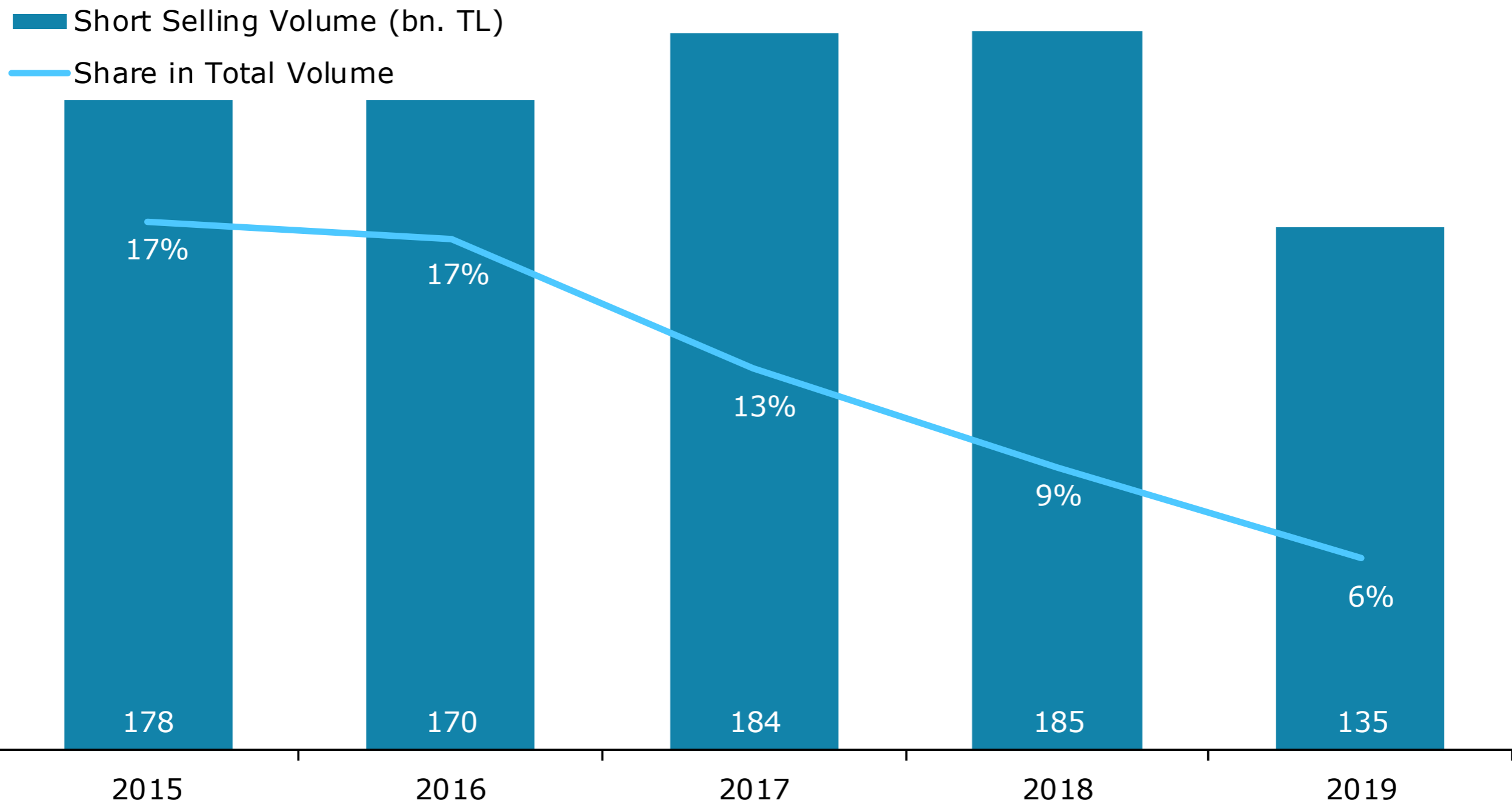
Source: WFE

# SECURITIES LENDING/BORROWING IN BORSA ISTANBUL (BILLION TL)



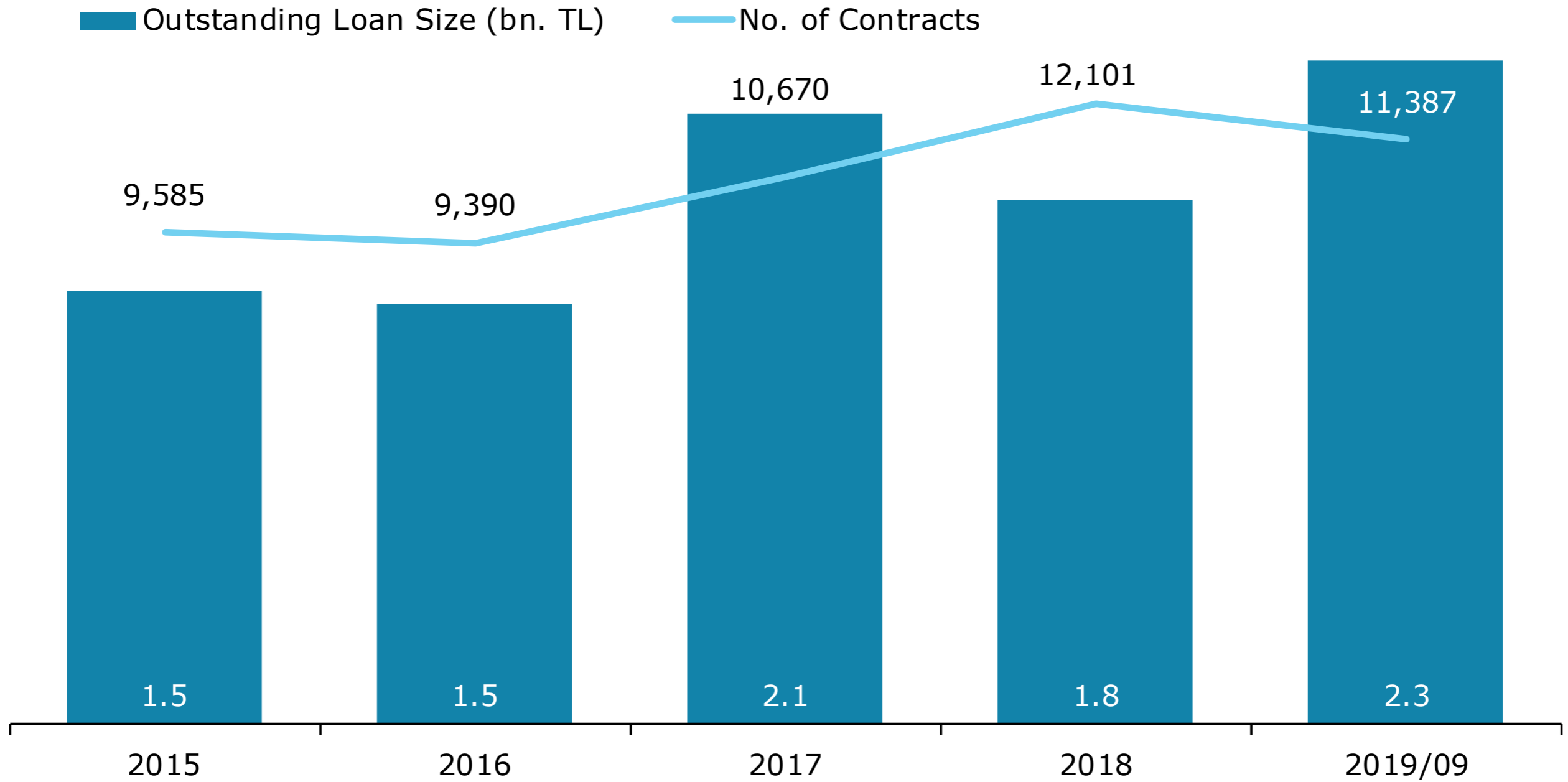
Source: Takasbank

# SHORT SELLING IN BORSA ISTANBUL



Source: Borsa Istanbul

# MARGIN TRADING

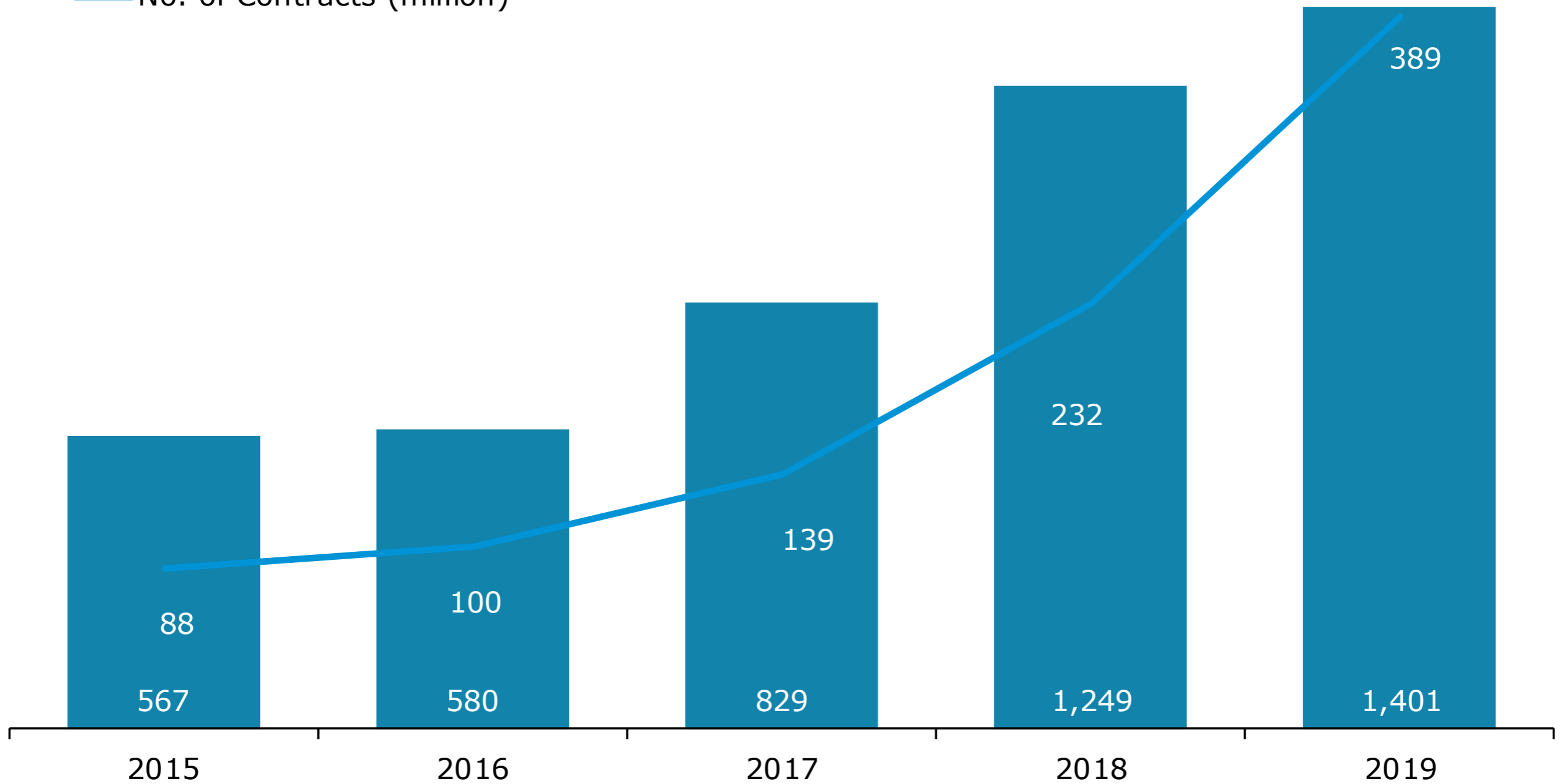


Source: TCMA

# FUTURES TRADING VOLUME OF BORSA ISTANBUL

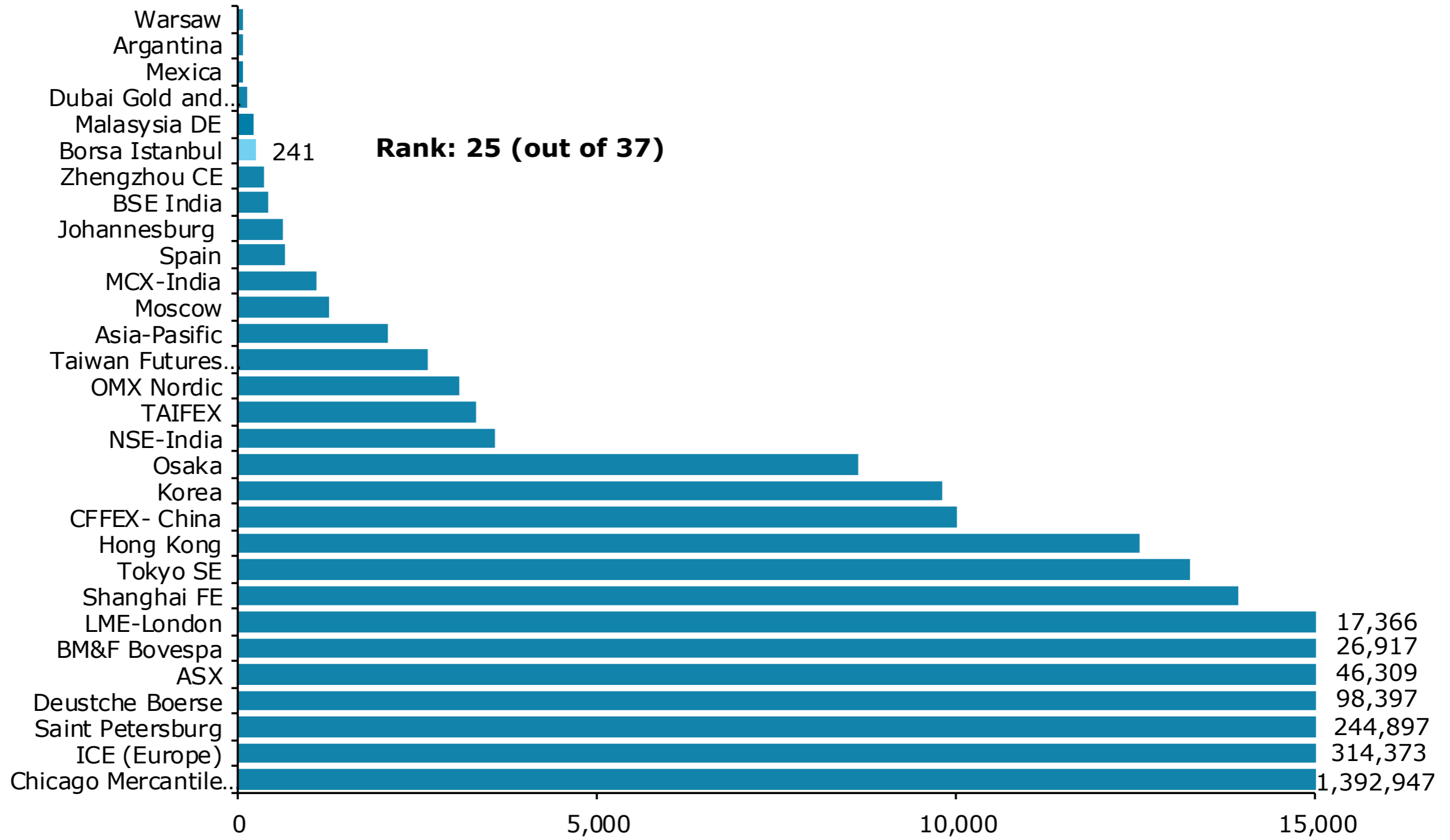
■ Futures Trading Volume (bn. TL)

— No. of Contracts (million)



Source: Borsa Istanbul, TurkDex

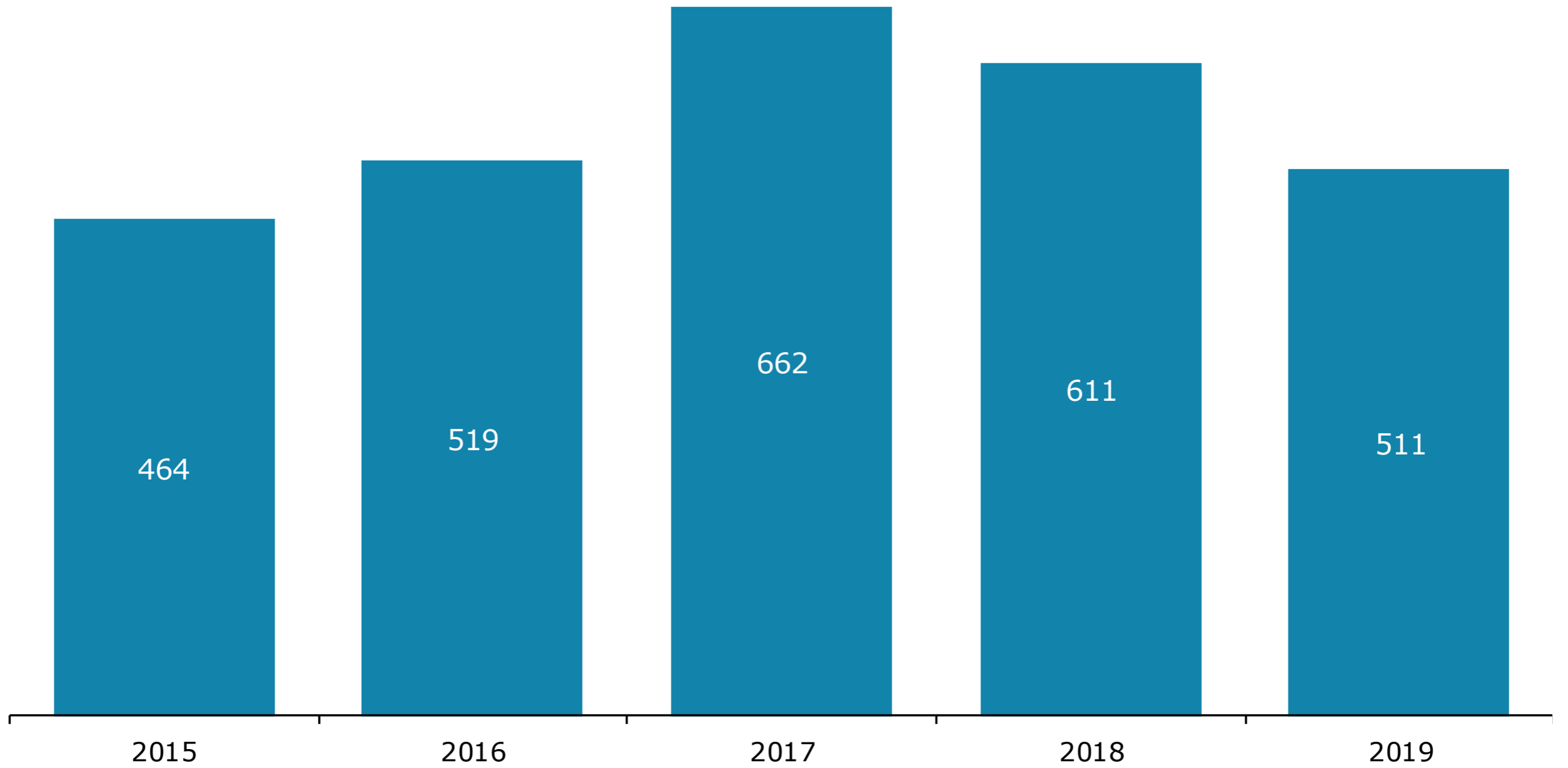
# TRADING VOLUME IN FUTURES MARKETS (2019, BILLION \$)



