

Turkish Capital Markets

August 2020



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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

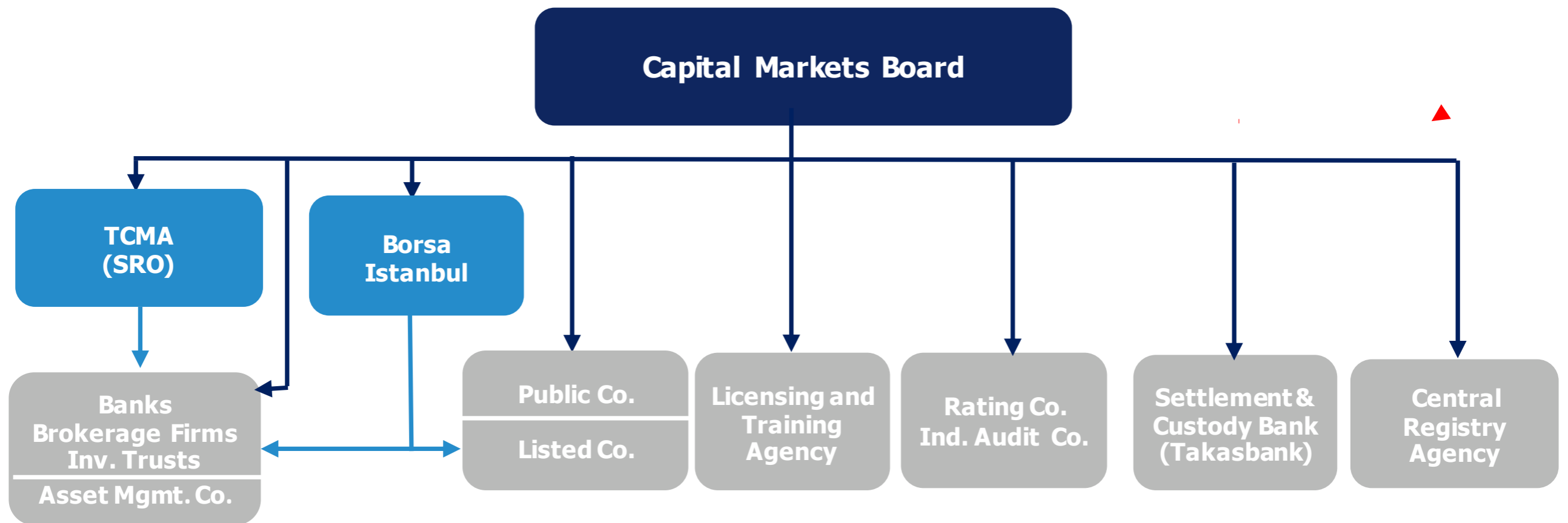
- Banks
- Brokerage Firms
- Asset Management Firms
- Investment Trusts
- Central Registry Agency
- Settlement and Custody Bank
- Capital Markets Licensing and Training Agency
- Investor Compensation Center
- Public and Listed Companies
- Rating, Appraisal, Audit Firms

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.

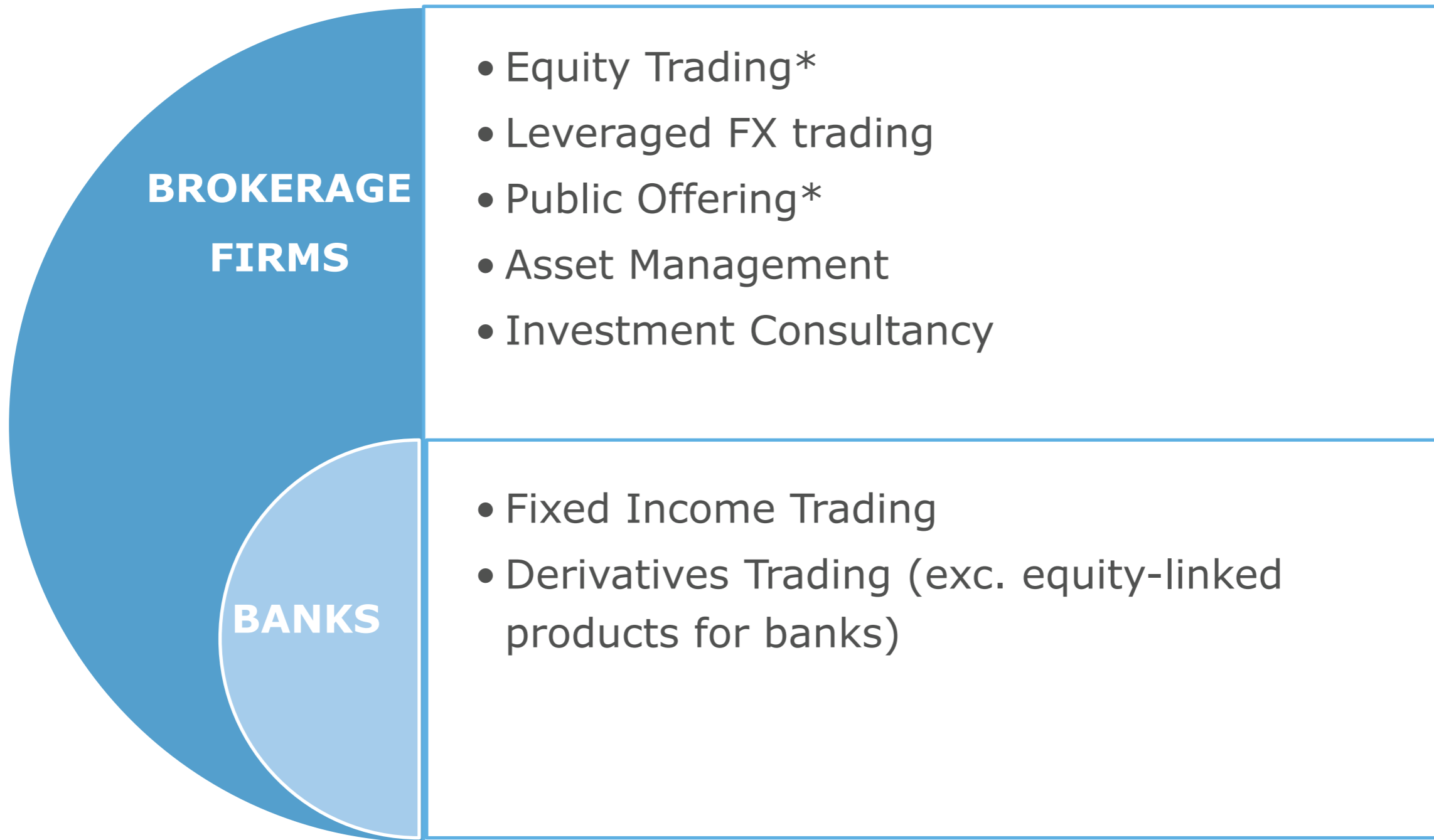
TAKASBANK (ISTANBUL SETTLEMENT AND CUSTODY BANK)

- 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.