Total: \$ 2,229 trillion

Source: WFE

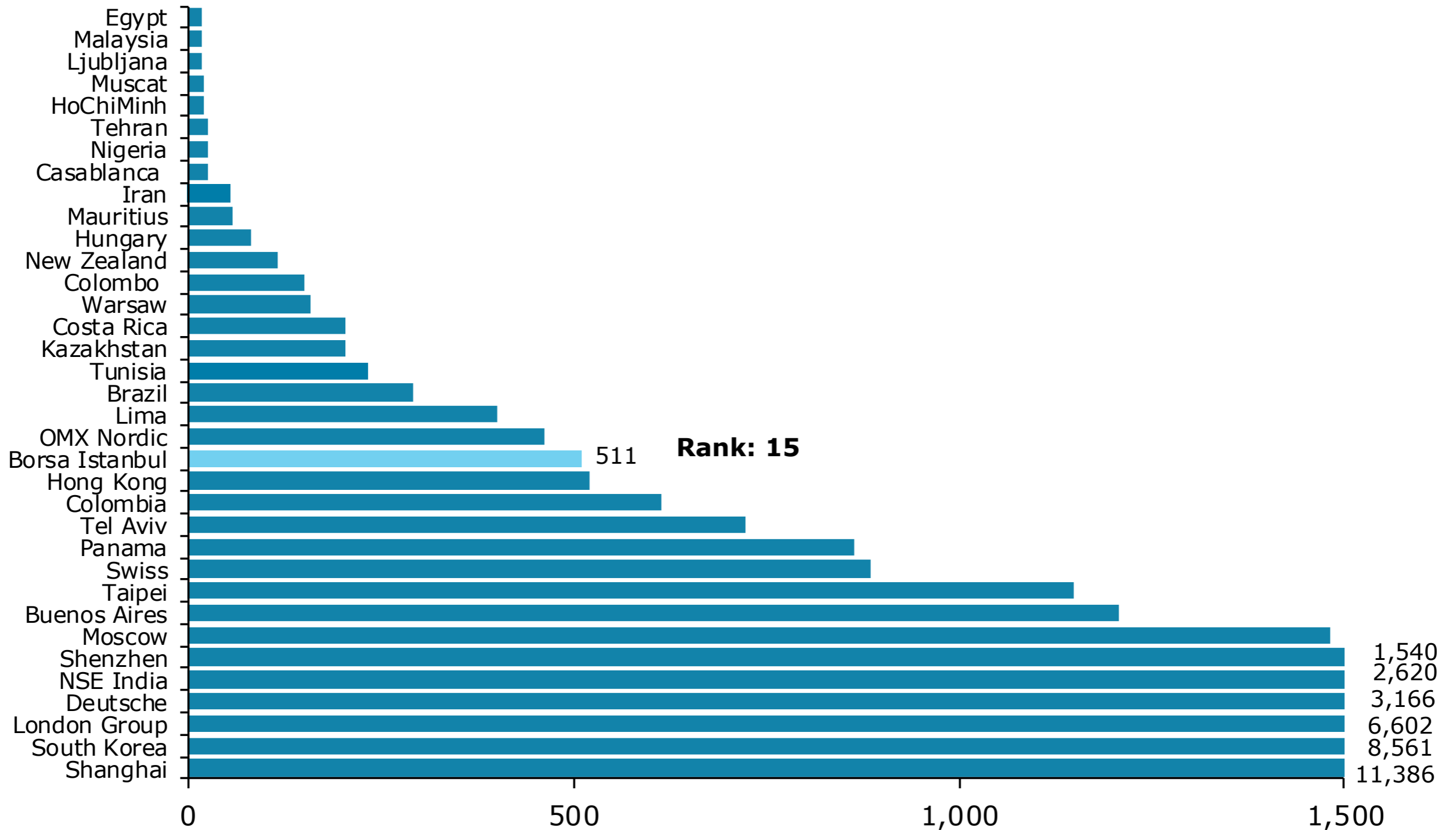
# NUMBER OF LISTED CORPORATE BONDS IN BORSA ISTANBUL



Source: WFE

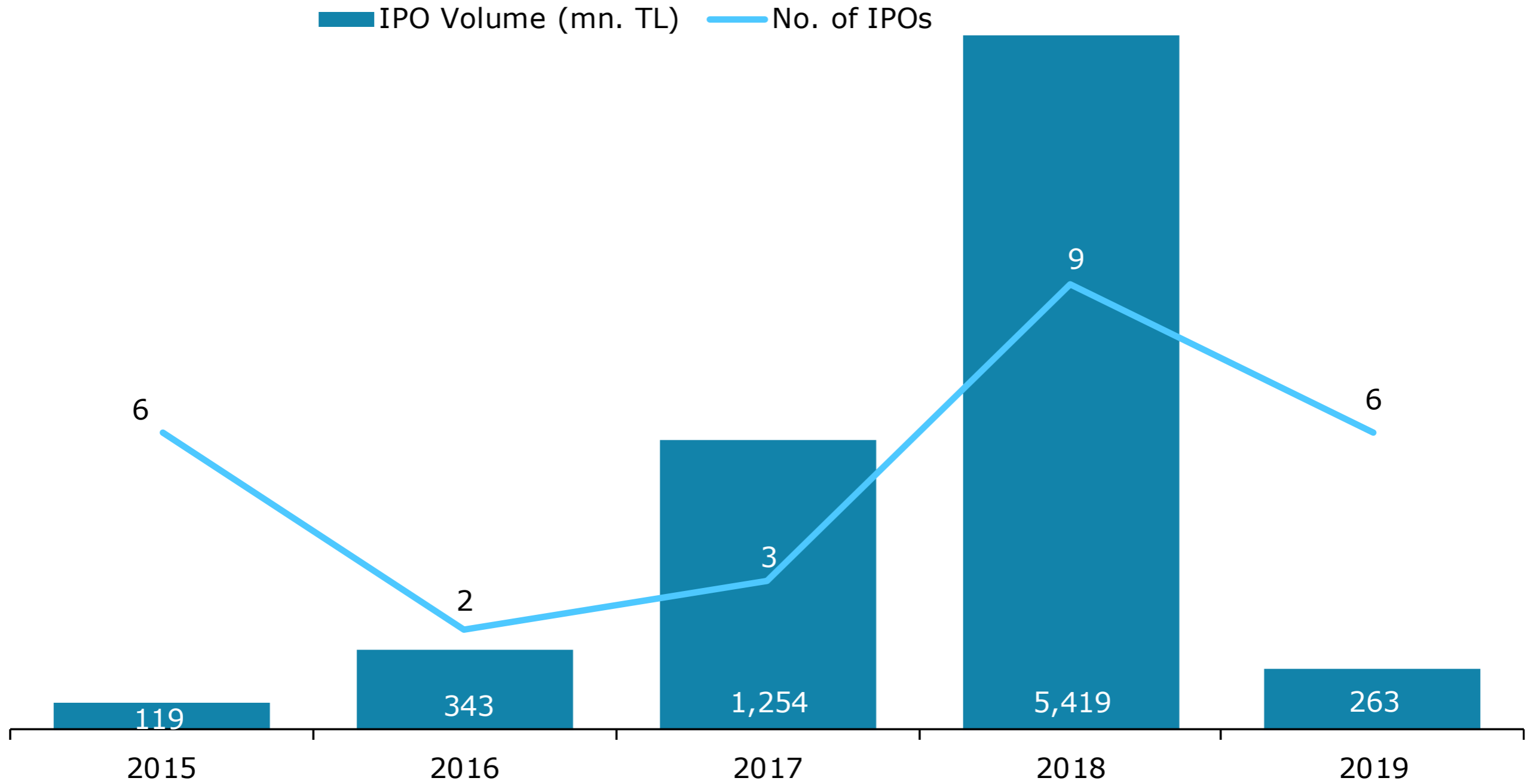


# NUMBER OF LISTED CORPORATE BONDS (2019)



Source: WFE

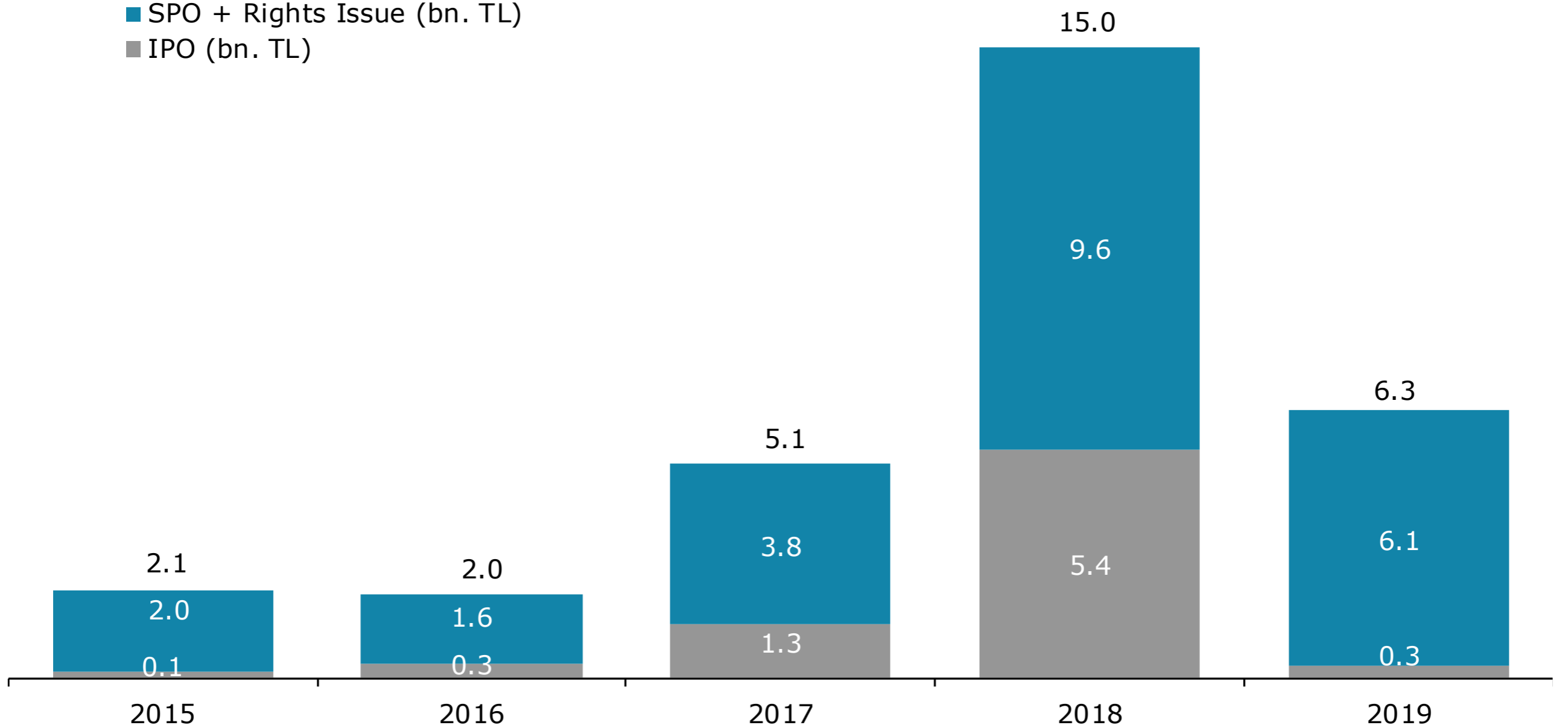
# INITIAL PUBLIC OFFERINGS



Source: Borsa Istanbul

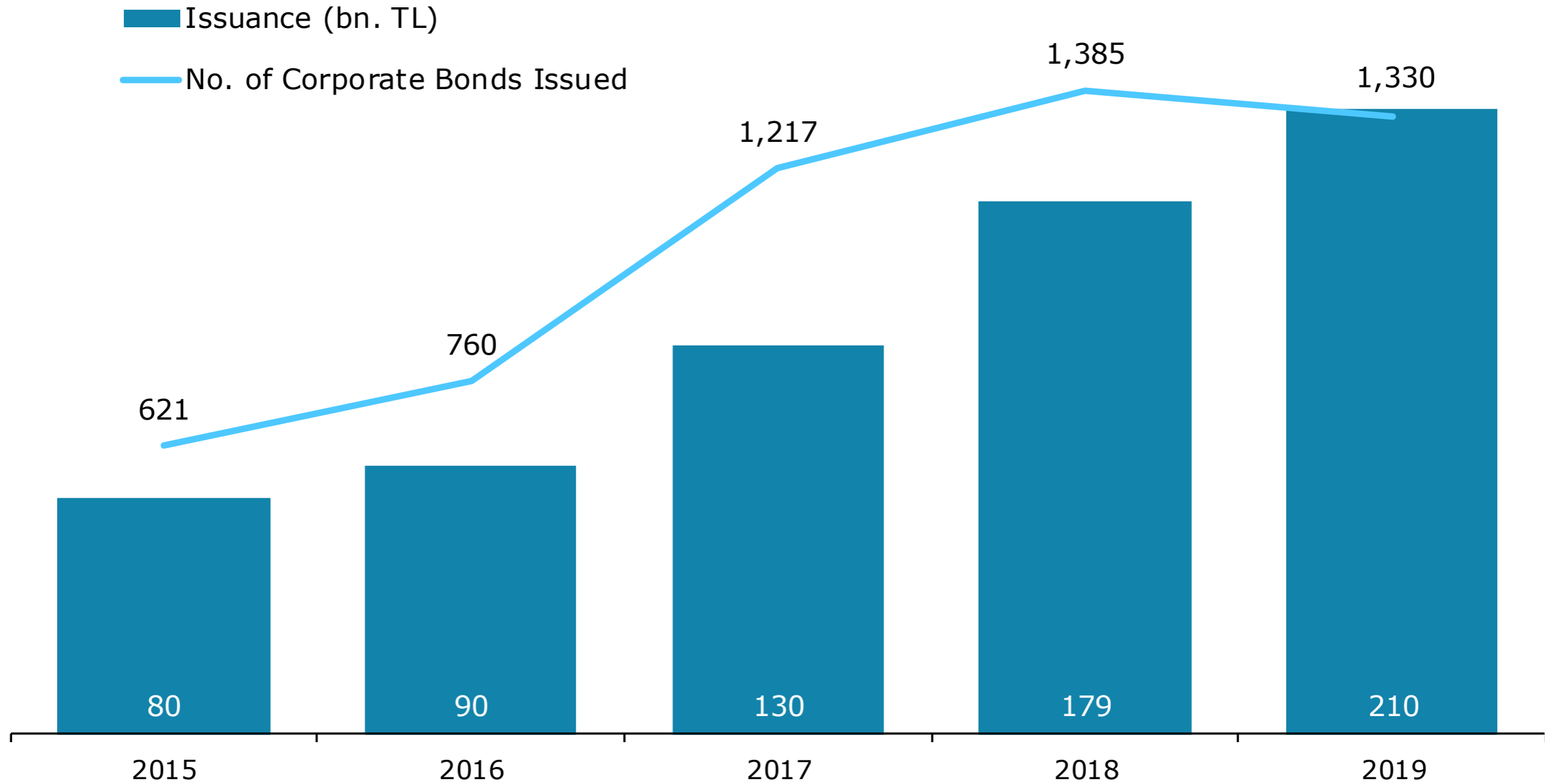
# EQUITY FINANCING

■ SPO + Rights Issue (bn. TL)  
■ IPO (bn. TL)



Source: Borsa Istanbul

# CORPORATE DEBT SECURITIES ISSUANCE



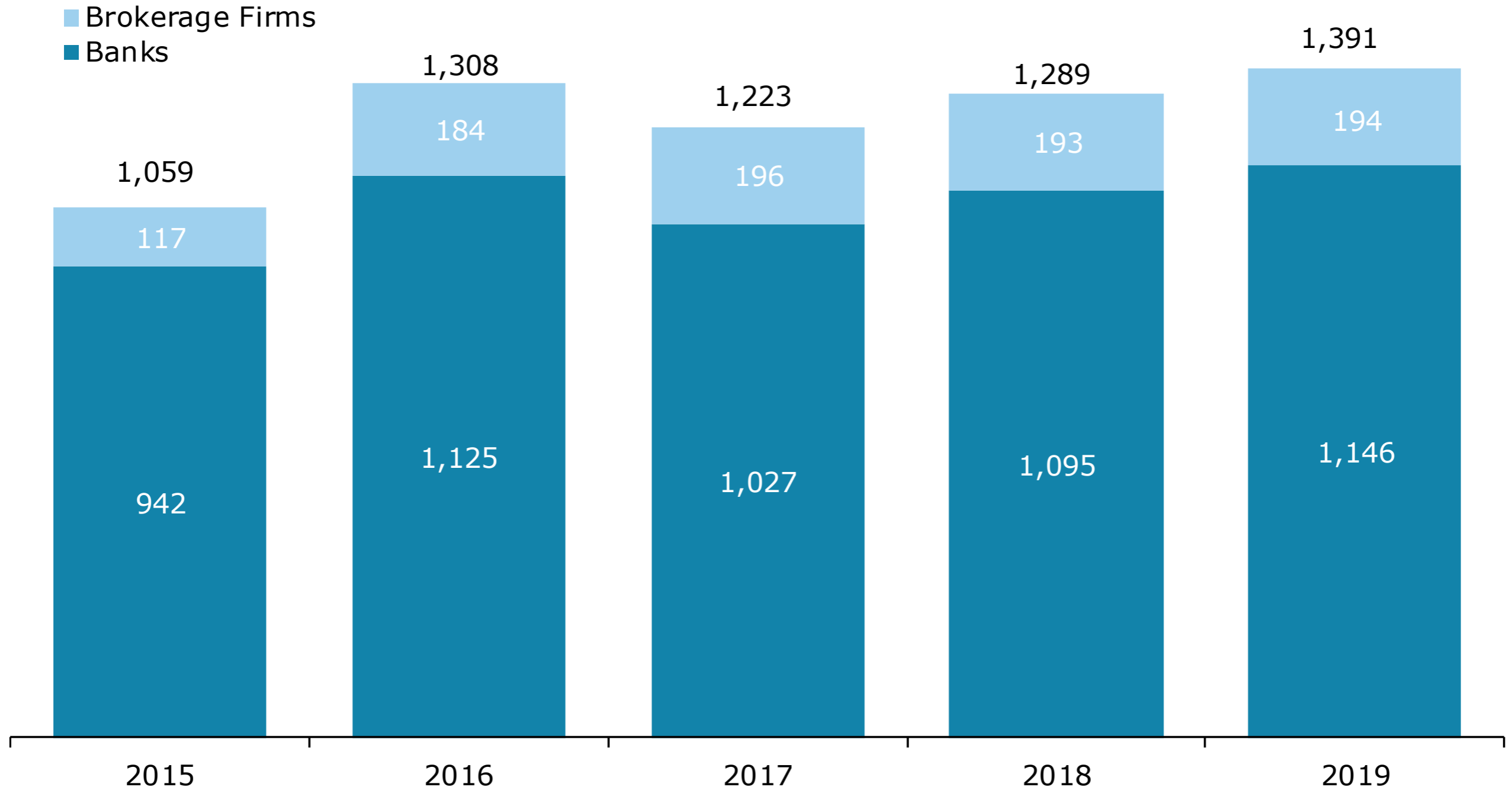
Source: Borsa Istanbul

\*Excludes private placement

# INVESTMENT INSTITUTIONS



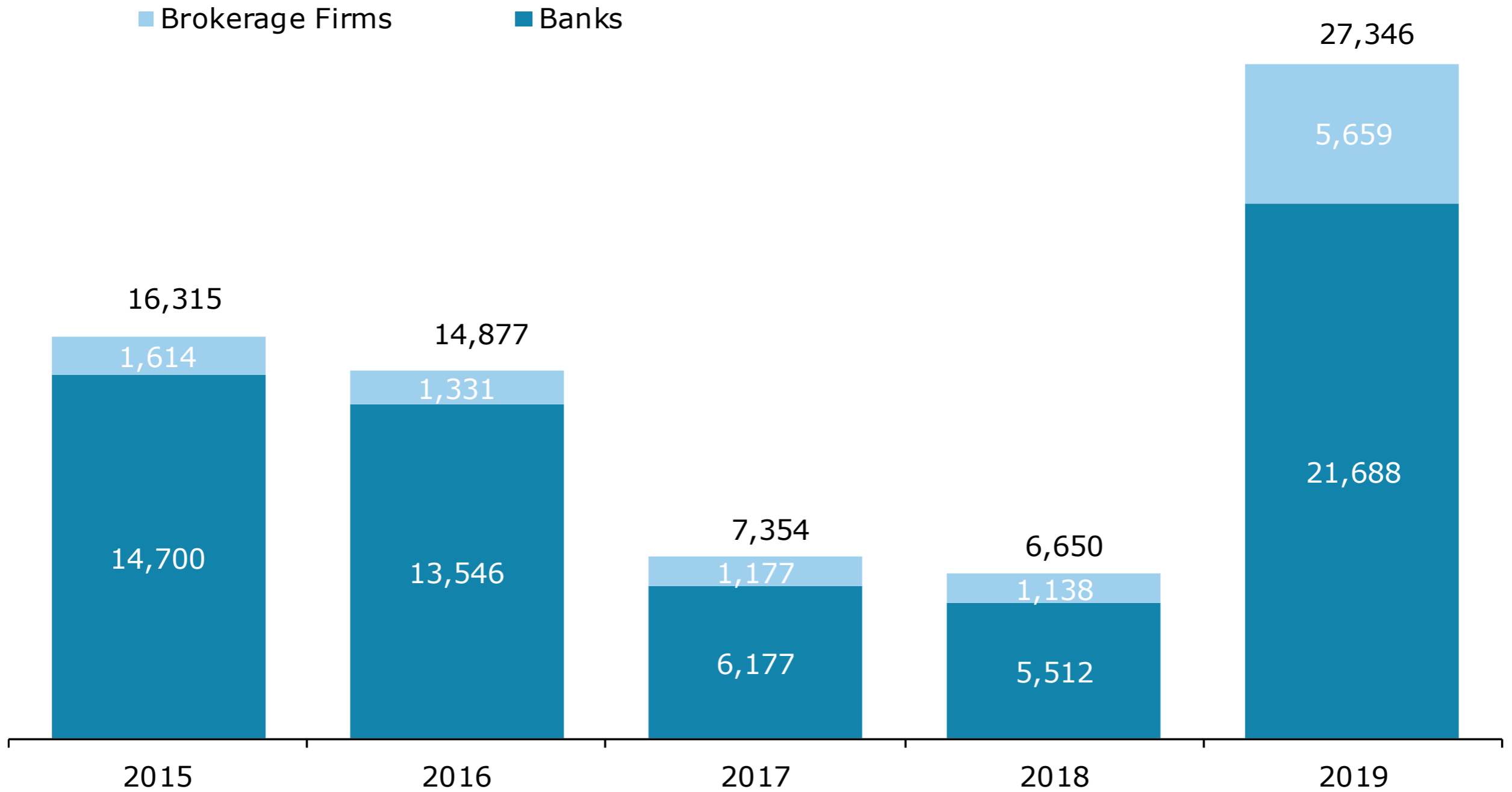
# FIXED INCOME TRADING VOLUME OF INTERMEDIARIES (BILLION TL)



Source: Borsa Istanbul

Excluding Central Bank and Takasbank

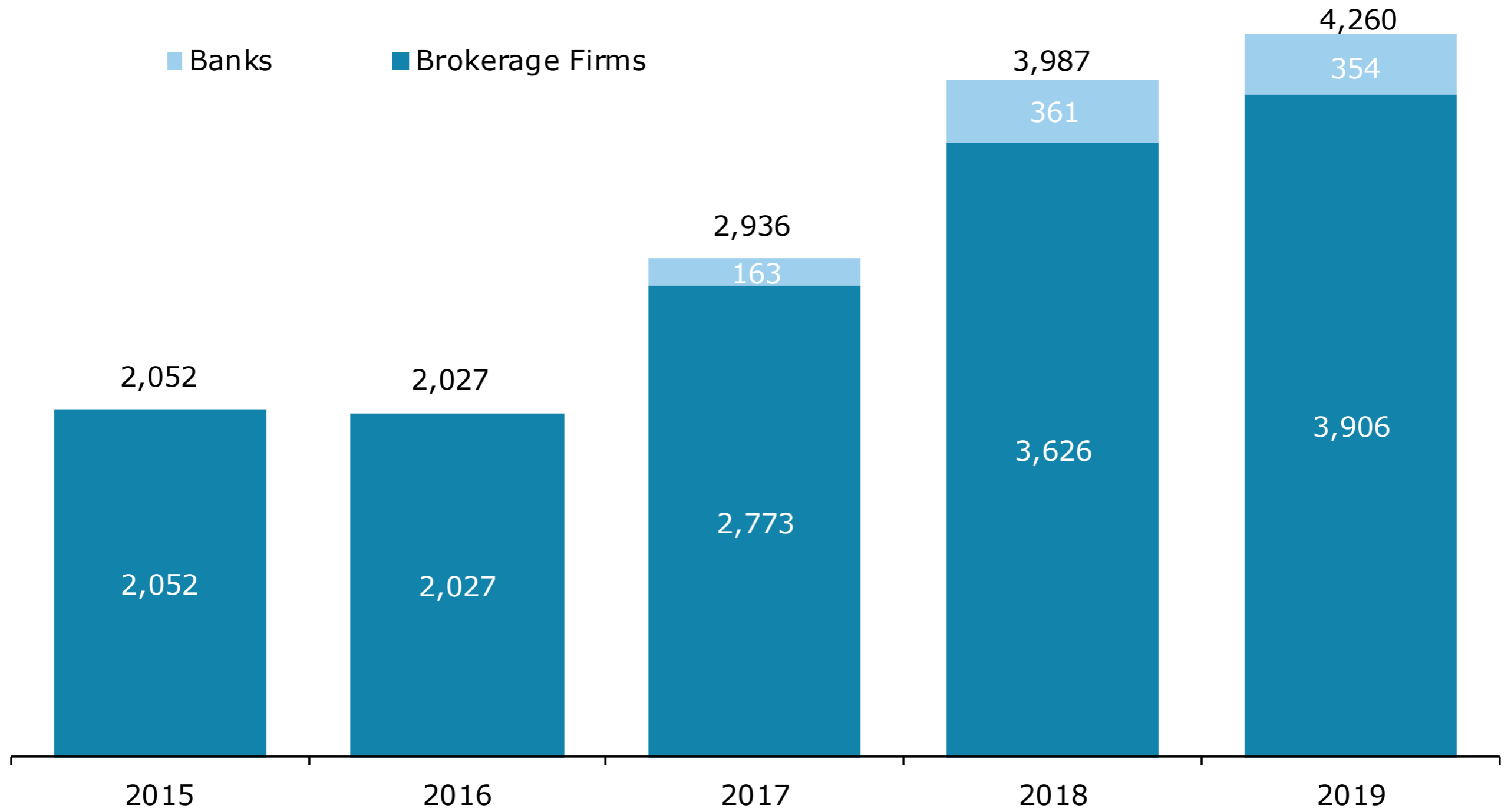
# REPO-REVERSE REPO TRADING VOLUME OF INTERMEDIARIES (BILLION TL)



Source: Borsa Istanbul

Excluding Central Bank and Takasbank.

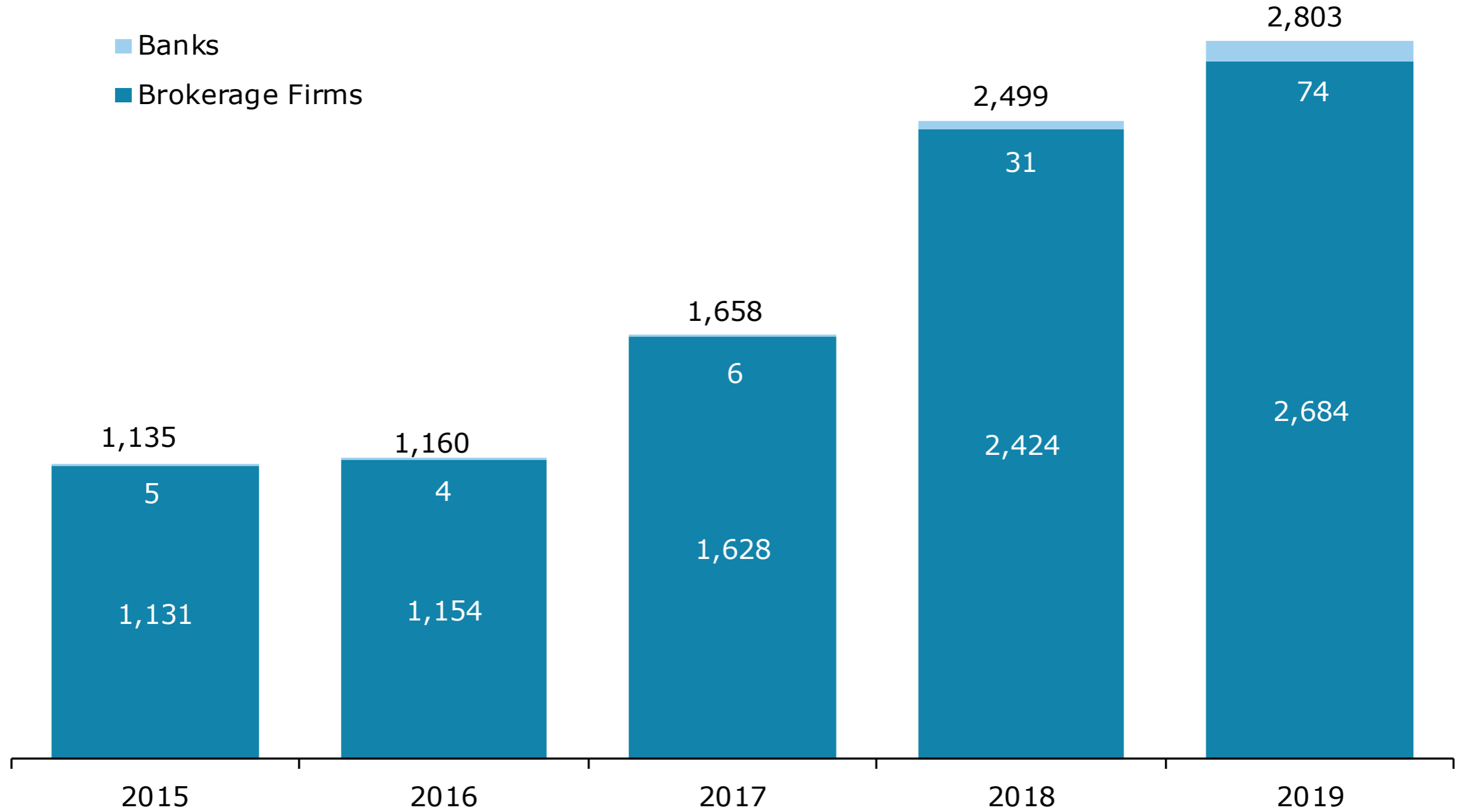
# EQUITY TRADING VOLUME OF INTERMEDIARIES (BILLION TL)



Source: Borsa Istanbul



# FUTURES TRADING VOLUME OF INTERMEDIARIES (BILLION TL)

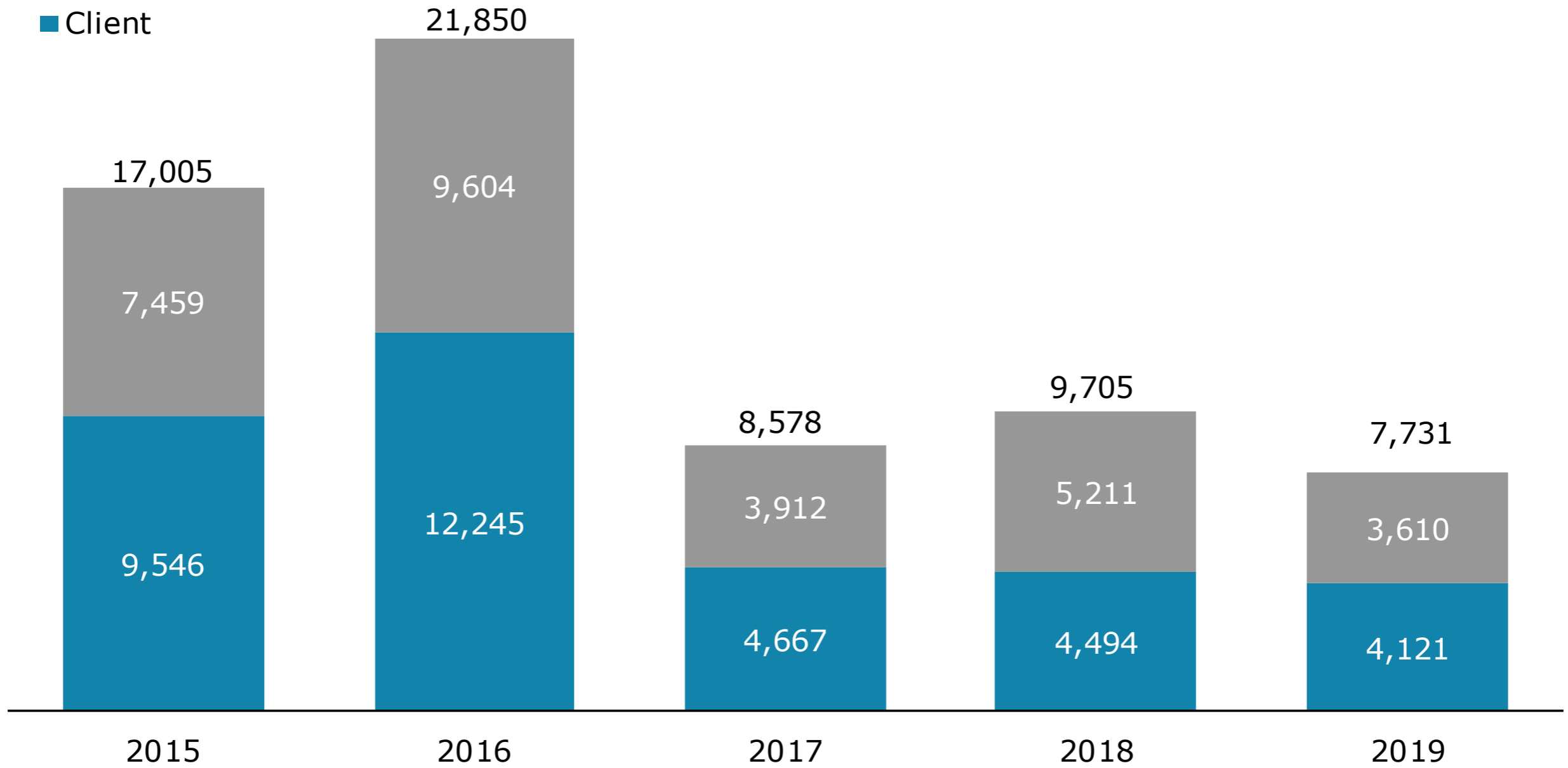


Source: Borsa Istanbul

Excluding Central Bank

# FOREX TRADING VOLUME (BILLION TL)

- Liquidity Provider
- Client

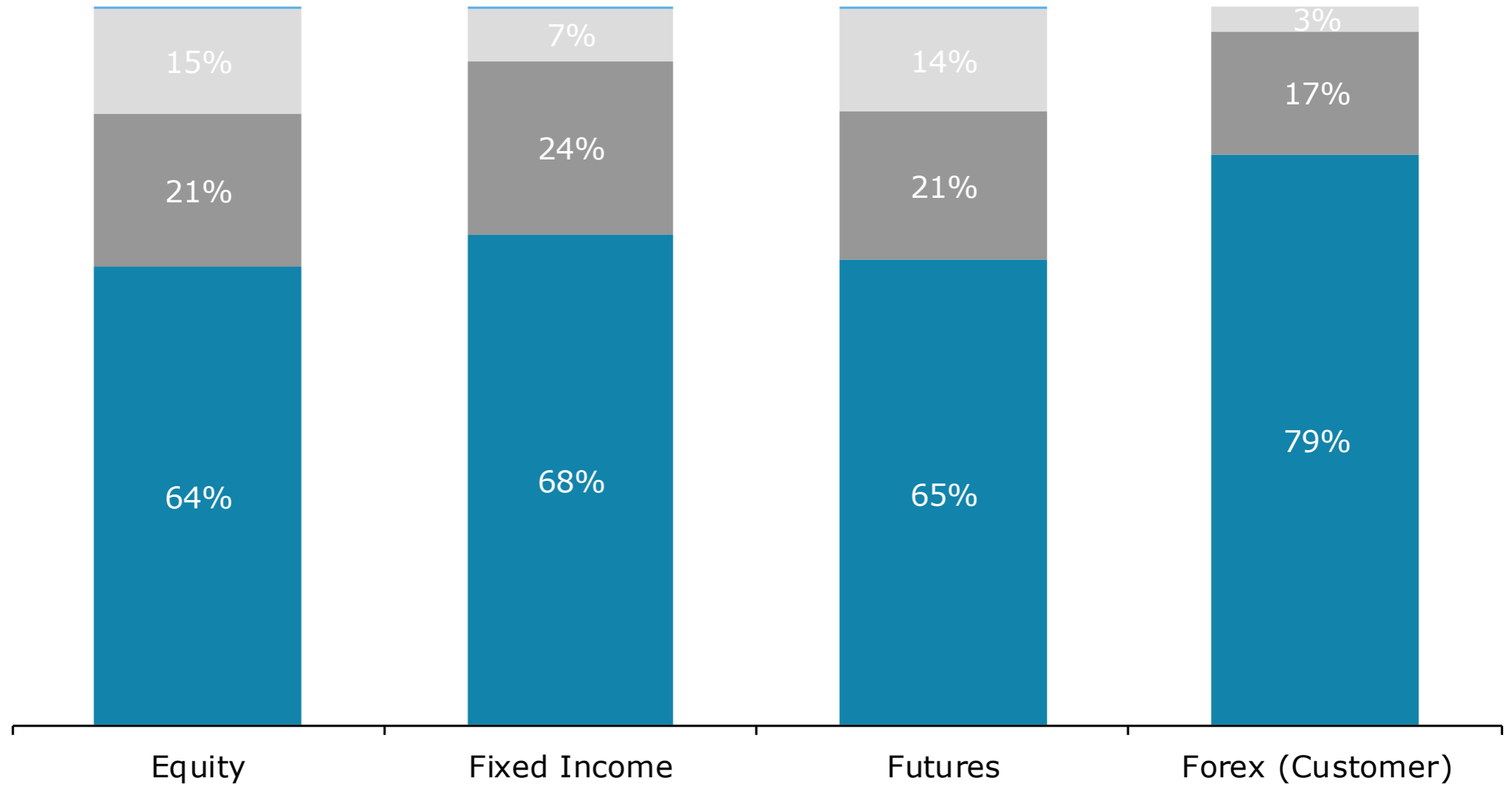


Source: TCMA

# CONCENTRATION IN TRADING VOLUMES (2019)

No. of Intermediaries

■ 51+   ■ 21-50   ■ 11-20   ■ 1-10



Source: Borsa Istanbul, TCMA

## TOP 10 MEMBERS IN THE MARKETS (2019)

### Equity Market

1	YAPI KREDİ YATIRIM	12%
2	MERRILL LYNCH	8%
3	İŞ YATIRIM	8%
4	AK YATIRIM	7%
5	GARANTİ YATIRIM	7%
6	GEDİK YATIRIM	5%
7	QNB FİNANS YATIRIM	4%
8	YATIRIM FİNANSMAN	4%
9	A1 CAPITAL YATIRIM	4%
10	DENİZ YATIRIM	4%
	Total (bn. TL)	4,260

### Futures Market

1	YAPI KREDİ YATIRIM	16%
2	İS YATIRIM	11%
3	GARANTİ YATIRIM	8%
4	QNB FİNANS YATIRIM	6%
5	TEB YATIRIM	5%
6	DENİZ YATIRIM	4%
7	AK YATIRIM	4%
8	GEDİK YATIRIM	3%
9	TACIRLER YATIRIM	3%
10	GCM YATIRIM	3%
	Total (bn. TL)	2,803

### Fixed Income Market

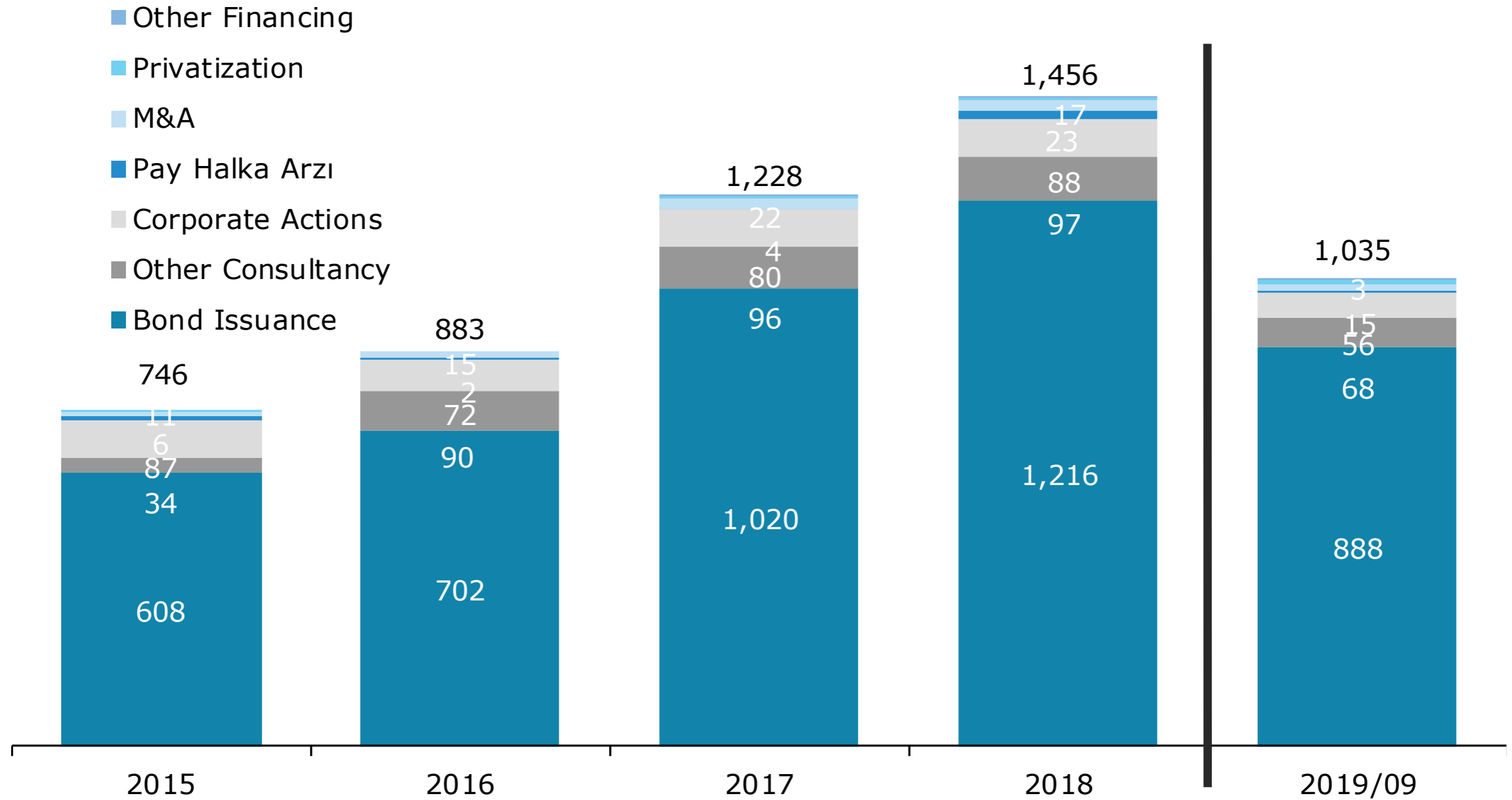
1	HSBC BANK	12%
2	TÜRKİYE GARANTİ BANKASI	9%
3	TÜRKİYE İŞ BANKASI	9%
4	TÜRK EKONOMİ BANKASI	9%
5	YAPI VE KREDİ BANKASI	8%
6	AKBANK T.	5%
7	ING BANK	5%
8	JPMORGAN CHASE BANK NATIONA	4%
9	CITIBANK	4%
10	AK YATIRIM	4%
	Total (bn. TL)	1,341