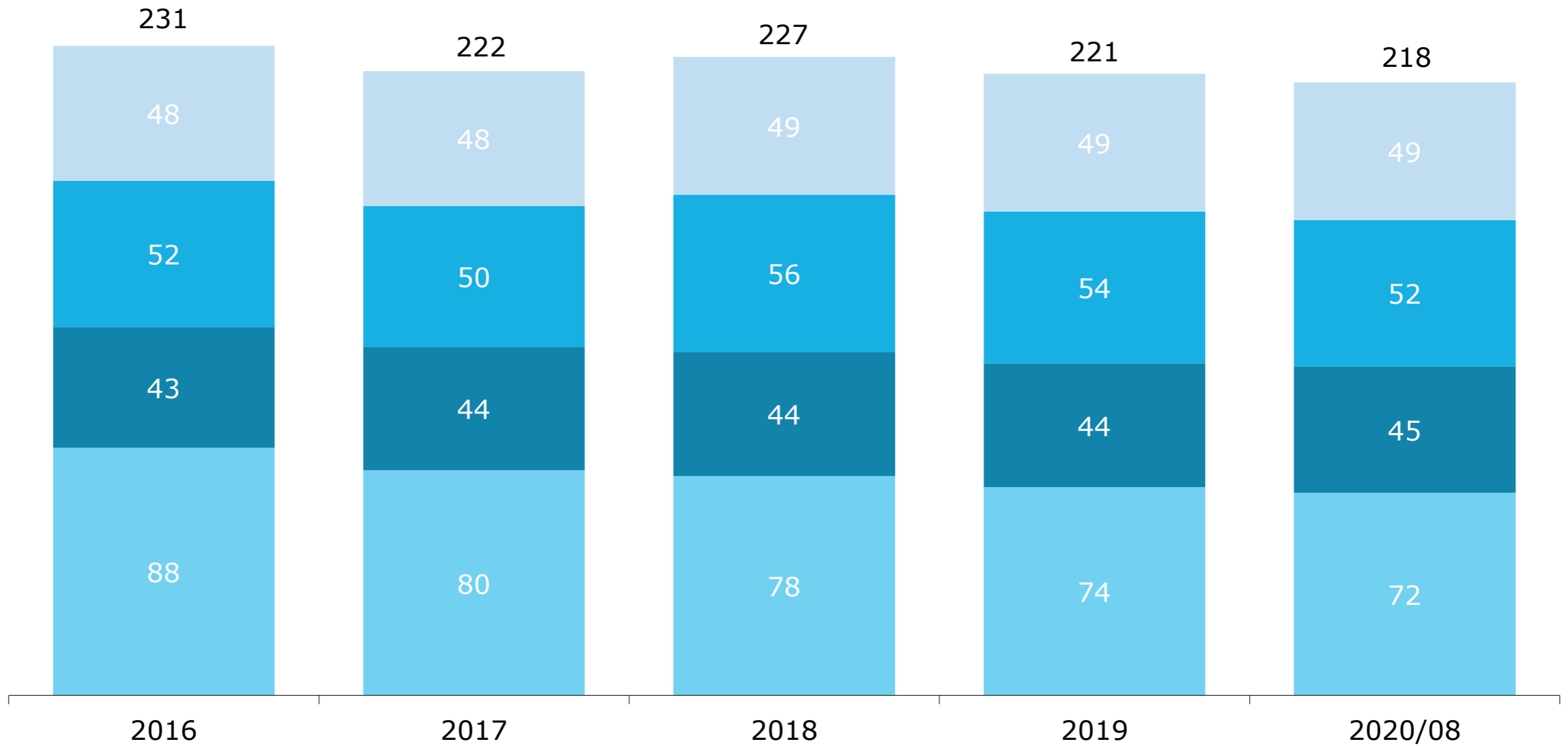
TURKISH CAPITAL MARKETS ASSOCIATION



- 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

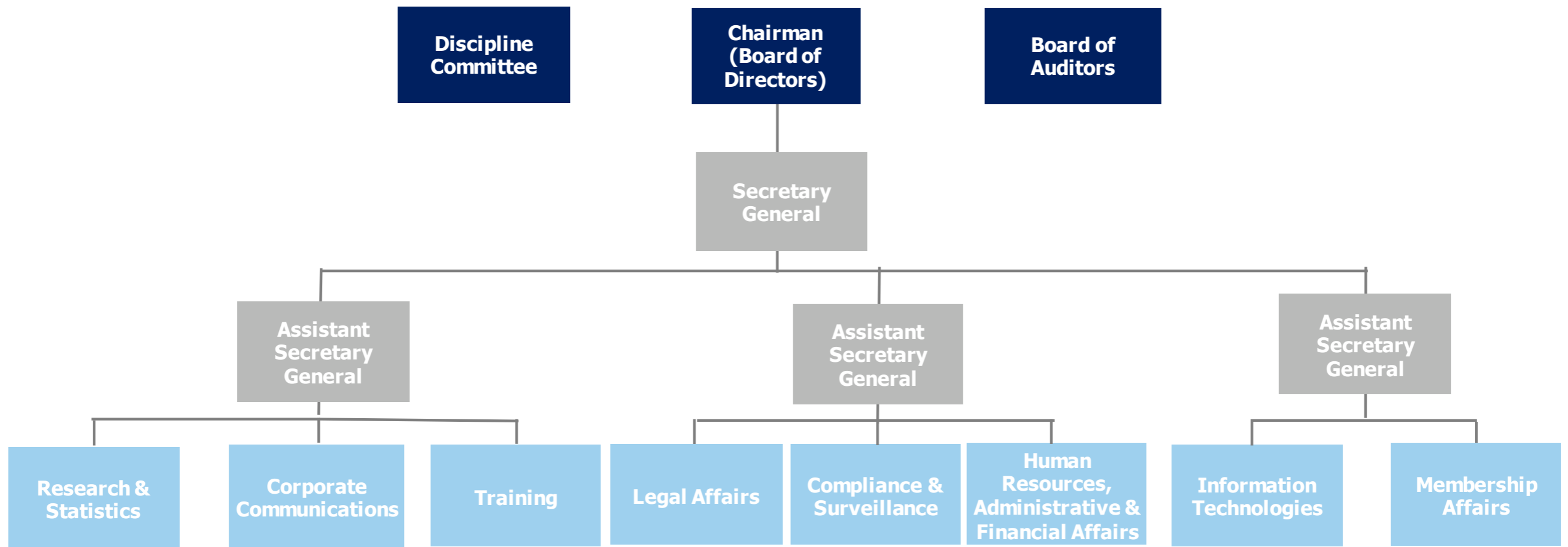


- Contribute to the development of the capital market
- Meet the collective needs of members and facilitate solidarity among its members,
- Prevent unfair competition between its members,
- Enhance know-how in the sector.

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.