### Forex Market (Customer)

1	AK YATIRIM	18%
2	İŞ YATIRIM	13%
3	INTEGRAL YATIRIM	9%
4	GCM	9%
5	MEKSA YATIRIM	8%
6	DENİZ YATIRIM	6%
7	İFO YATIRIM	4%
8	QNB FİNANS YATIRIM	4%
9	A1 CAPITAL YATIRIM	4%
10	GEDİK YATIRIM	4%
	Total (bn. TL)	4,121

Source: Borsa Istanbul, TCMA

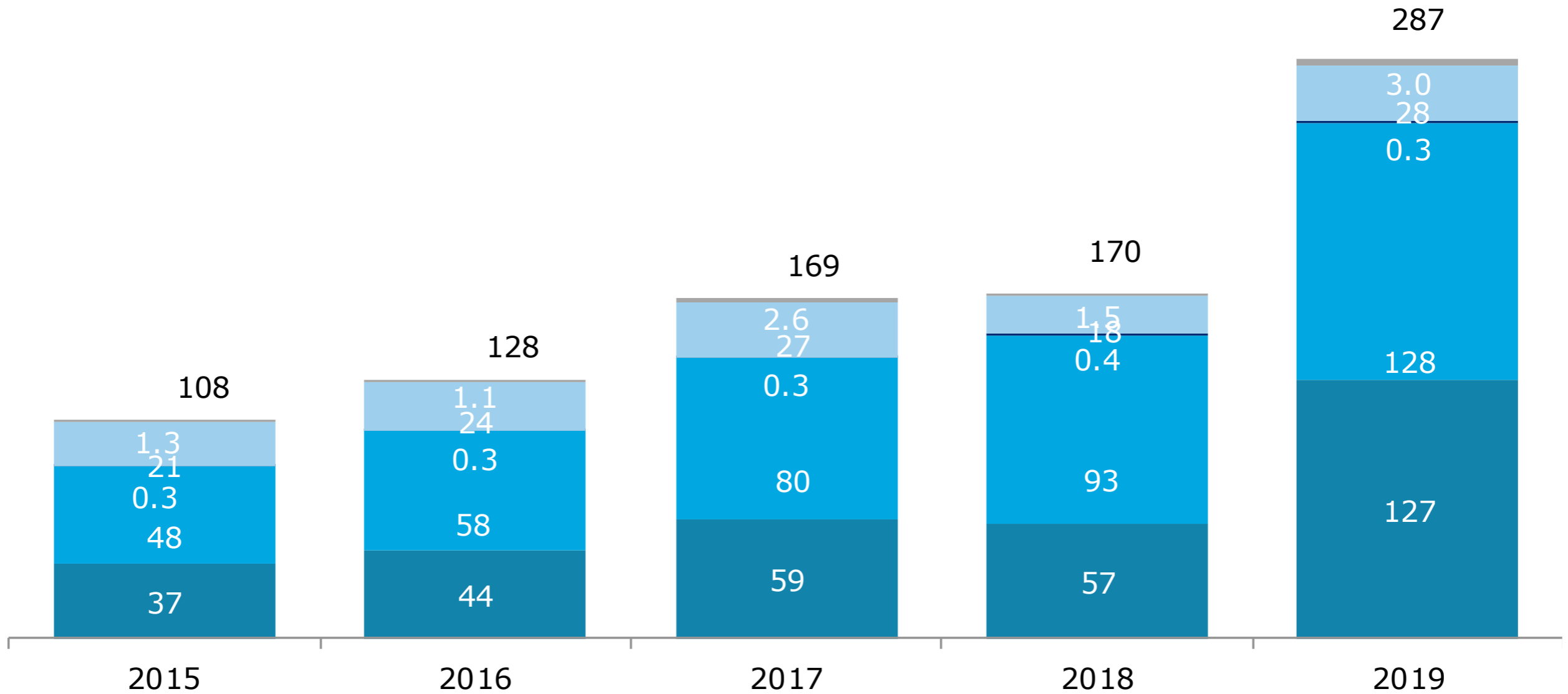
# NUMBER OF FINALIZED CORPORATE FINANCE DEALS (BROKERAGE FIRMS ONLY)



Source: TCMA

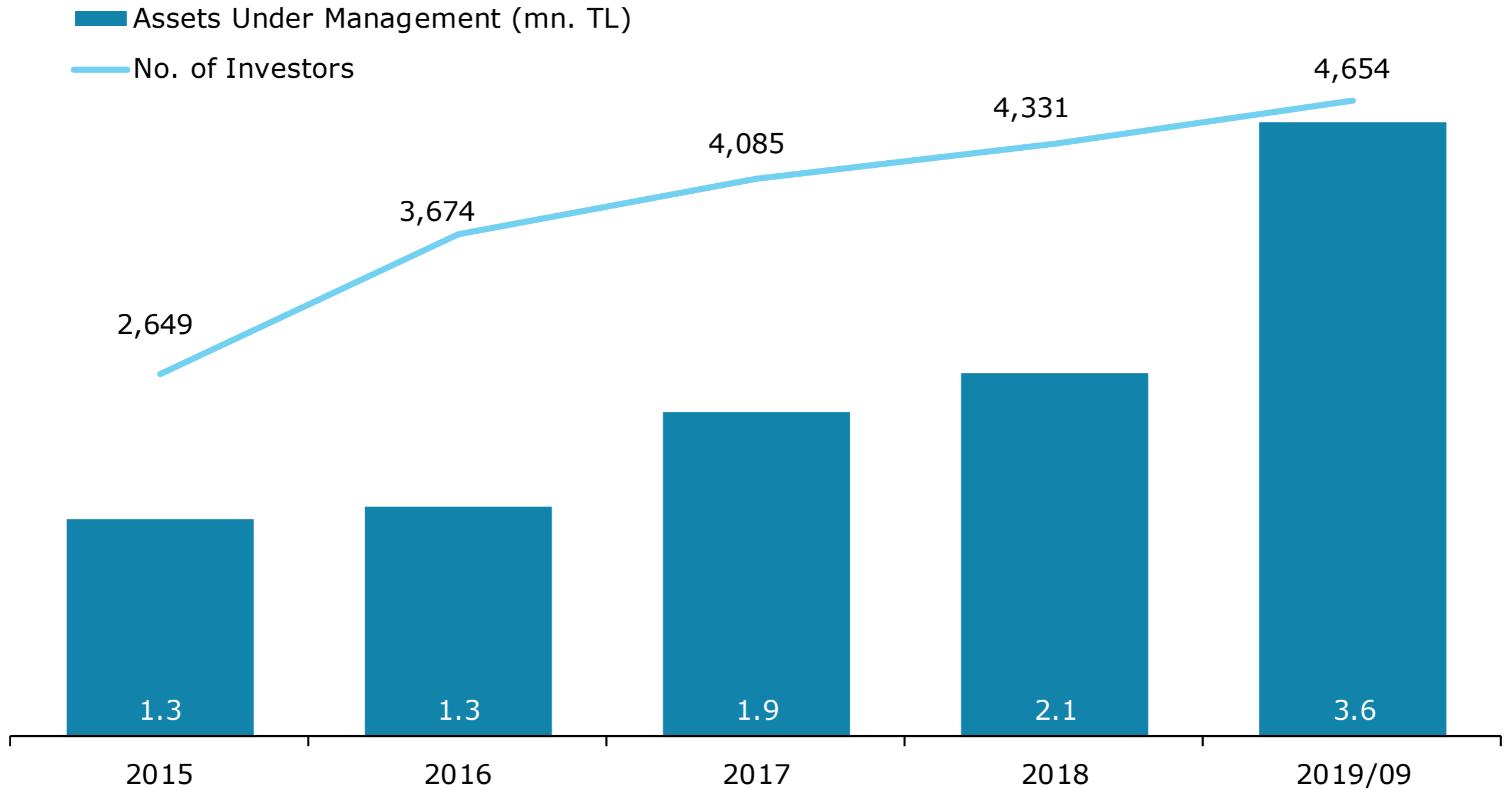
# INSTITUTIONAL INVESTMENTS (BILLION TL)

- Venture Capital Inv. Trusts
- REITs
- Investment Trusts
- Pension Funds
- Mutual Funds



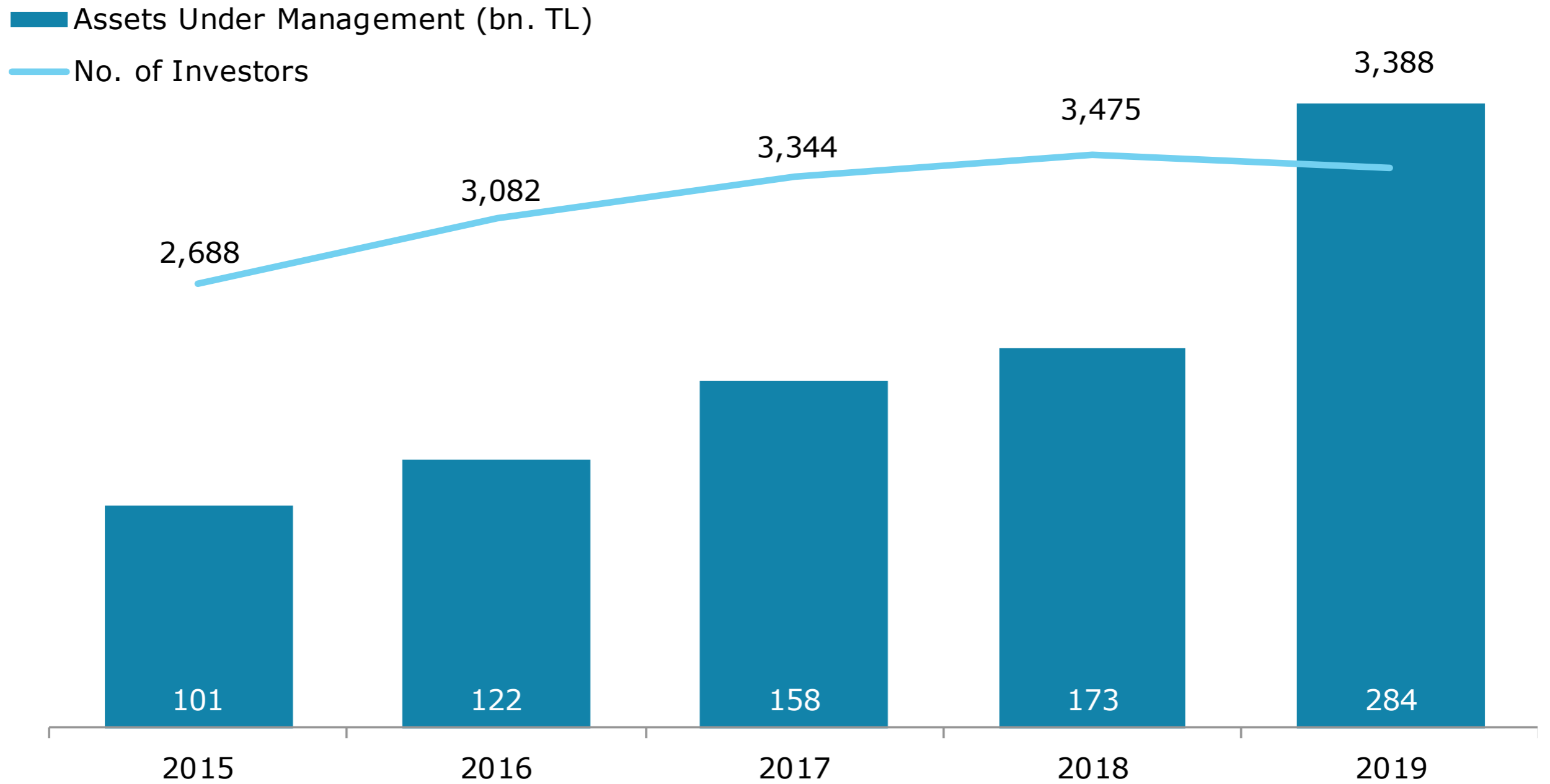
Source: Borsa Istanbul, TCMA

# ASSET MANAGEMENT BY BROKERAGE FIRMS



Source: TCMA

# ASSET MANAGEMENT BY ASSET MANAGEMENT COMPANIES



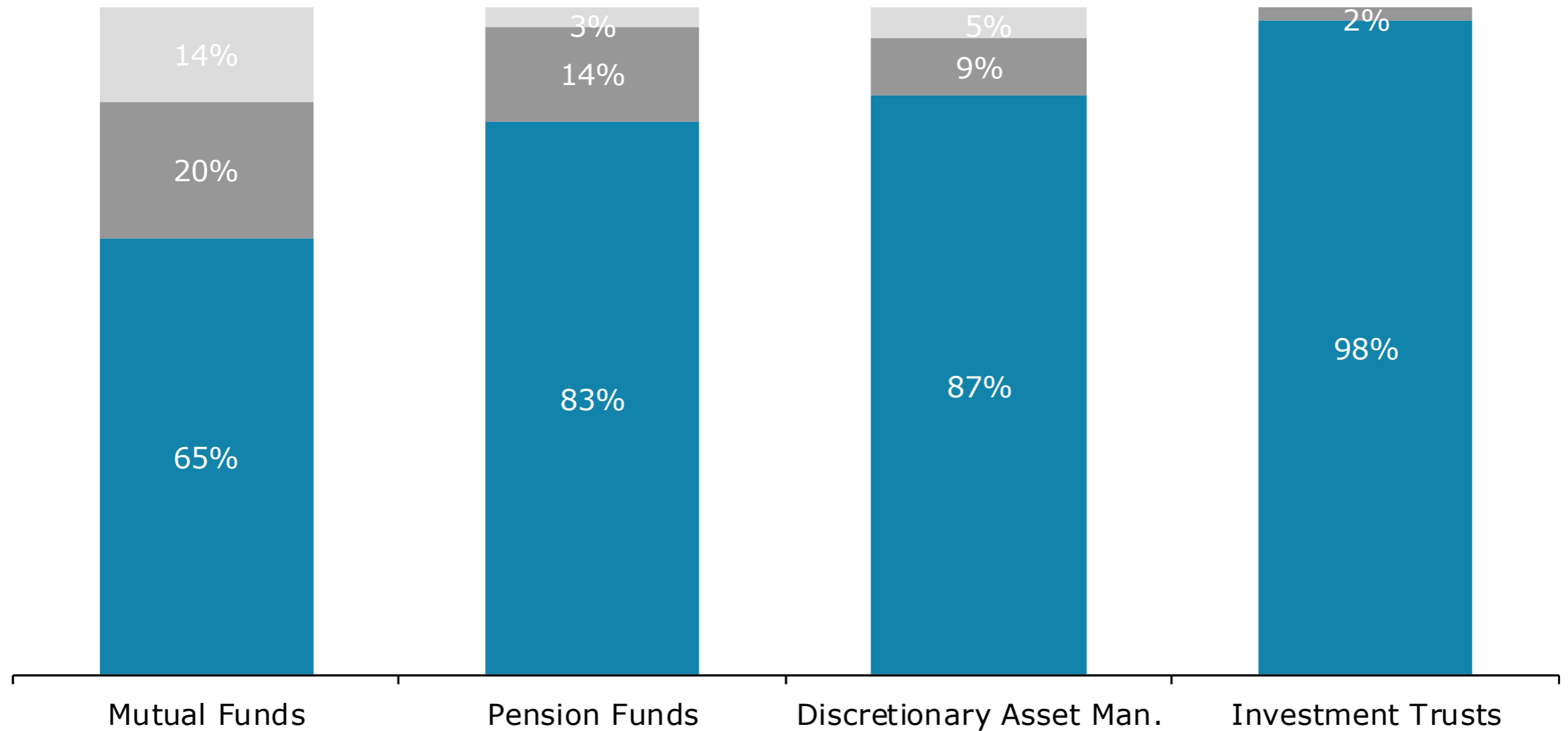
Source: CMB, TCMA



# CONCENTRATION IN PORTFOLIO MANAGEMENT FIRMS (2019)

Number of Asset Management Companies

■ 10+    ■ 6-10    ■ 1-5



Source: TCMA

## TOP 5 MEMBERS IN PORTFOLIO MANAGEMENT ACTIVITIES (2019)

### Mutual Funds

1	İŞ PORTFÖY	21%
2	ZİRAAT PORTFÖY	16%
3	AK PORTFÖY	12%
4	YAPI KREDİ PORTFÖY	11%
5	GARANTİ PORTFÖY	6%
	<b>Total (million TL)</b>	<b>127,393</b>

### Pension Funds

1	ZİRAAT PORTFÖY	21%
2	AK PORTFÖY	19%
3	İŞ PORTFÖY	17%
4	GARANTİ PORTFÖY	13%
5	YAPI KREDİ PORTFÖY	13%
	<b>Total (million TL)</b>	<b>127,577</b>

### Discretionary Asset Management

1	ZİRAAT PORTFÖY	29%
2	AK PORTFÖY	21%
3	İŞ PORTFÖY	16%
4	AZİMUT PORTFÖY	13%
5	İSTANBUL PORTFÖY	7%
	<b>Total (million TL)</b>	<b>28,713</b>

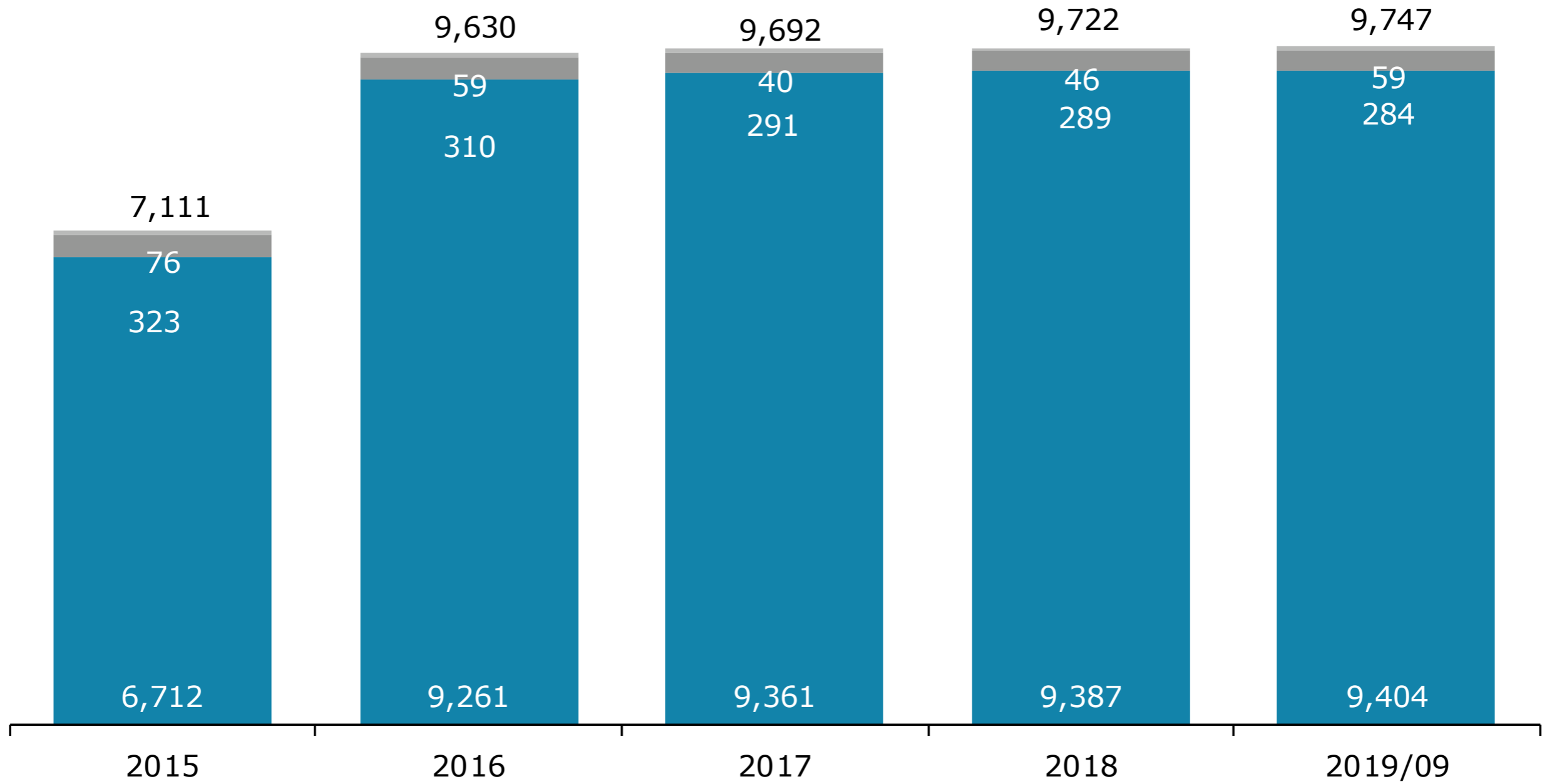
### Investment Trusts

1	İŞ PORTFÖY	43%
2	METRO PORTFÖY	34%
3	HEDEF PORTFÖY	10%
4	GARANTİ PORTFÖY	6%
5	OYAK PORTFÖY	5%
	<b>Total (million TL)</b>	<b>644</b>

Source: TCMA

# BROKERAGE FIRMS' BRANCH NETWORK

■ Bank Branches ■ Branches ■ Rep. Offices

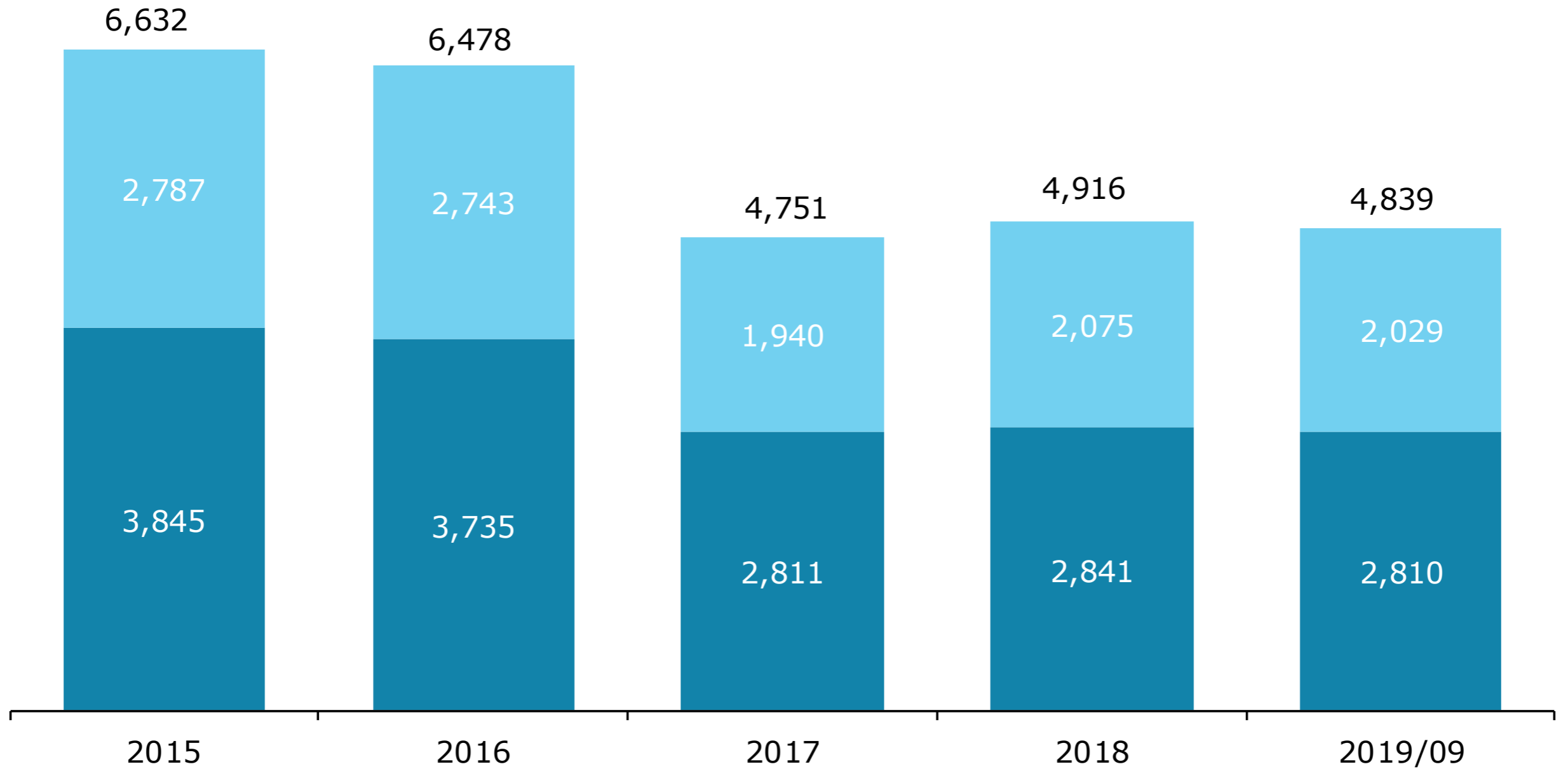


Source: TCMA

# BROKERAGE FIRMS' EMPLOYEES

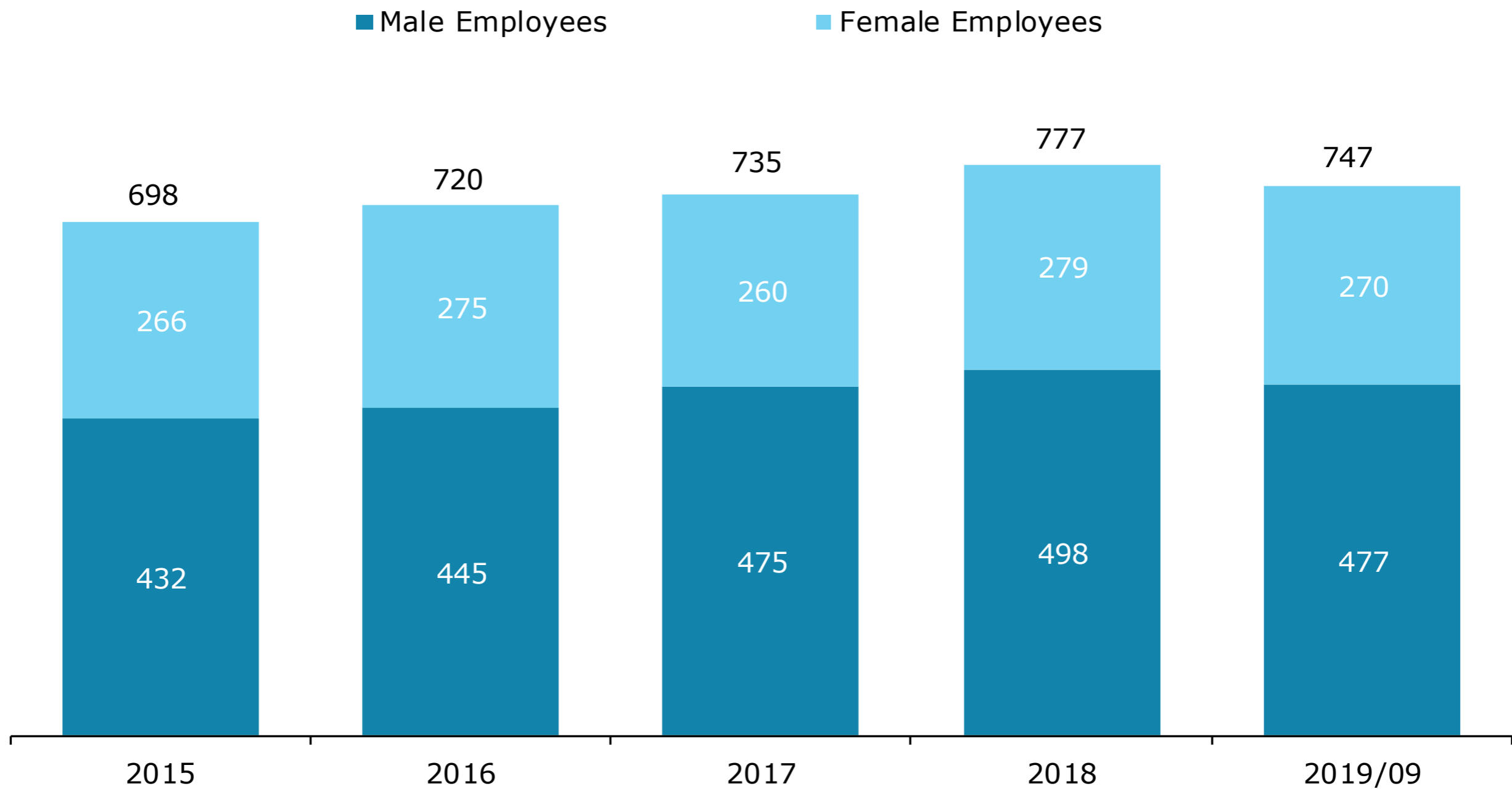
■ Male Employees

■ Female Employees



Source: TCMA

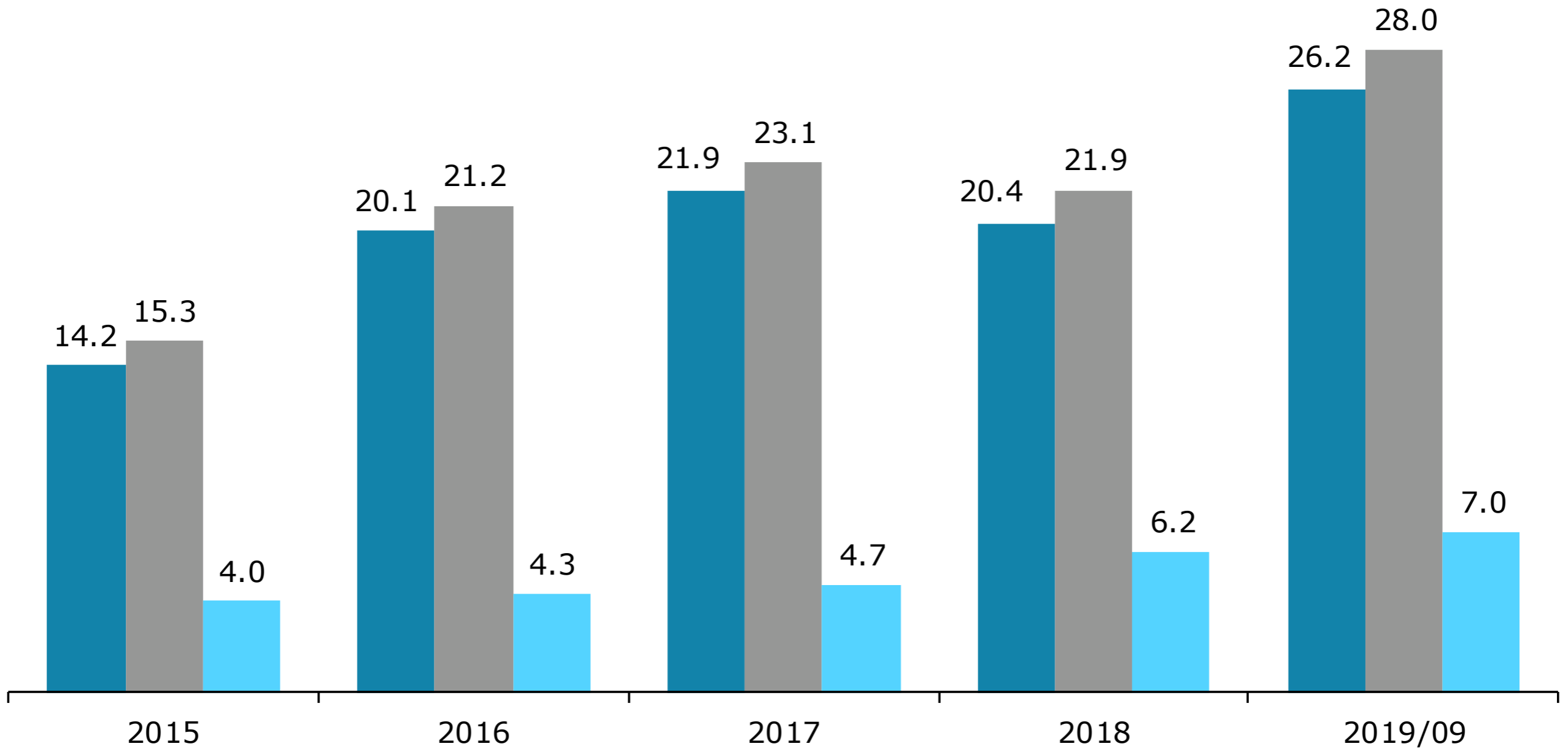
# ASSET MANAGEMENT COMPANIES' EMPLOYEES



Source: TCMA

# BALANCE SHEET OF BROKERAGE FIRMS (BILLION TL)

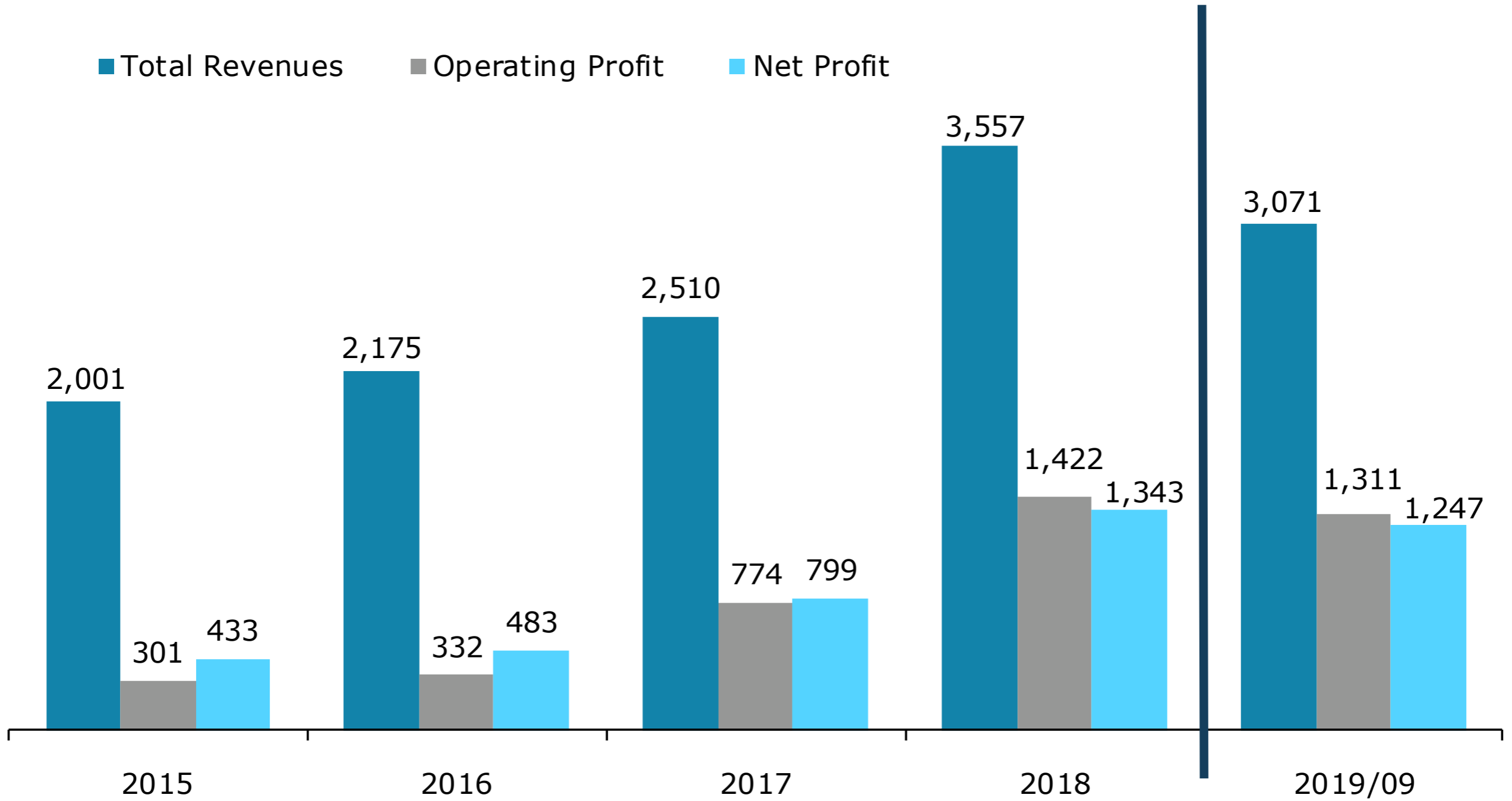
■ Current Assets      ■ Total Assets      ■ Shareholders' Equity



Source: TCMA

# INCOME STATEMENT OF BROKERAGE FIRMS (MILLION TL)

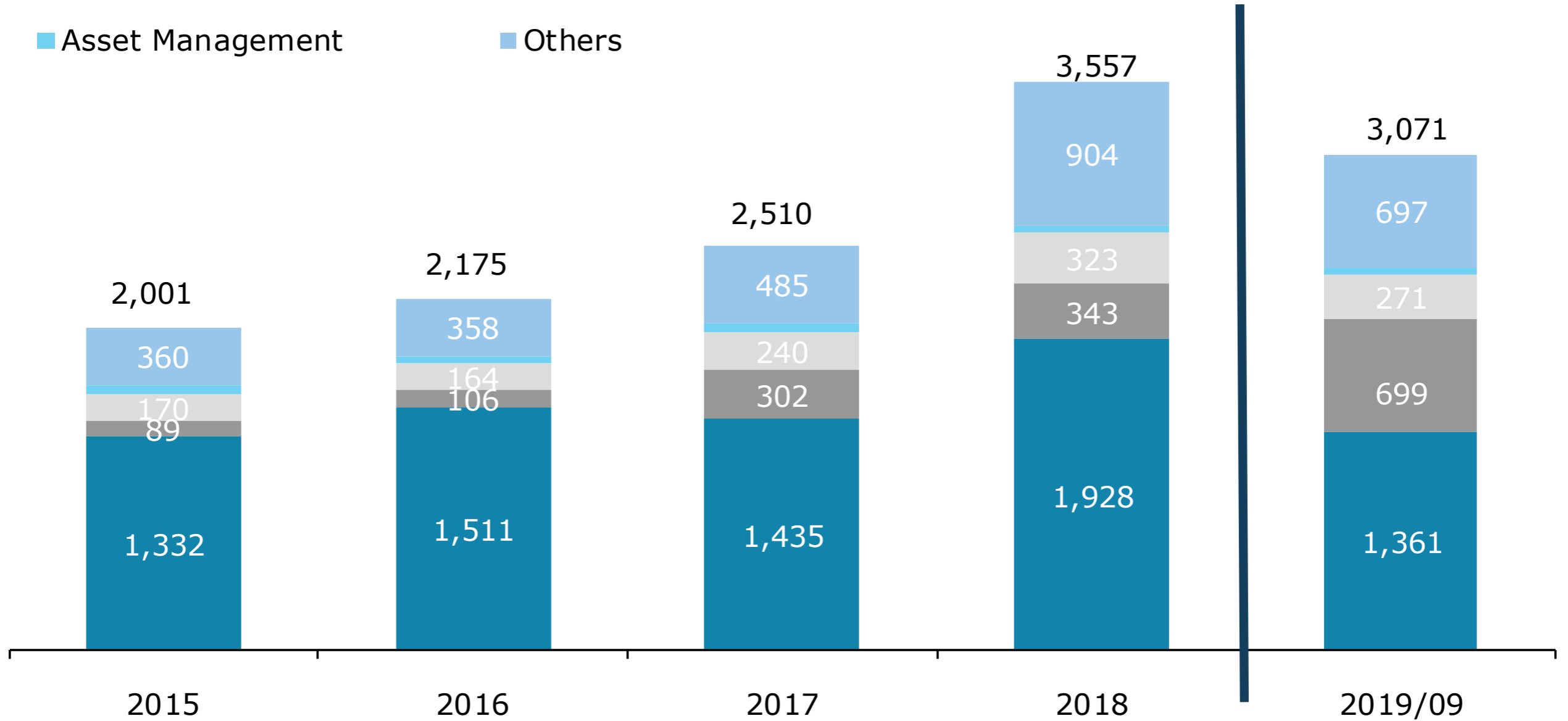
■ Total Revenues    ■ Operating Profit    ■ Net Profit