PARTICIPATIONS

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

JCR EURASIA CREDIT RATING AGENCY

- 6% stake

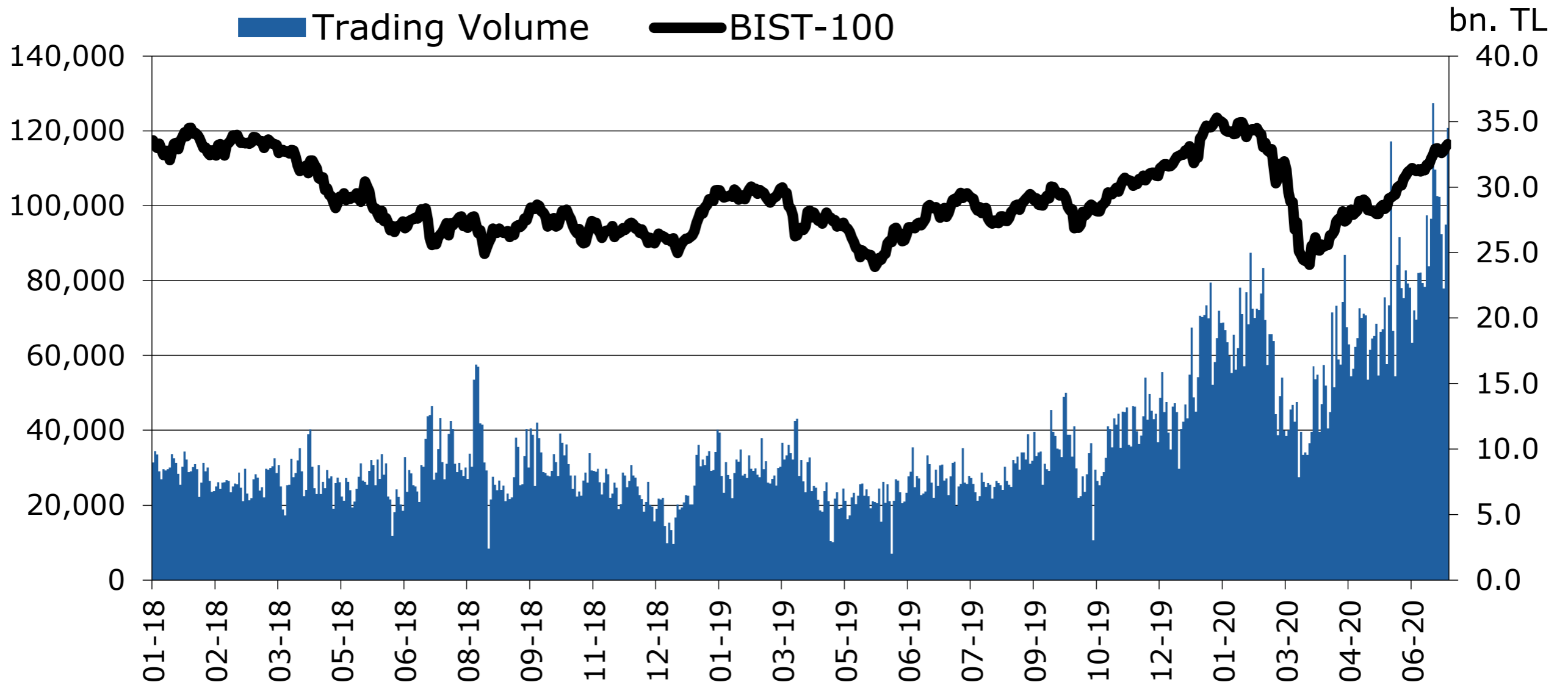
JOINT MORTGAGE FINANCE CORPORATION

- 5% stake
- one seat at the board of directors, out of 7 members

TURKISH CAPITAL MARKETS

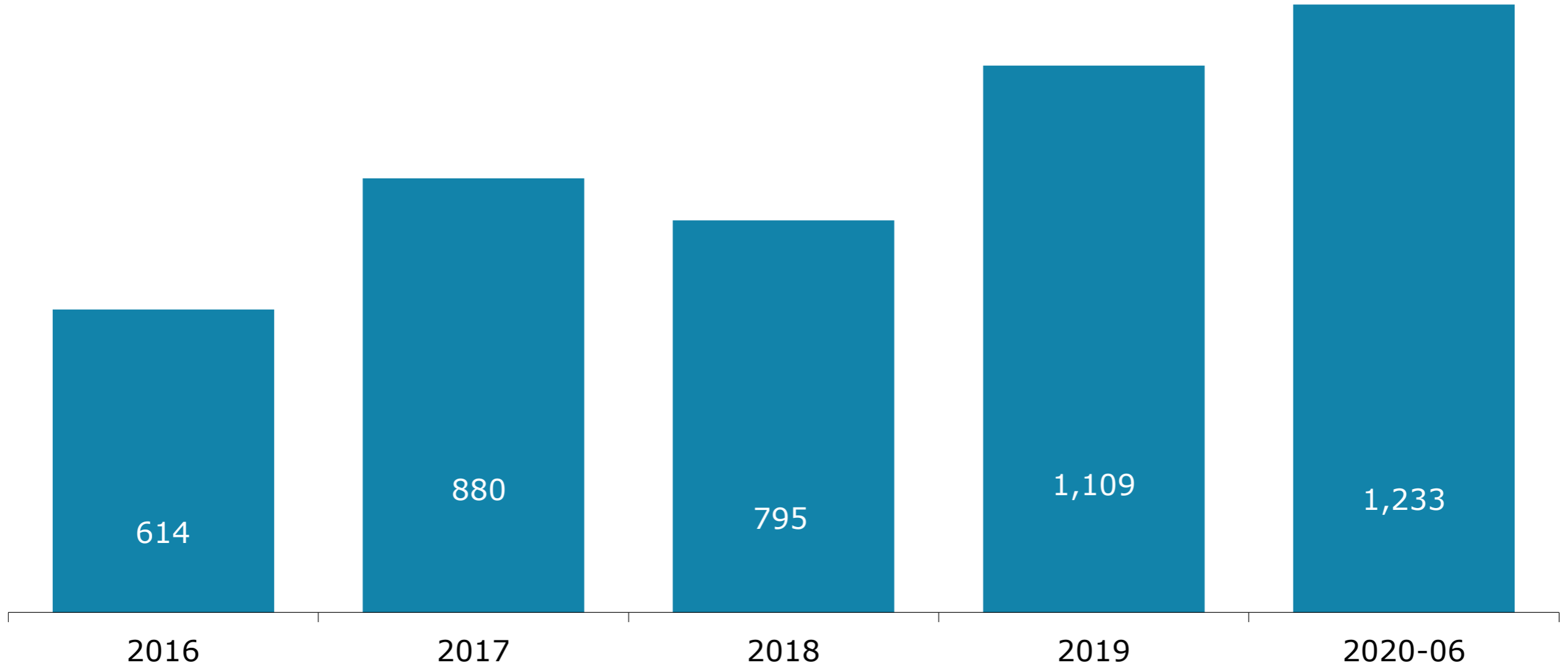


BIST-100 INDEX & TRADING VOLUME



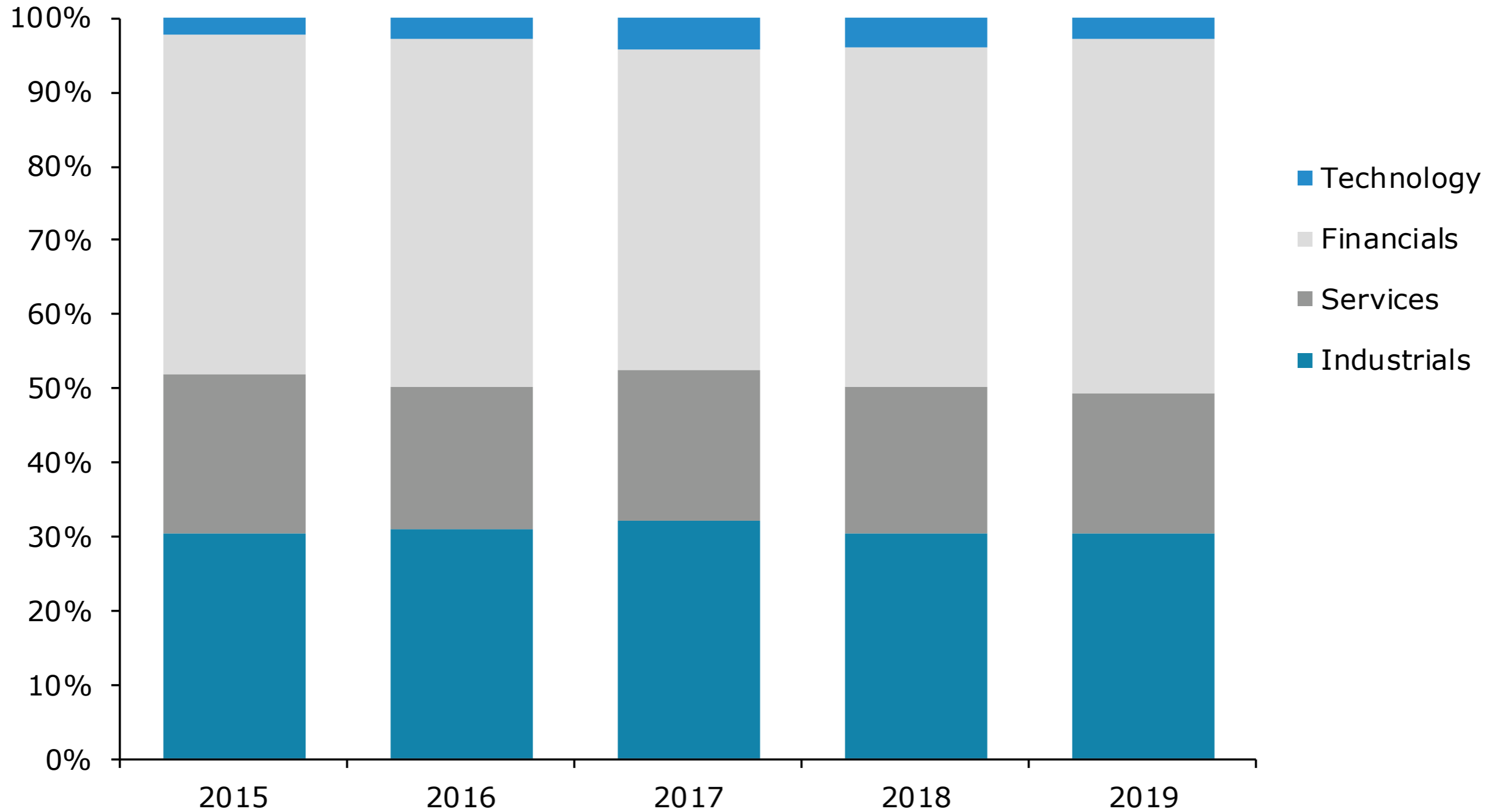
Source: Borsa Istanbul

MARKET CAPITALIZATION OF BORSA ISTANBUL (BILLION TL)



Source: Borsa Istanbul

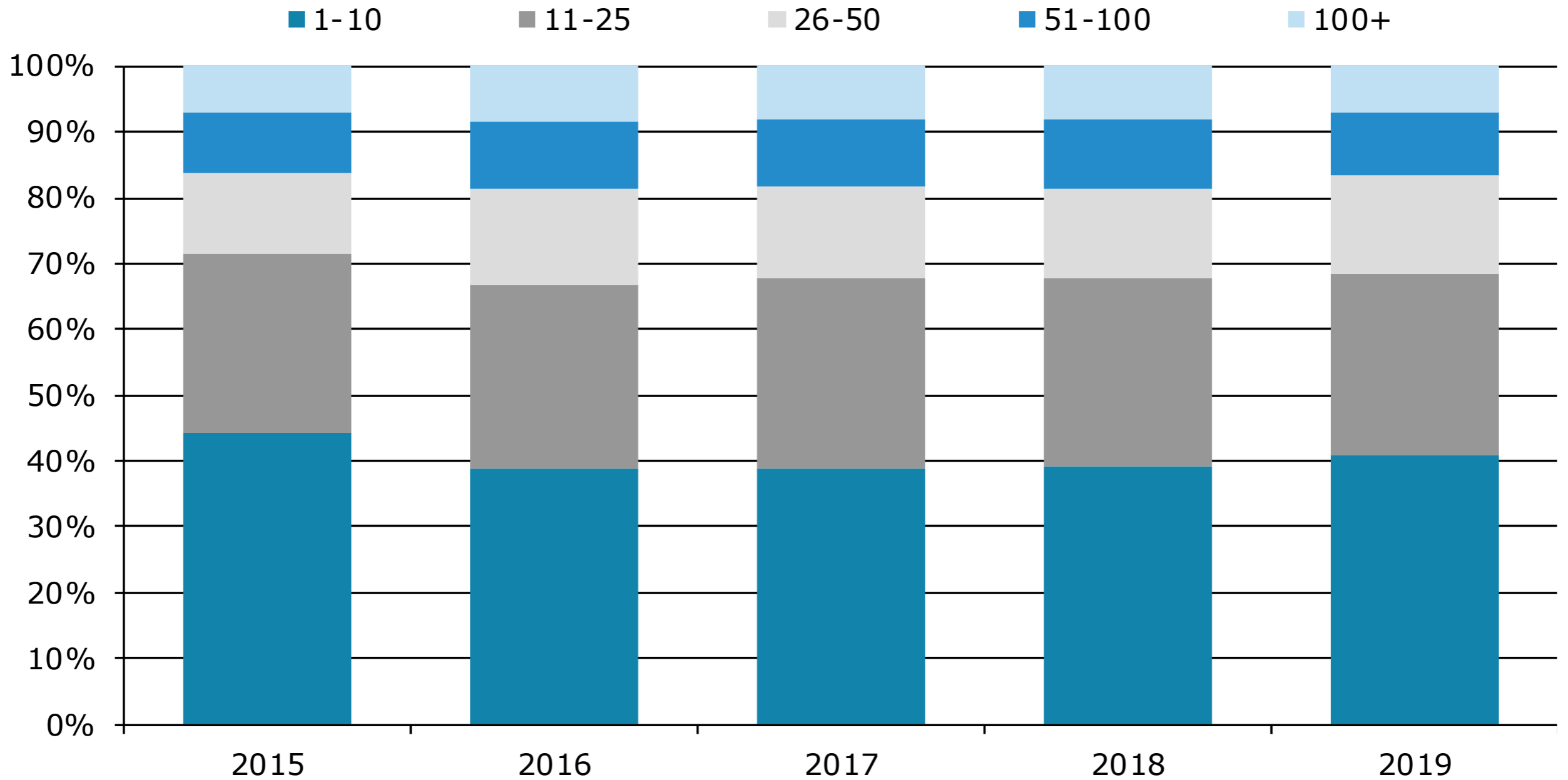
BREAKDOWN OF BORSA ISTANBUL MARKET CAPITALIZATION



Source: Borsa Istanbul

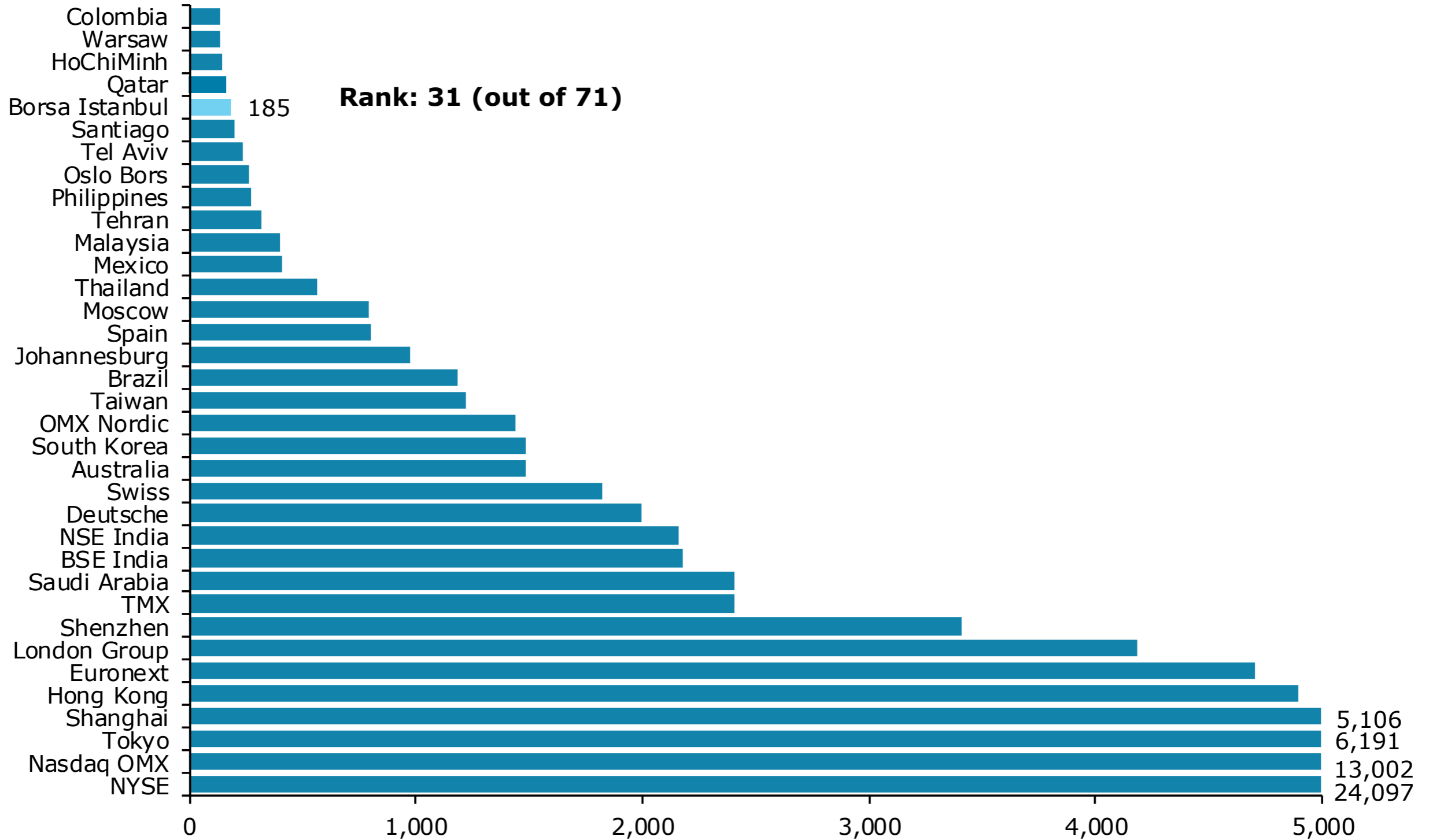
CONCENTRATION IN THE EQUITY MARKET (MCAP)

No. of Equities



Source: Borsa Istanbul

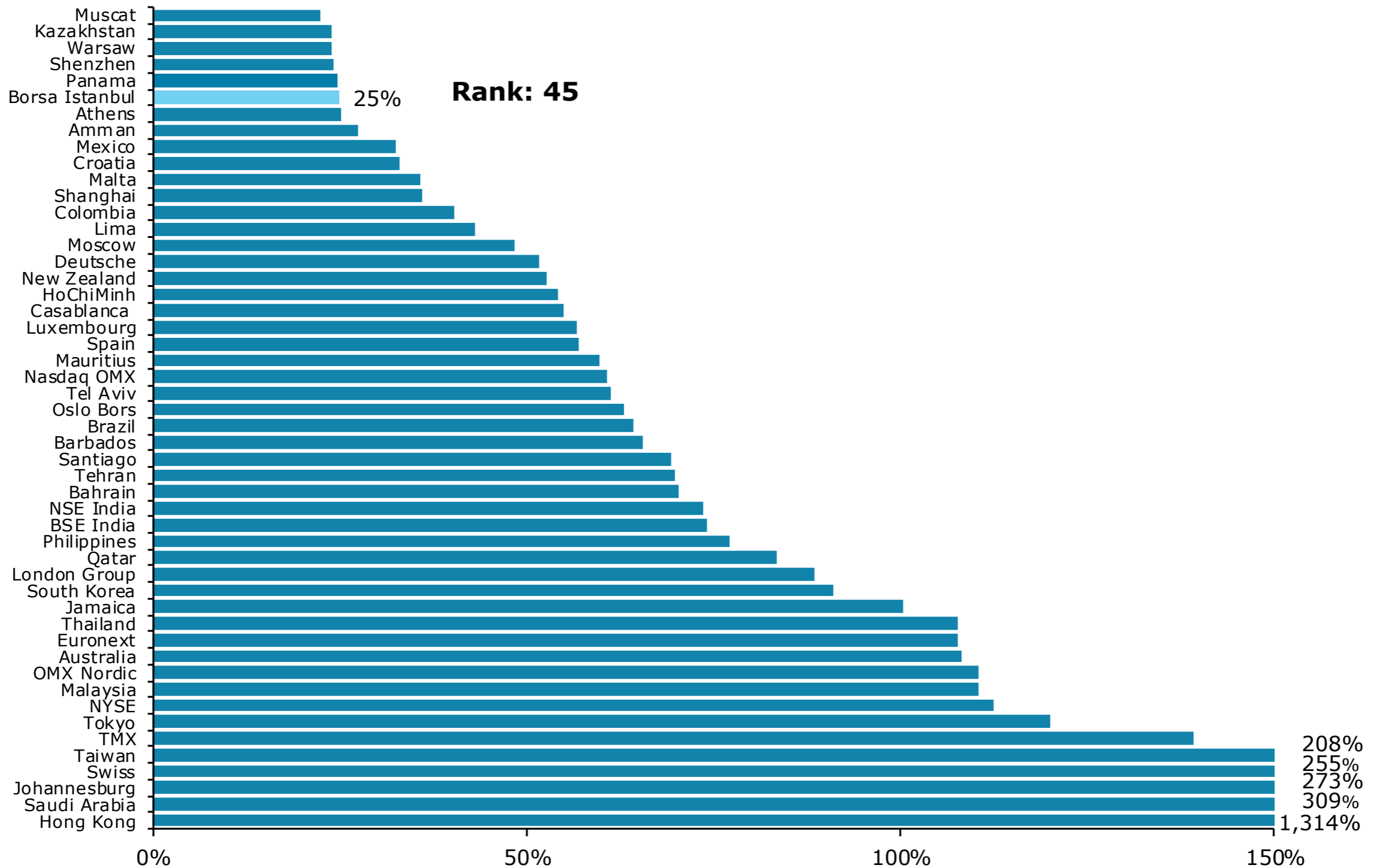
DOMESTIC MARKET CAPITALIZATION (2019, BILLION \$)



Source: WFE

Total: \$ 90,3 trillion

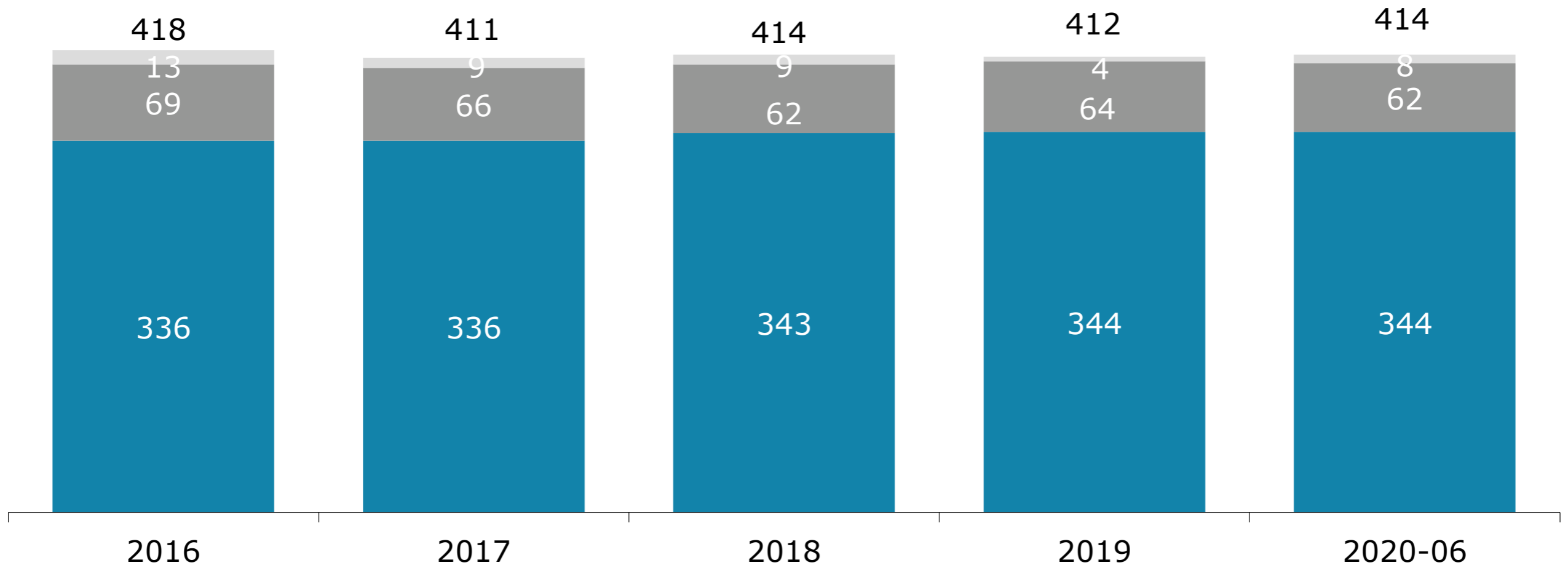
MARKET CAPITALIZATION/GDP (2019)