Source: TCMA

# BREAKDOWN OF BROKERAGE FIRMS' REVENUES (MILLION TL)

- Brokerage Commissions
- Proprietary Trading Profits
- Corporate Finance
- Asset Management
- Others

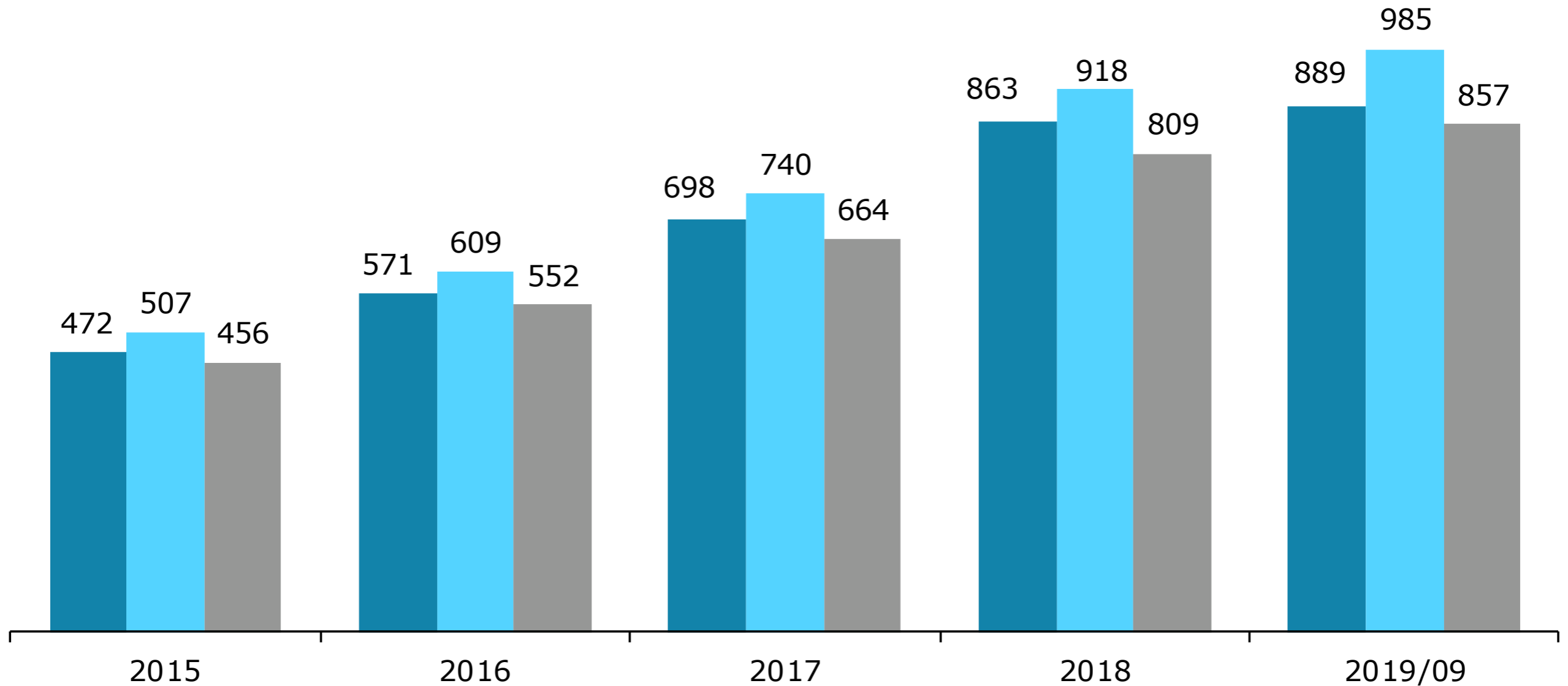


Source: TCMA



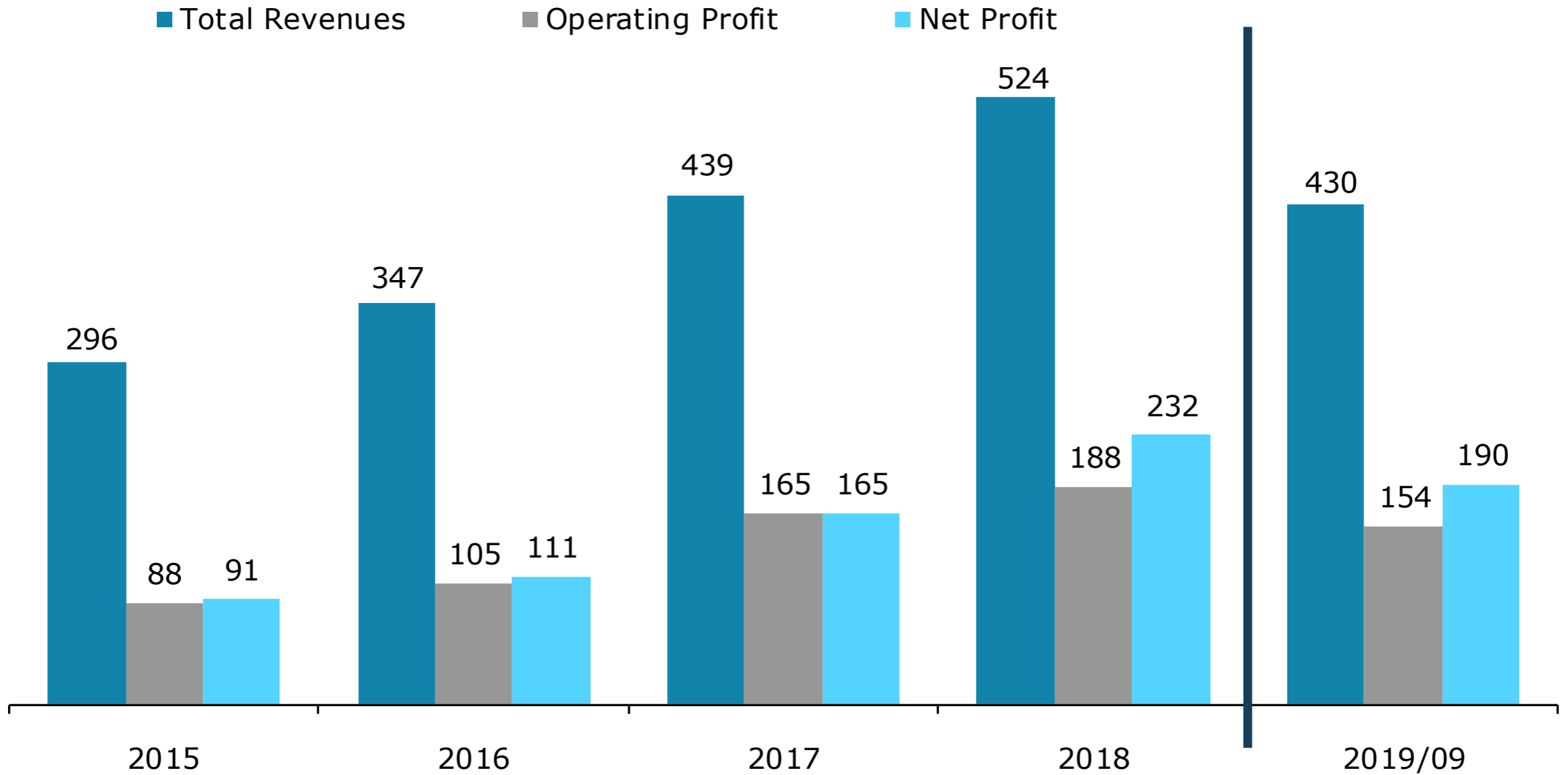
# BALANCE SHEET OF ASSET MANAGEMENT COMPANIES (MILLION TL)

■ Current Assets      ■ Total Assets      ■ Shareholders' Equity



Source: TCMA

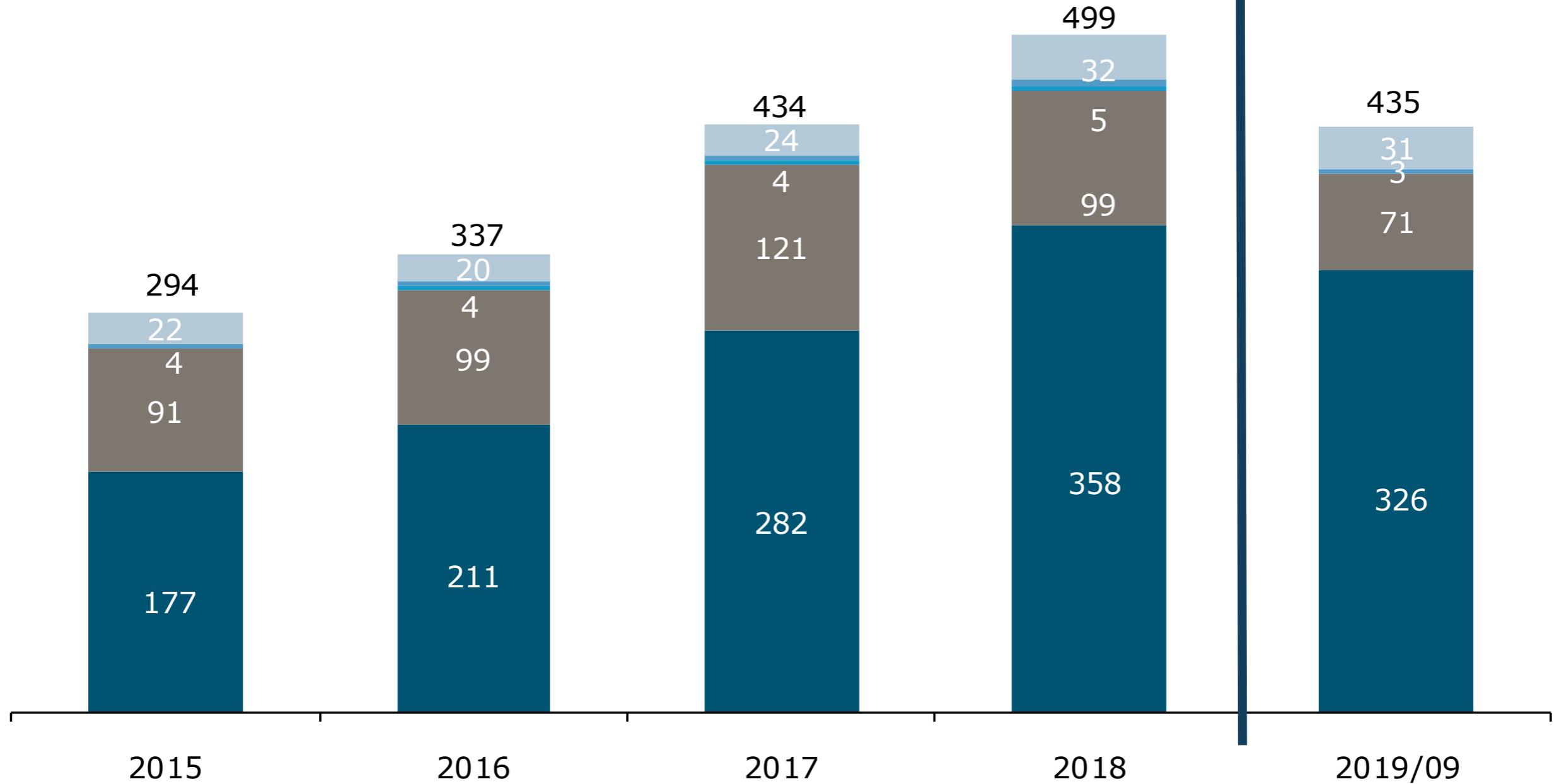
# INCOME STATEMENT OF ASSET MANAGEMENT COMPANIES (MILLION TL)



Source: TCMA

# BREAKDOWN OF ASSET MANAGEMENT COMPANIES' REVENUES (MILLION TL)

- Discretionary Asset Mgmt.
- Financial Advisory
- Pension Fund Mgmt.
- Fund Sales
- Investment Trust Mgmt.
- Mutual Fund Mgmt.