Source: WFE, IMF

NUMBER OF SECURITIES IN THE EQUITY MARKET

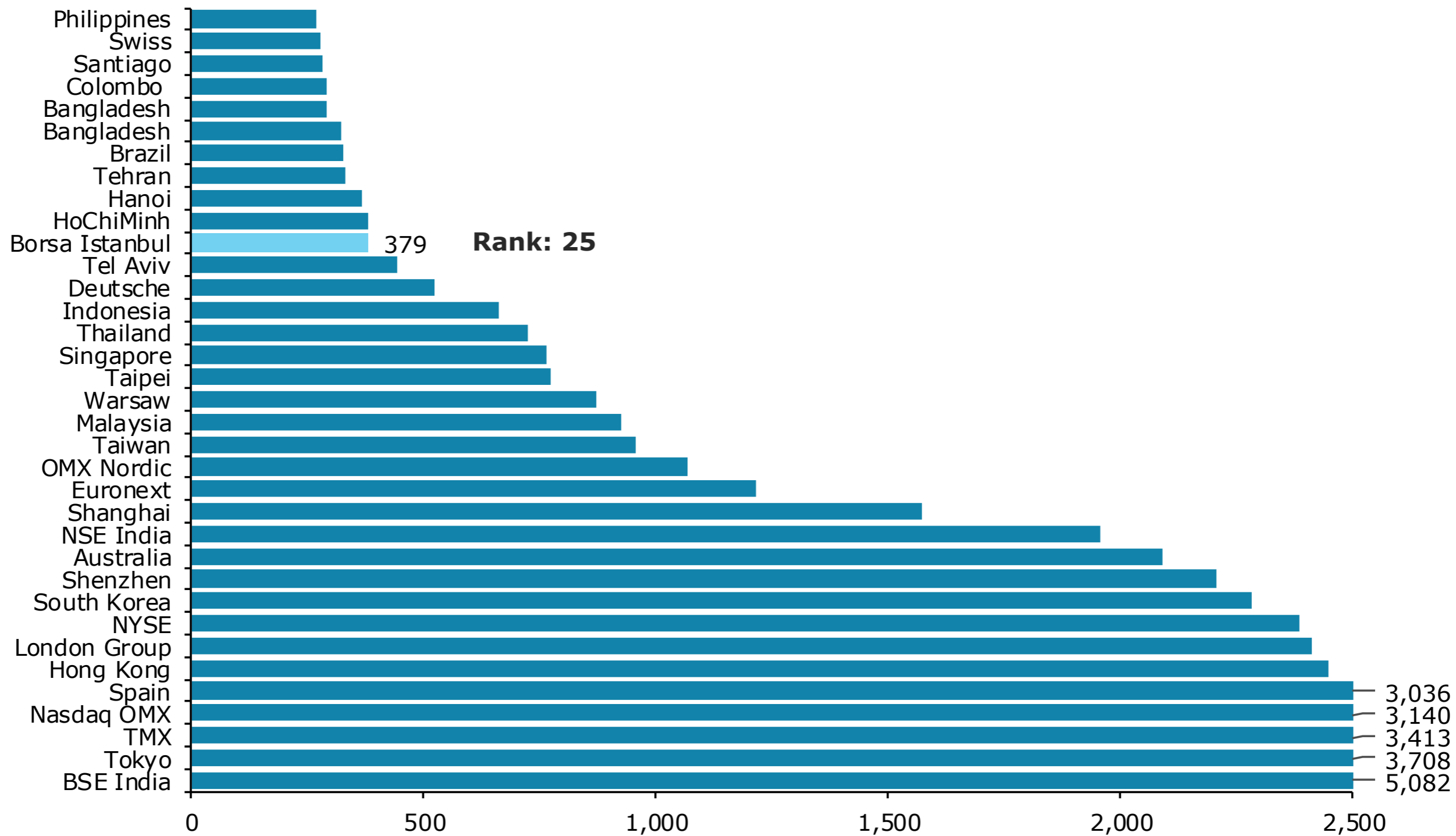
- Real Estate/Venture Capital Investment Trusts/Funds
- ETF
- Other Equities
- Equities



Source: Borsa Istanbul

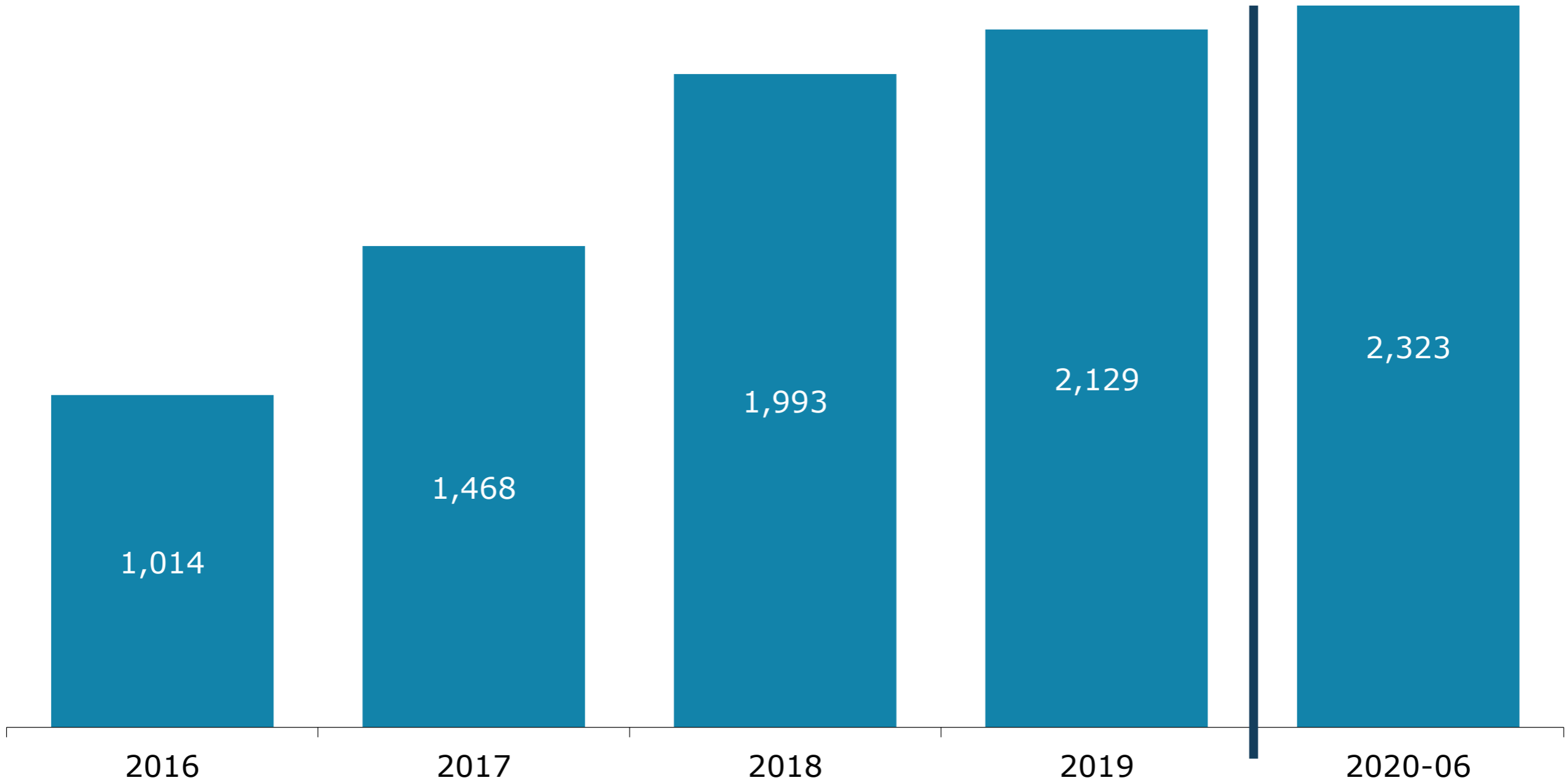
Equities: BIST Main+BIST Star
 Other Equities: BIST Emerging Companies, Watchlist,
 Pre-Market Trading Platform,

NUMBER OF LISTED COMPANIES (2019)



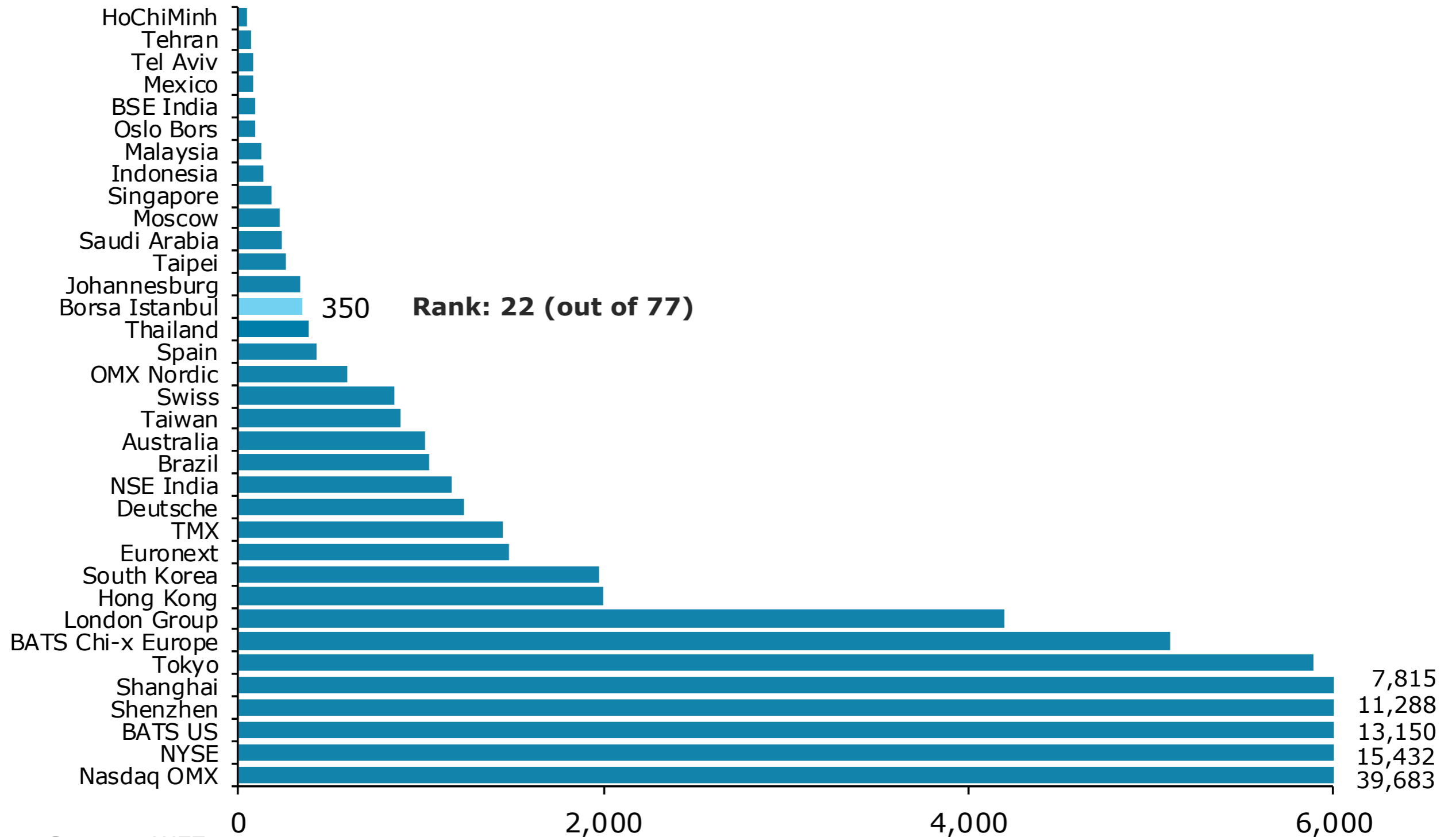
Source: WFE

EQUITY TRADING VOLUME OF BORSA ISTANBUL (BILLION TL)



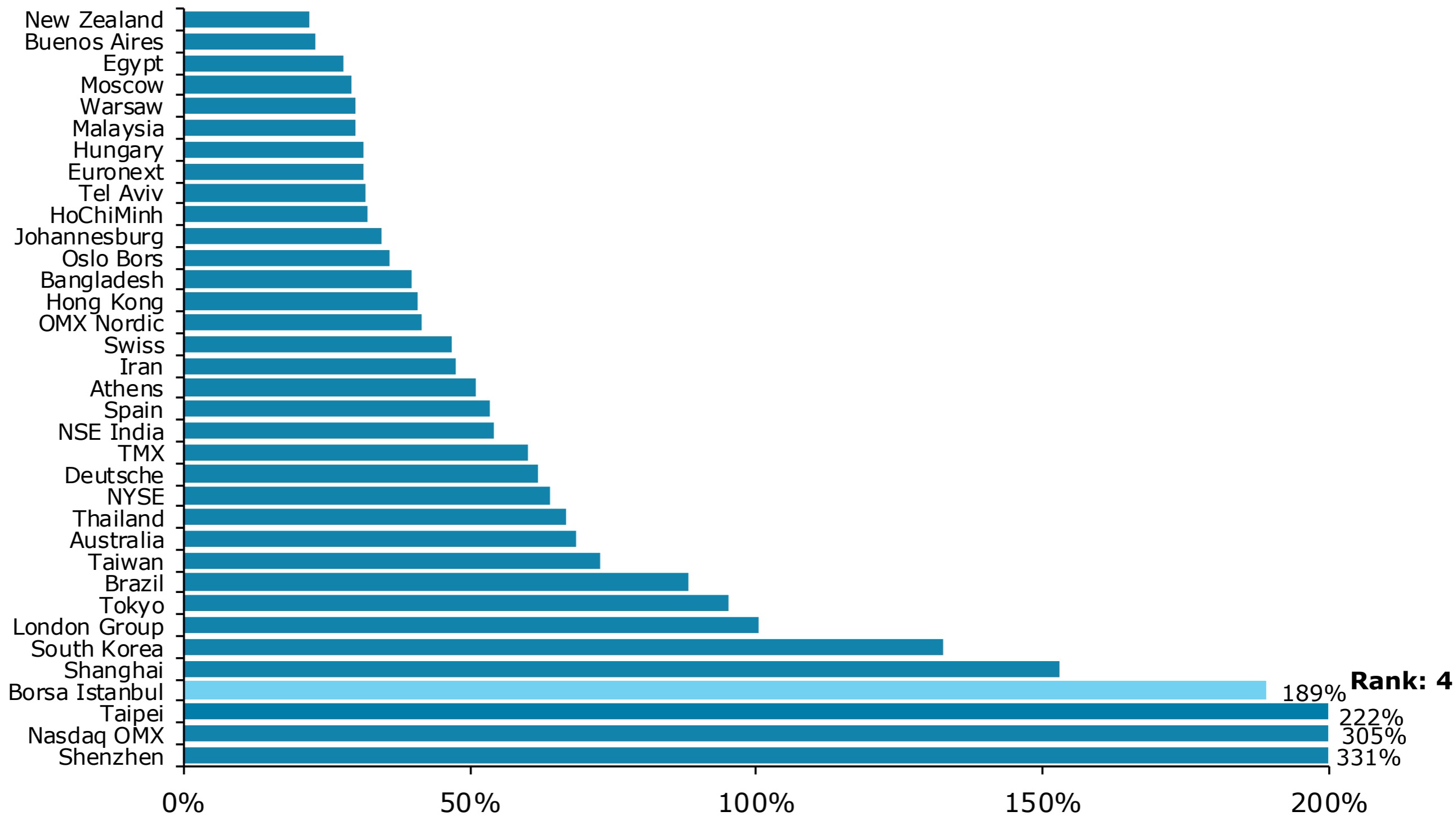
Source: Borsa Istanbul

EQUITY TRADING VOLUME (2019, BILLION \$)



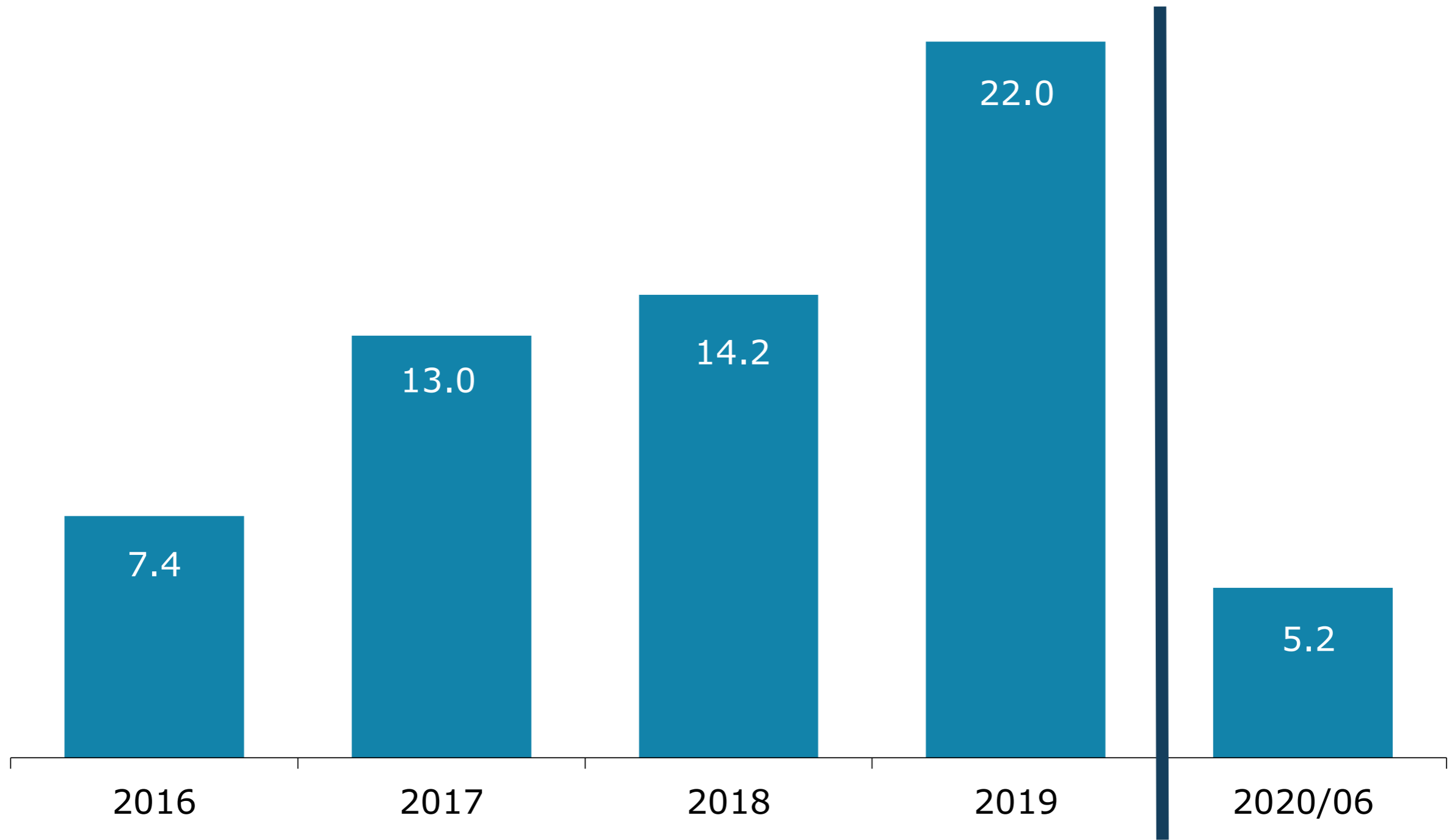
Source: WFE

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



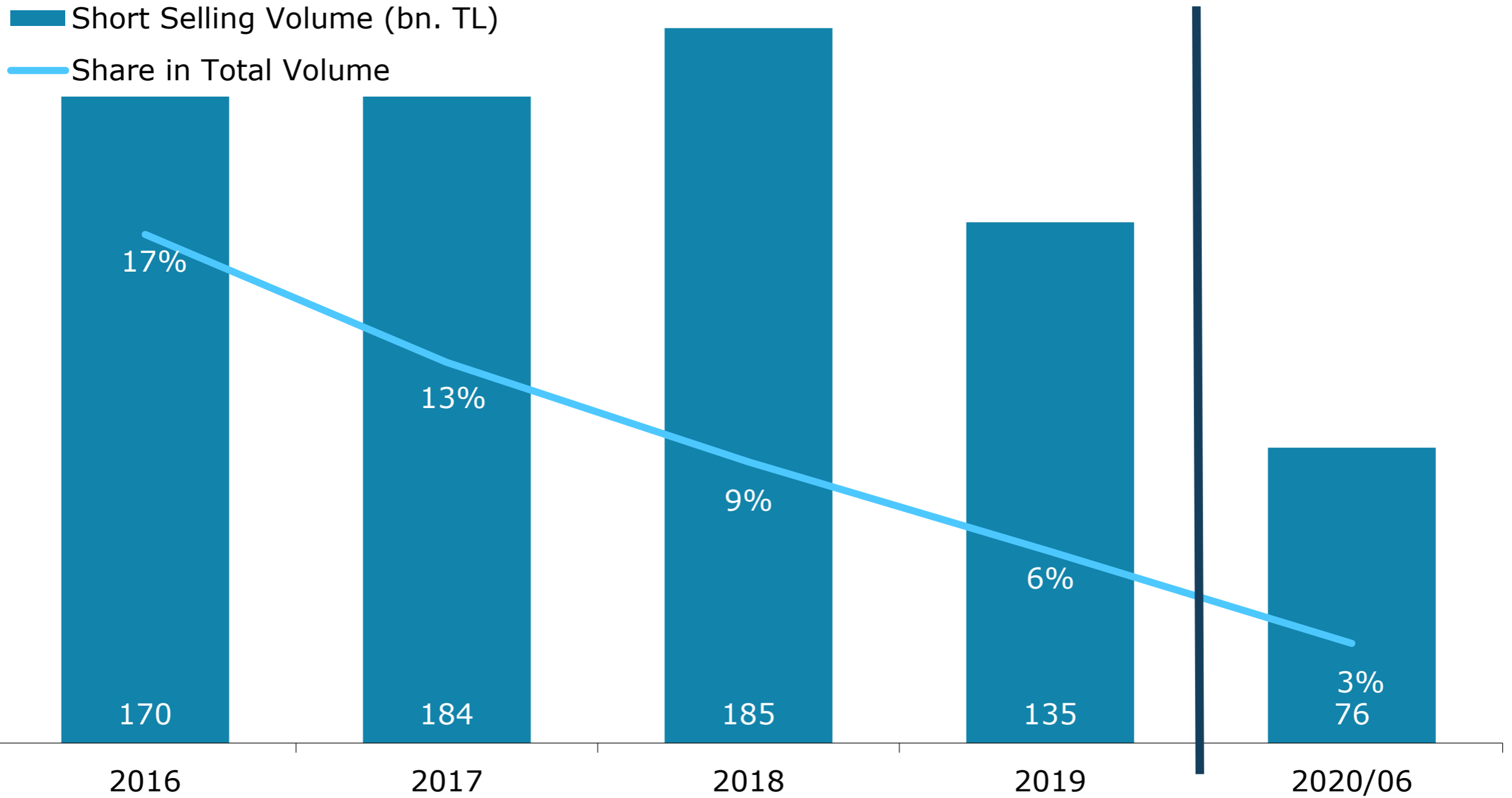
Source: WFE

SECURITIES LENDING/BORROWING IN BORSA ISTANBUL (BILLION TL)