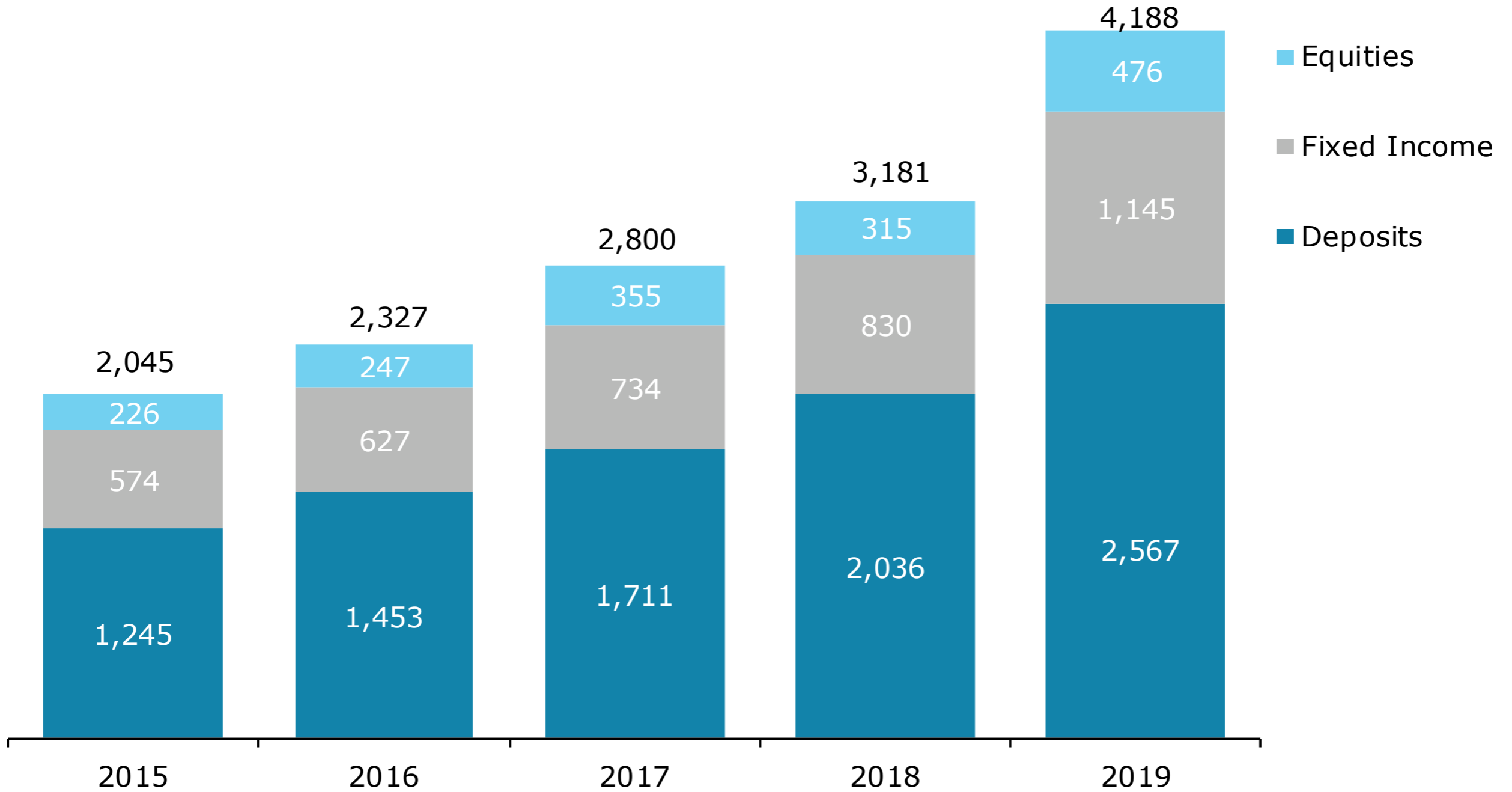


Source: TCMA

# INVESTOR PROFILE

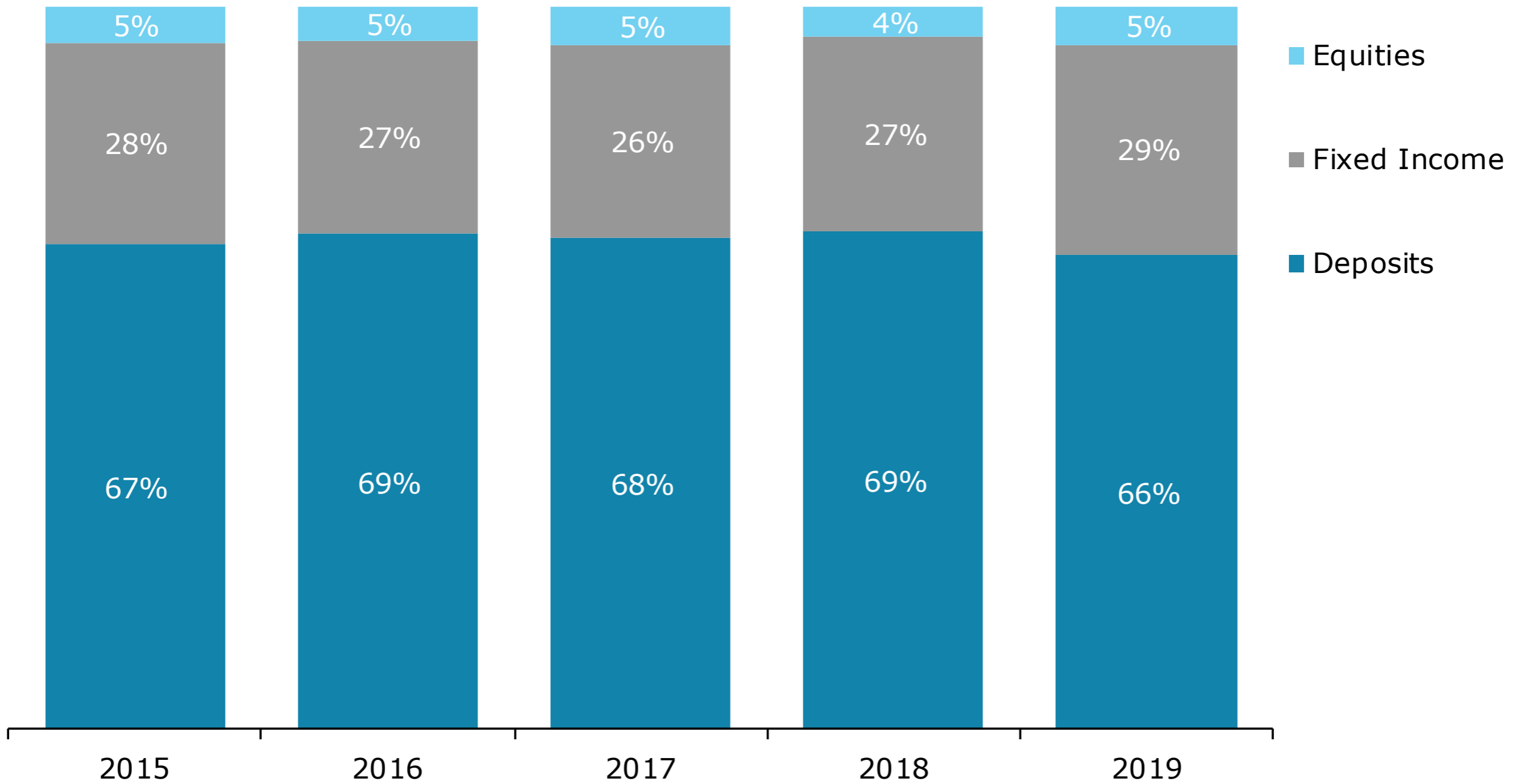


# BREAKDOWN OF TOTAL SAVINGS (BILLION TL)



Source: BRSA, CRA, TCMA estimates

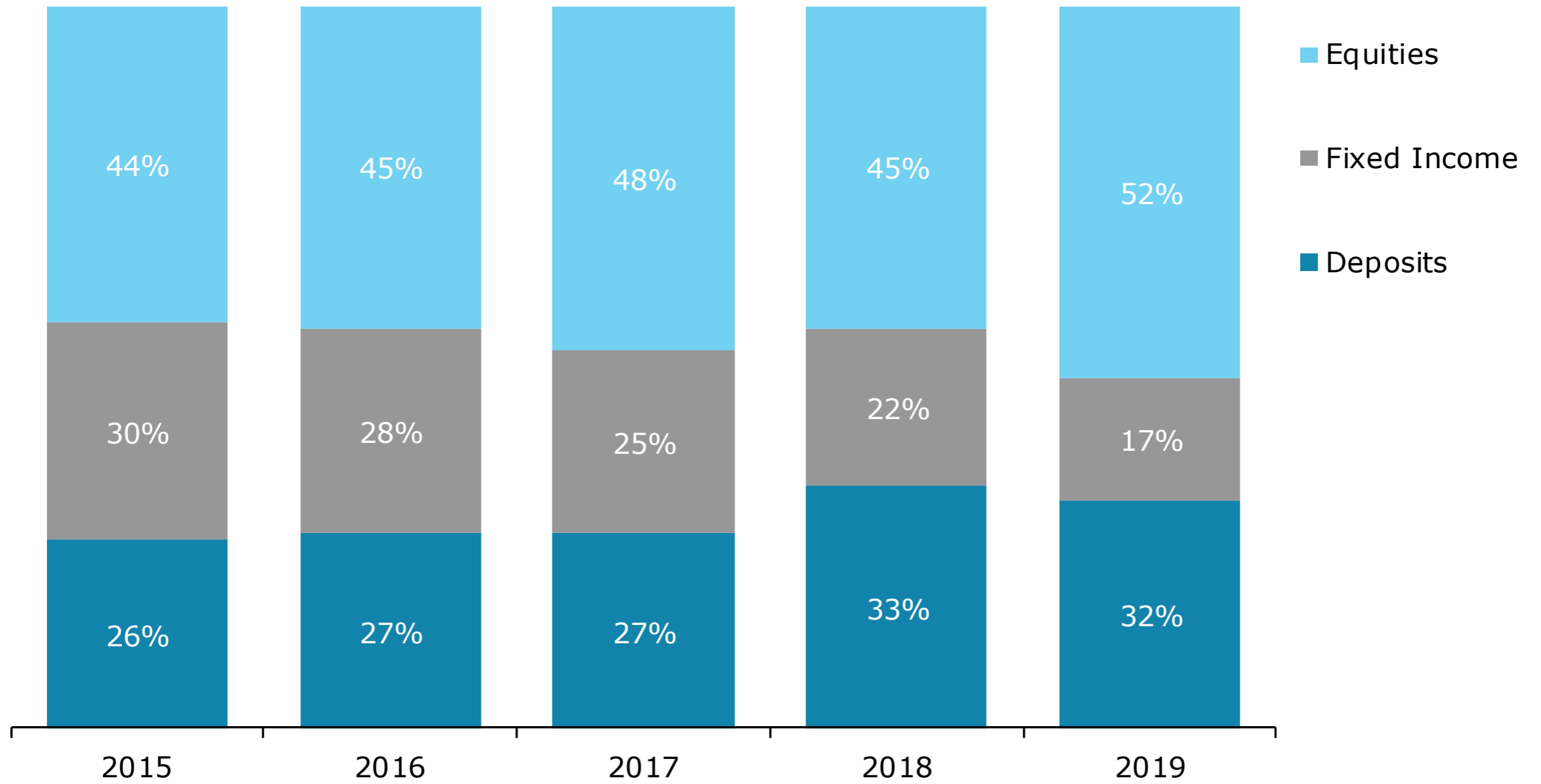
# SAVINGS OF DOMESTIC INVESTORS



Source: BRSA, CRA, TCMA estimates

Total Domestic Inv. Savings as of  
2019: TL 3.6 trillion

# SAVINGS OF FOREIGN INVESTORS



Source: BRSA, CRA, TCMA estimates

Total Foreign Investors' Savings as of  
2019: TL 591 bn

## NUMBER OF EQUITY INVESTORS

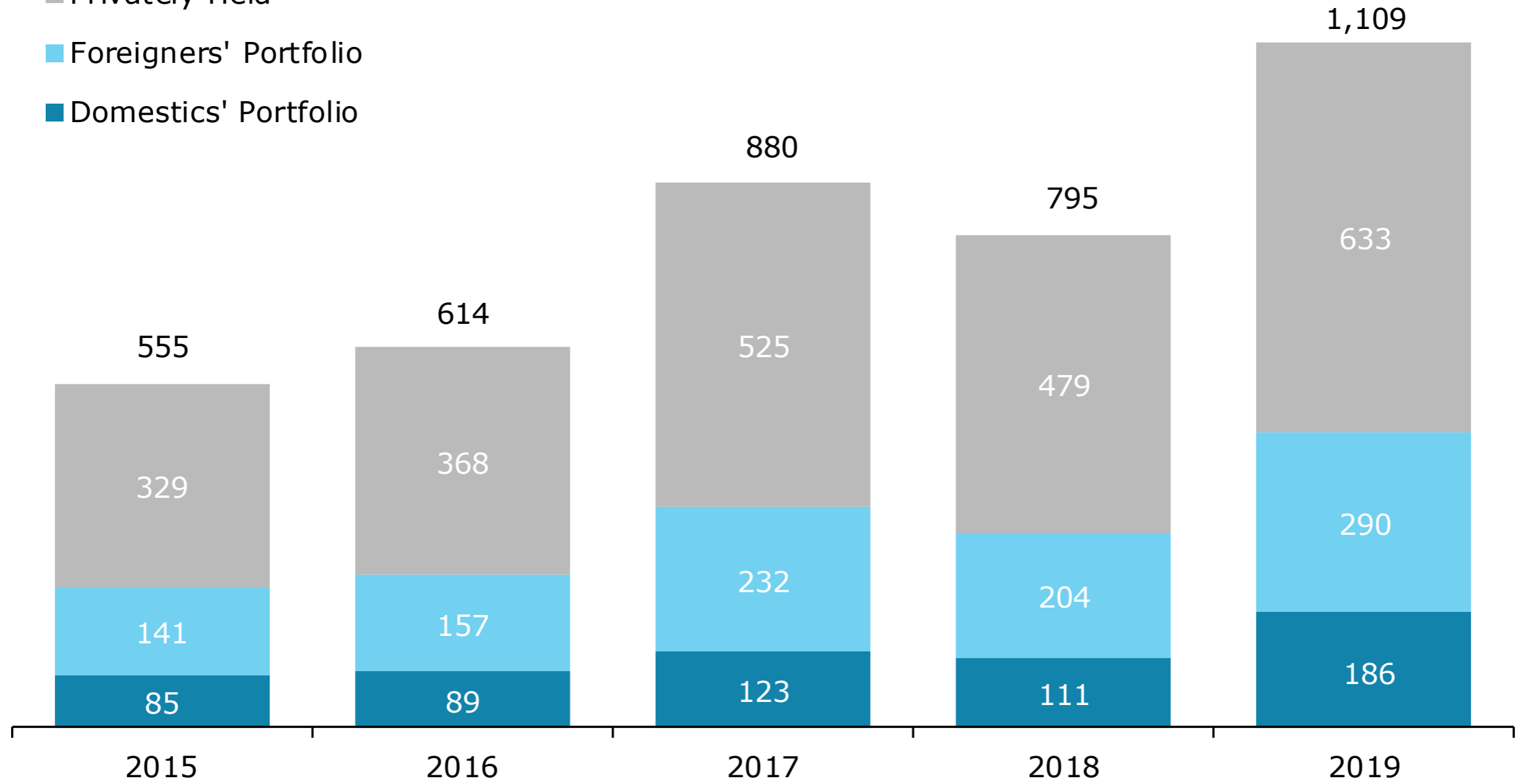
Number of Equity Investors (thou.)	2015	2016	2017	2018	2019
<b>Domestic Investors</b>	<b>1,049.2</b>	<b>1,031.3</b>	<b>1,081.3</b>	<b>1,169.2</b>	<b>1,193.7</b>
Dom. Individuals	1,043.5	1,025.9	1,076.1	1,163.3	1,188.1
Dom. Corporations	5.0	4.7	4.6	5.2	4.9
Dom. Institutionals	0.7	0.7	0.7	0.8	0.7
<b>Foreign Investors</b>	<b>9.8</b>	<b>9.5</b>	<b>9.6</b>	<b>9.7</b>	<b>9.7</b>
For. Individuals	6.2	6.2	6.2	6.5	6.6
For. Corporations	1.5	1.4	1.5	1.5	1.4
For. Institutionals	2.1	1.9	1.9	1.8	1.7
<b>Total</b>	<b>1,059.0</b>	<b>1,040.8</b>	<b>1,090.9</b>	<b>1,178.9</b>	<b>1,203.4</b>

Source: CRA



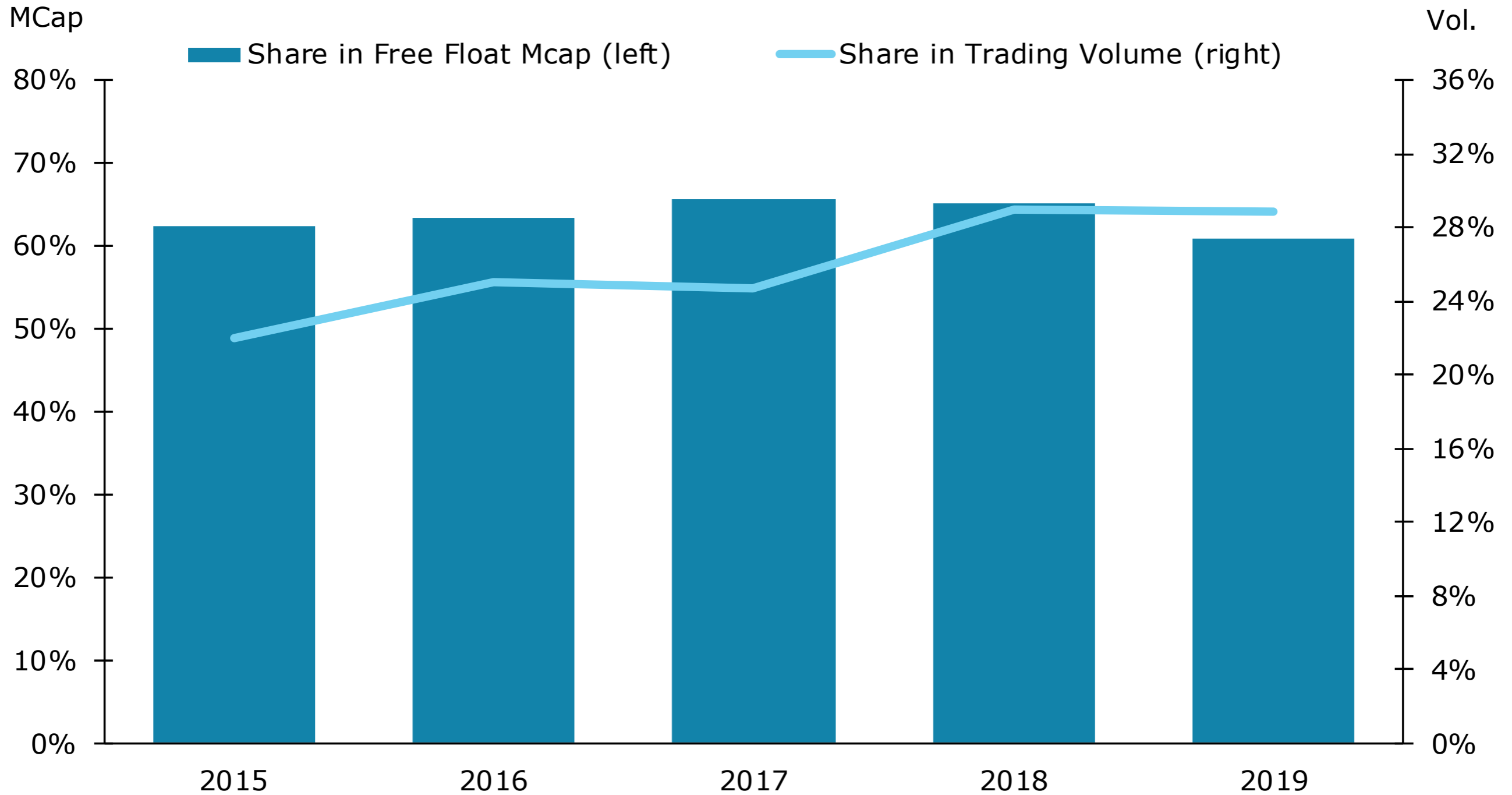
# BREAKDOWN OF MARKET CAPITALIZATION (BILLION TL)