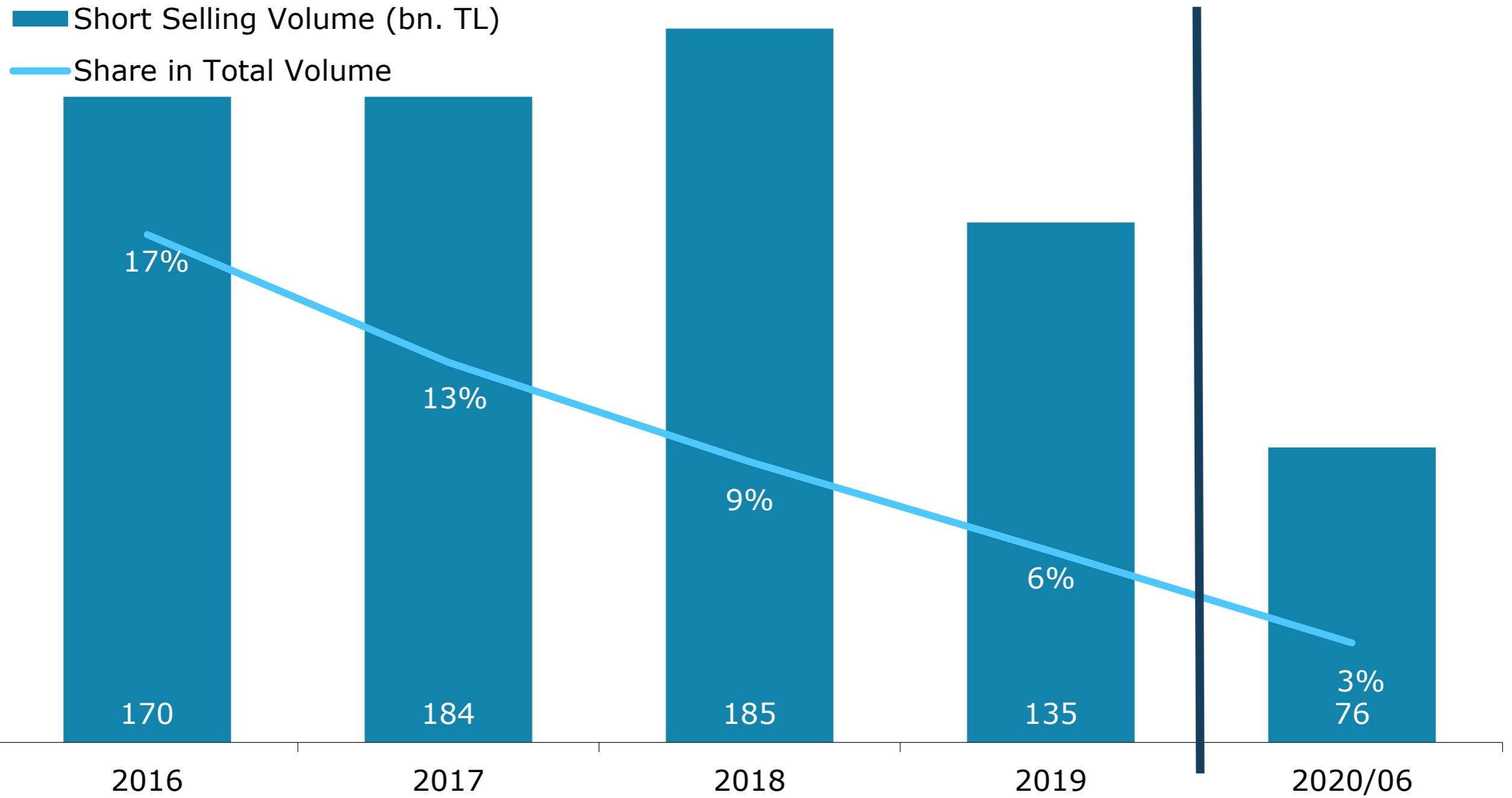
Source: Takasbank

SHORT SELLING IN BORSA ISTANBUL



Source: Borsa Istanbul

MARGIN TRADING

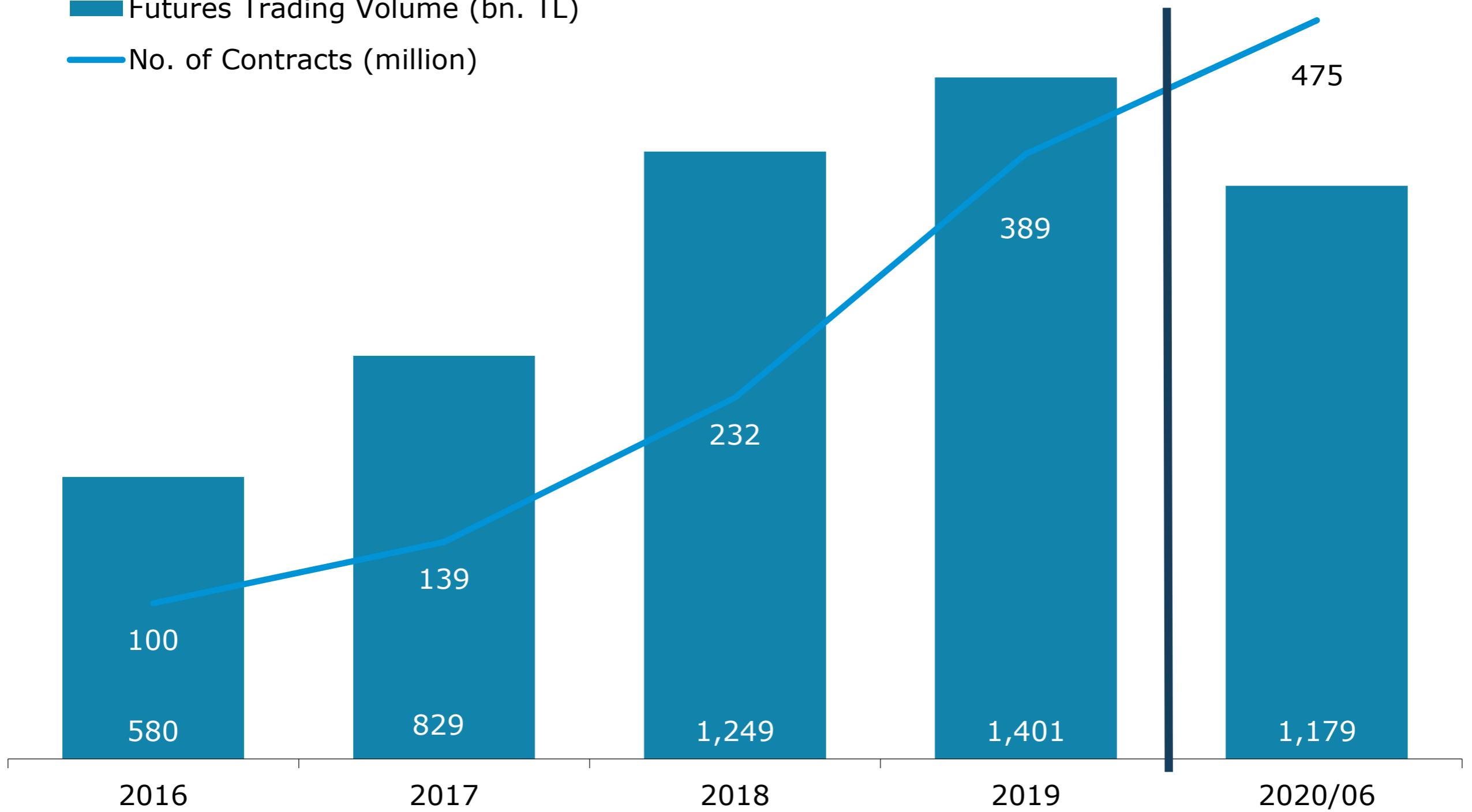


Source: TCMA

FUTURES TRADING VOLUME OF BORSA ISTANBUL

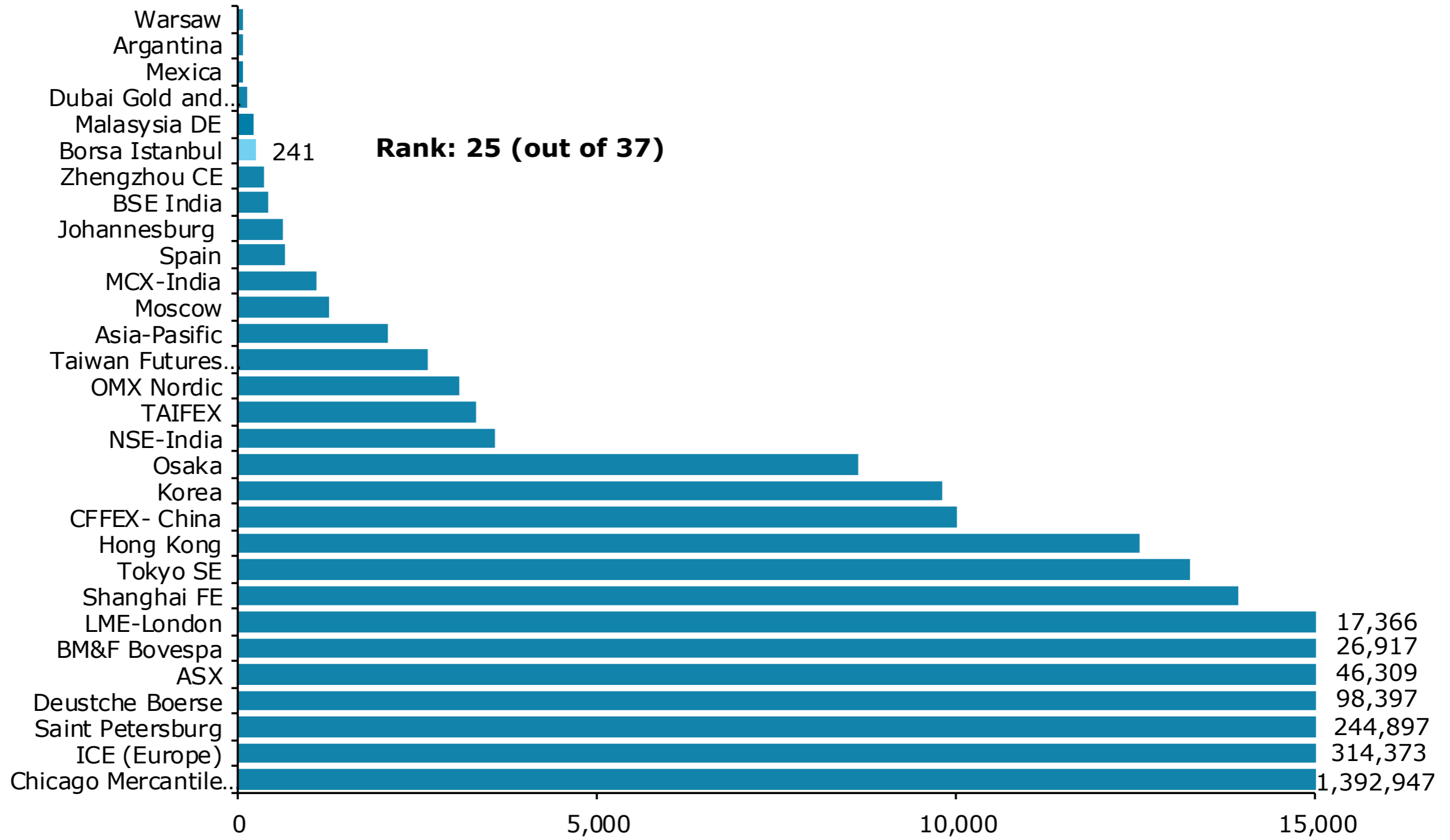
■ Futures Trading Volume (bn. TL)