- Privately Held
- Foreigners' Portfolio
- Domestics' Portfolio



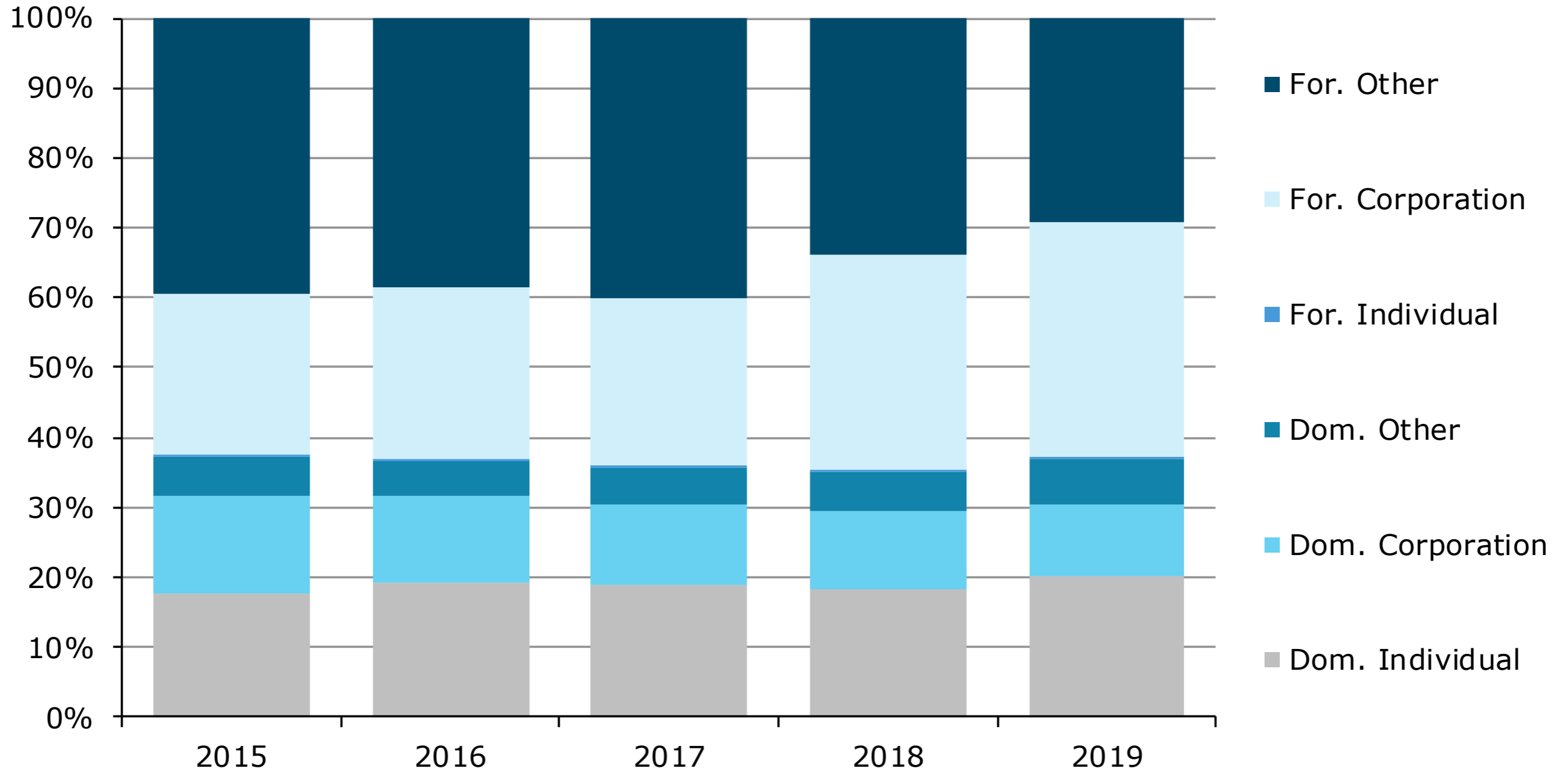
Source: CRA, Borsa Istanbul

# SHARE OF FOREIGN INVESTORS



Source: CRA, Borsa Istanbul

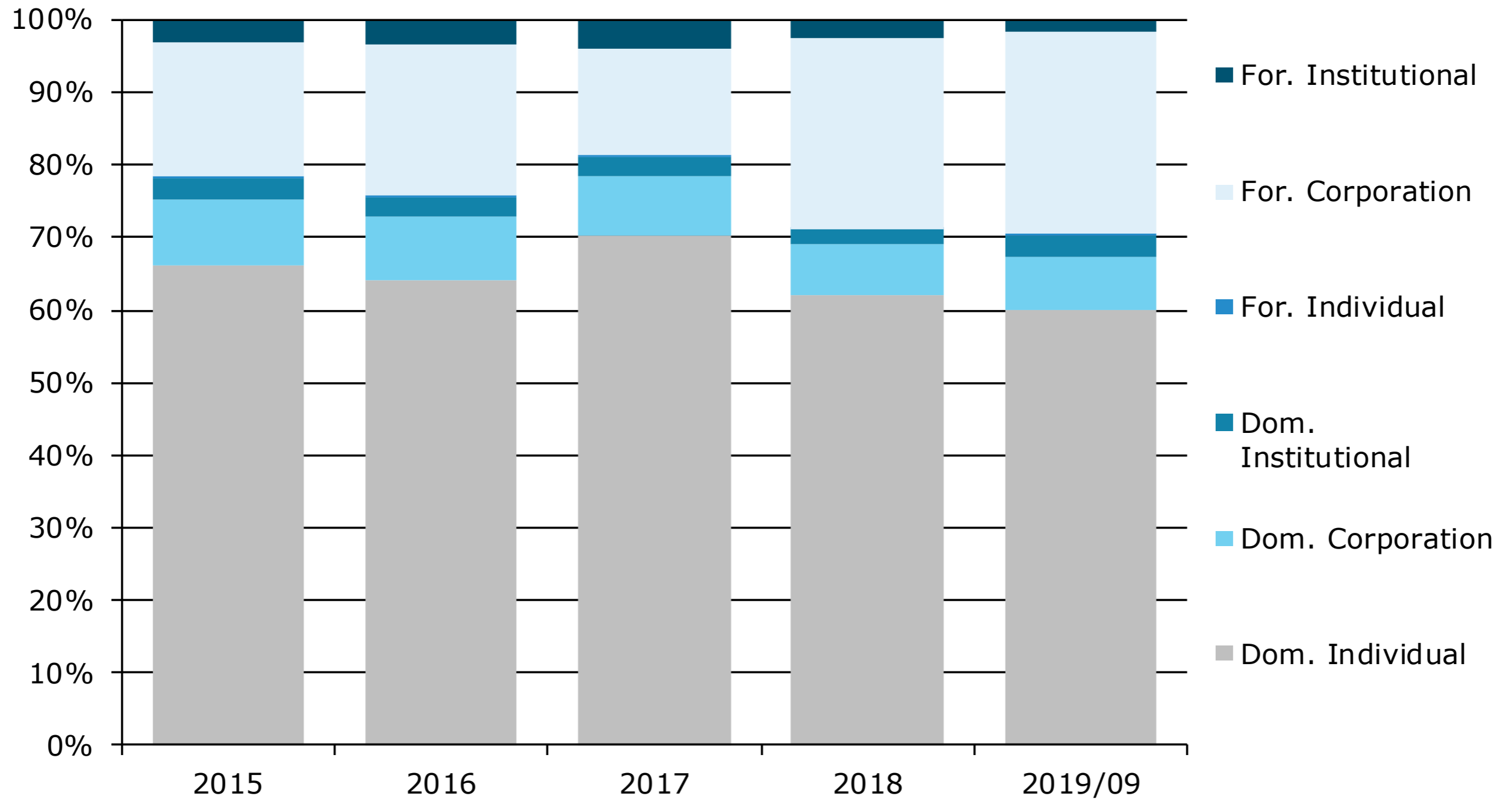
# EQUITY OWNERSHIP ACCORDING TO INVESTOR CATEGORIES



Source: CRA

Total equity portfolio as of Dec. 2019: TL 476 bn

# BREAKDOWN OF EQUITY TRADING VOLUME BY INVESTOR CATEGORIES\*



Source: TCMA

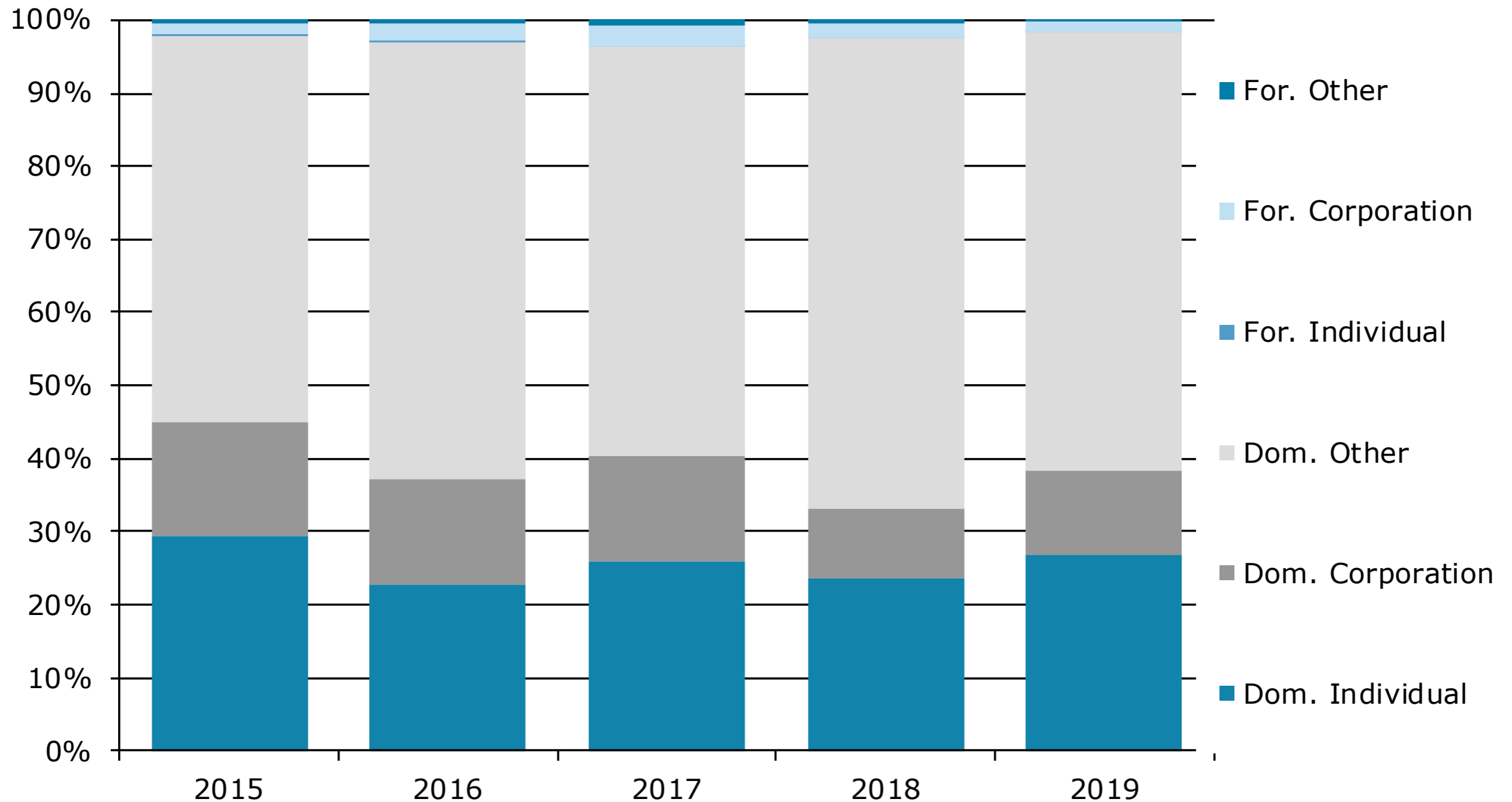
\*Brokerage firms and investment banks only

## NUMBER OF CORPORATE BOND INVESTORS

Number of Corporate Bond Investors					
	2015	2016	2017	2018	2019
<b>Domestic Investors</b>	<b>135,690</b>	<b>96,771</b>	<b>81,865</b>	<b>77,671</b>	<b>65,998</b>
Dom. Individuals	131,798	93,217	78,954	75,361	64,010
Dom. Corporations	3,197	2,886	2,292	1,660	1,344
Dom. Institutionals	695	668	619	650	644
<b>Foreign Investors</b>	<b>1,066</b>	<b>705</b>	<b>622</b>	<b>662</b>	<b>453</b>
For. Individuals	1,034	677	594	641	431
For. Corporations	24	25	24	18	19
For. Institutionals	8	3	4	3	3
<b>Total</b>	<b>136,756</b>	<b>97,476</b>	<b>82,487</b>	<b>78,333</b>	<b>66,451</b>

Source: CRA

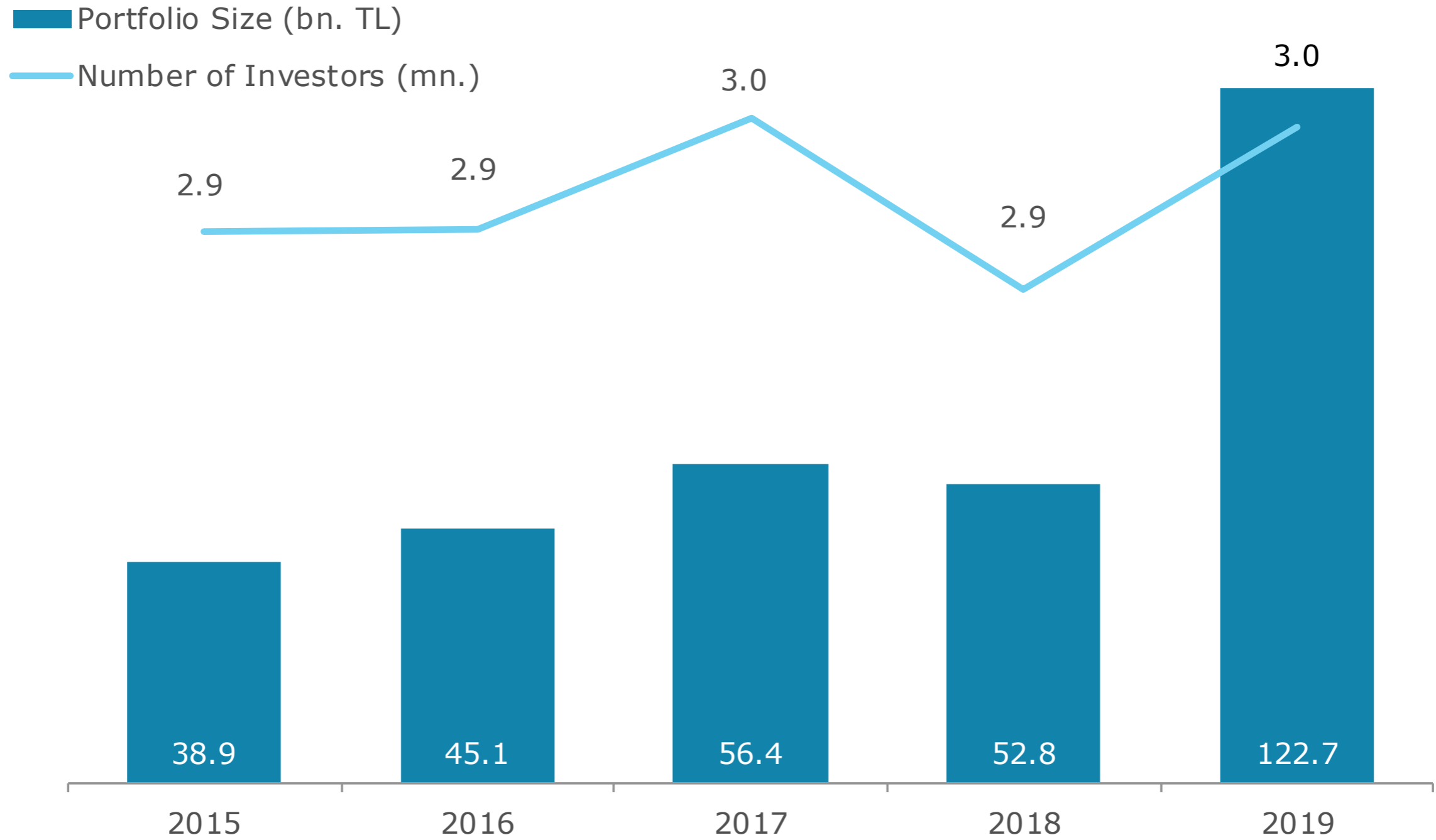
# CORPORATE BOND OWNERSHIP ACCORDING TO INVESTOR CATEGORIES



Source: CRA

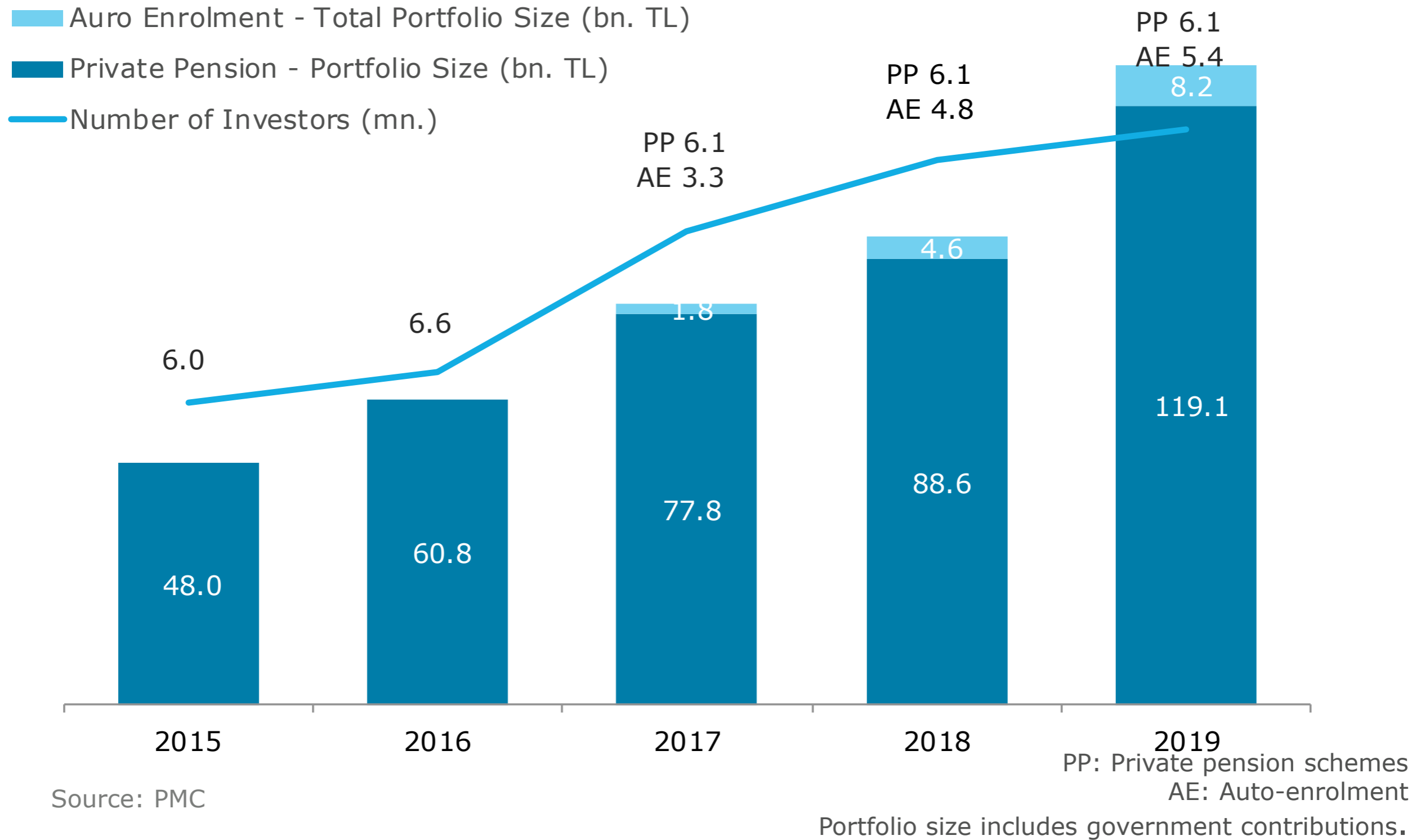
Total corporate bond portfolio as of Dec. 2019: TL 93 bn.

# MUTUAL FUND INVESTORS



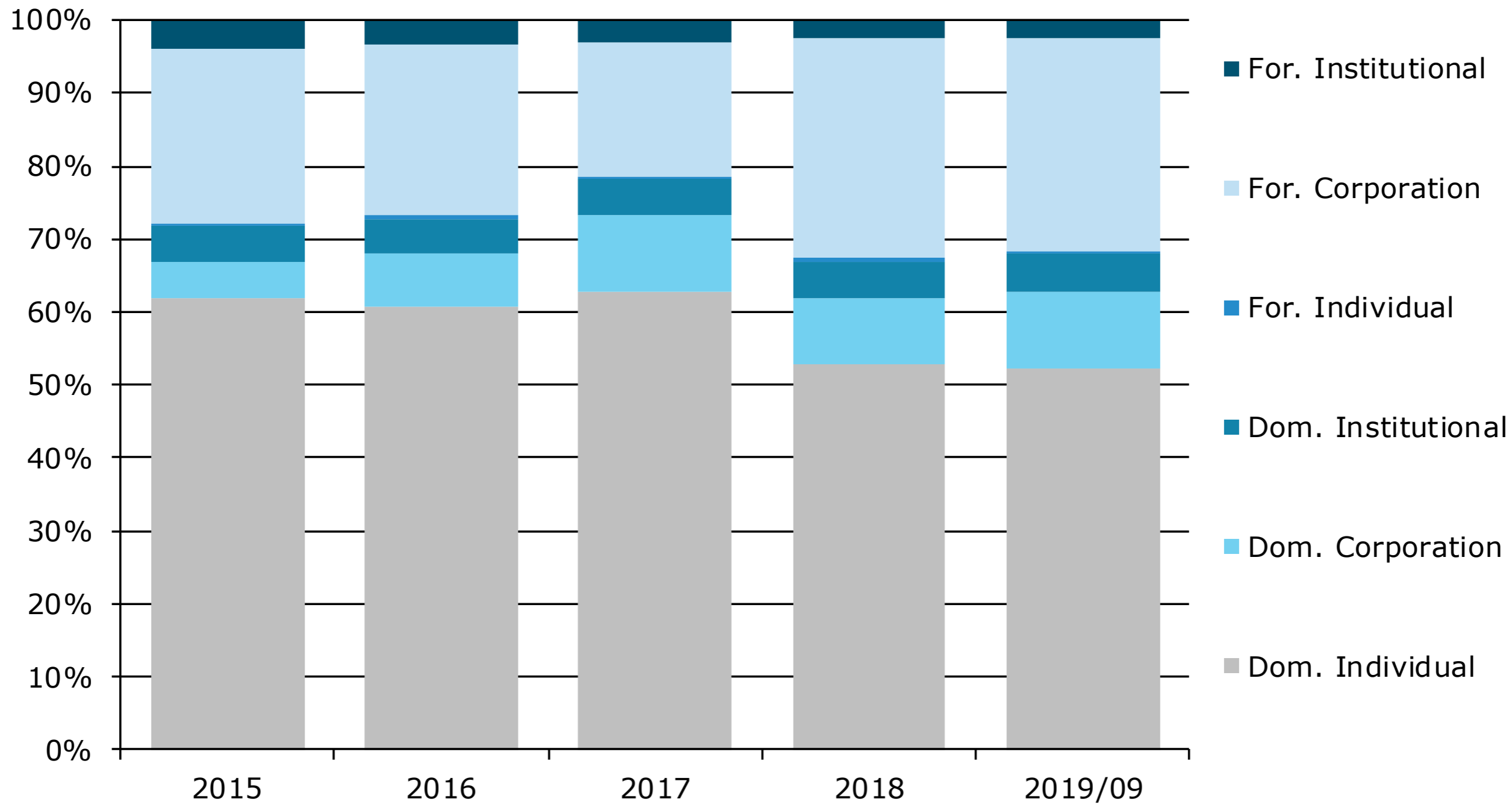
Source: CRA

# PENSION FUND INVESTORS





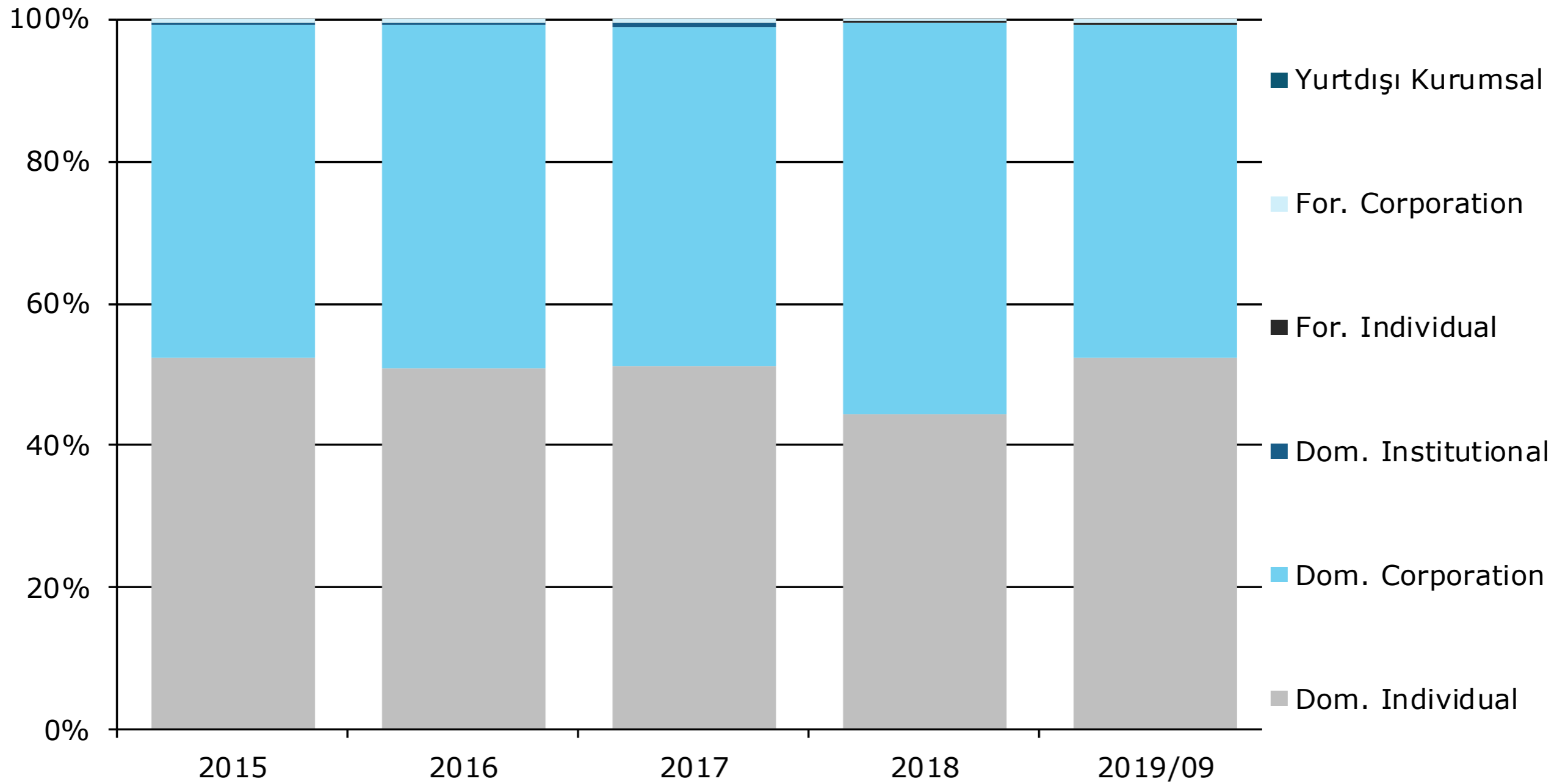
# BREAKDOWN OF FUTURES TRADING VOLUME BY INVESTOR CATEGORIES\*



Source: TCMA

\*Brokerage firms only

# FOREX TRADING VOLUME OF BROKERAGE FIRMS



Source: TCMA

*[www.tspb.org.tr](http://www.tspb.org.tr)*

*[info@tspb.org.tr](mailto:info@tspb.org.tr)*

  
**TCMA**