— No. of Contracts (million)



Source: Borsa Istanbul, TurkDex

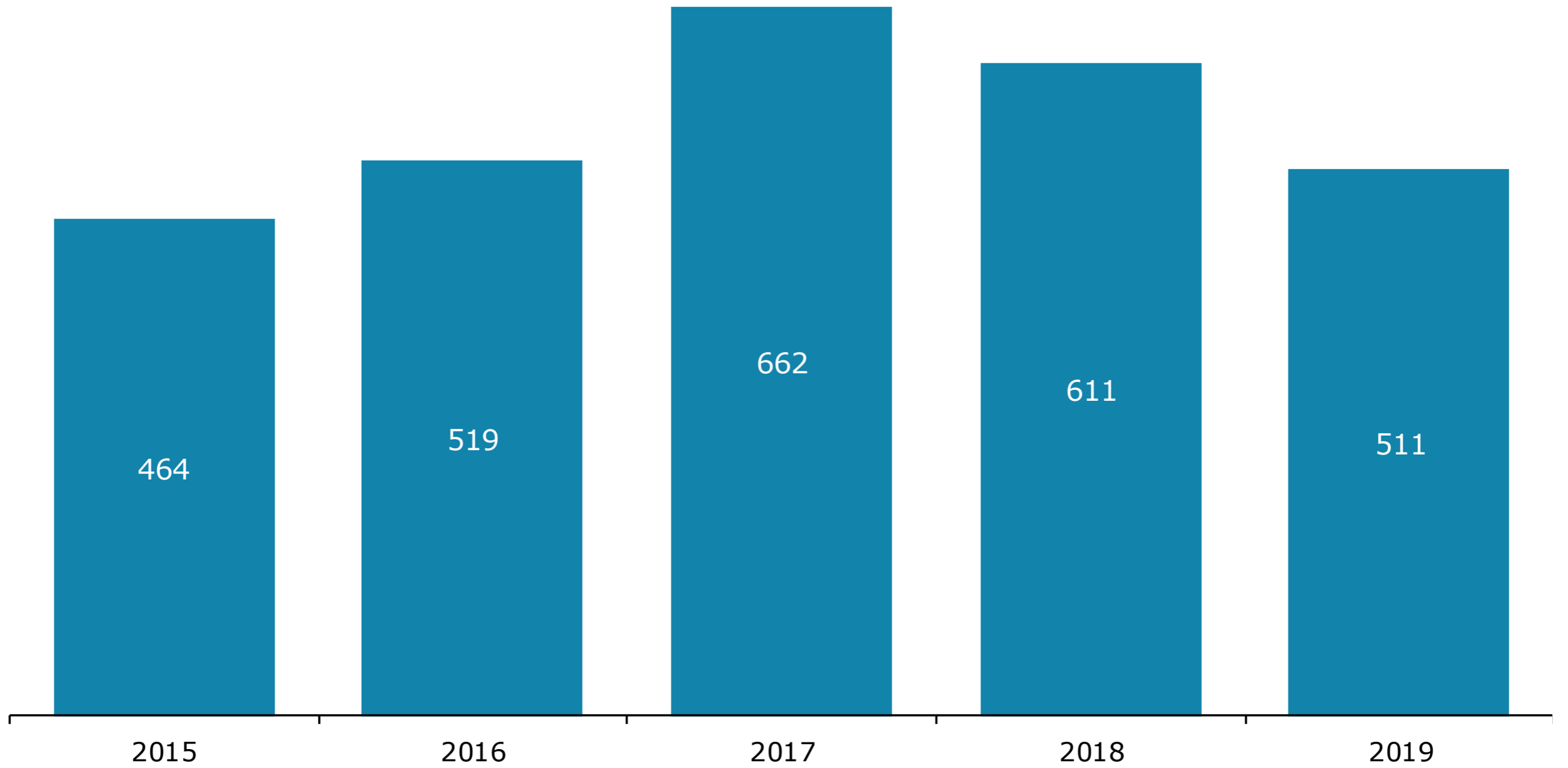
TRADING VOLUME IN FUTURES MARKETS (2019, BILLION \$)



Source: WFE

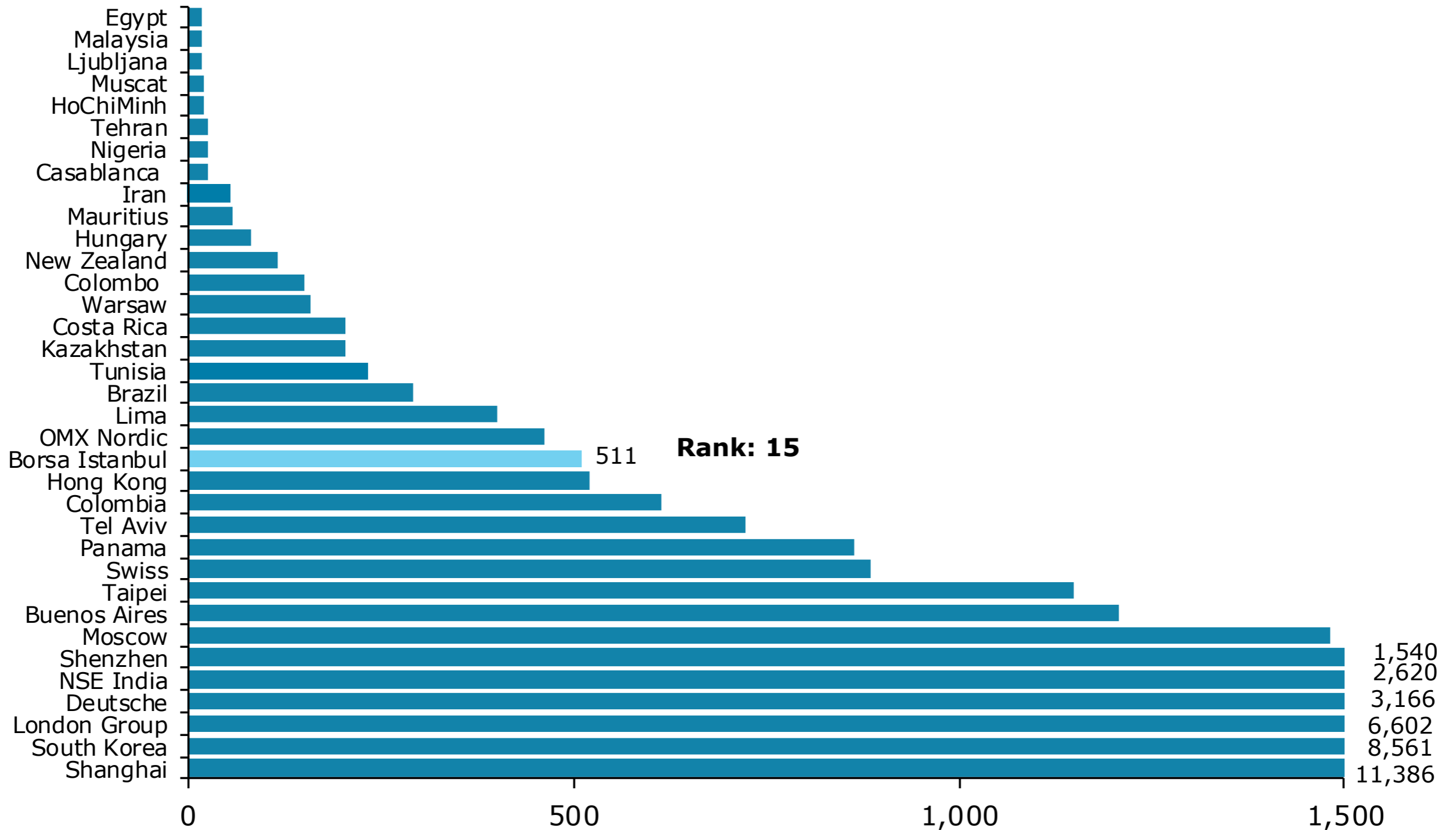
WFE Total: \$ 2,229 trillion

NUMBER OF LISTED CORPORATE BONDS IN BORSA ISTANBUL



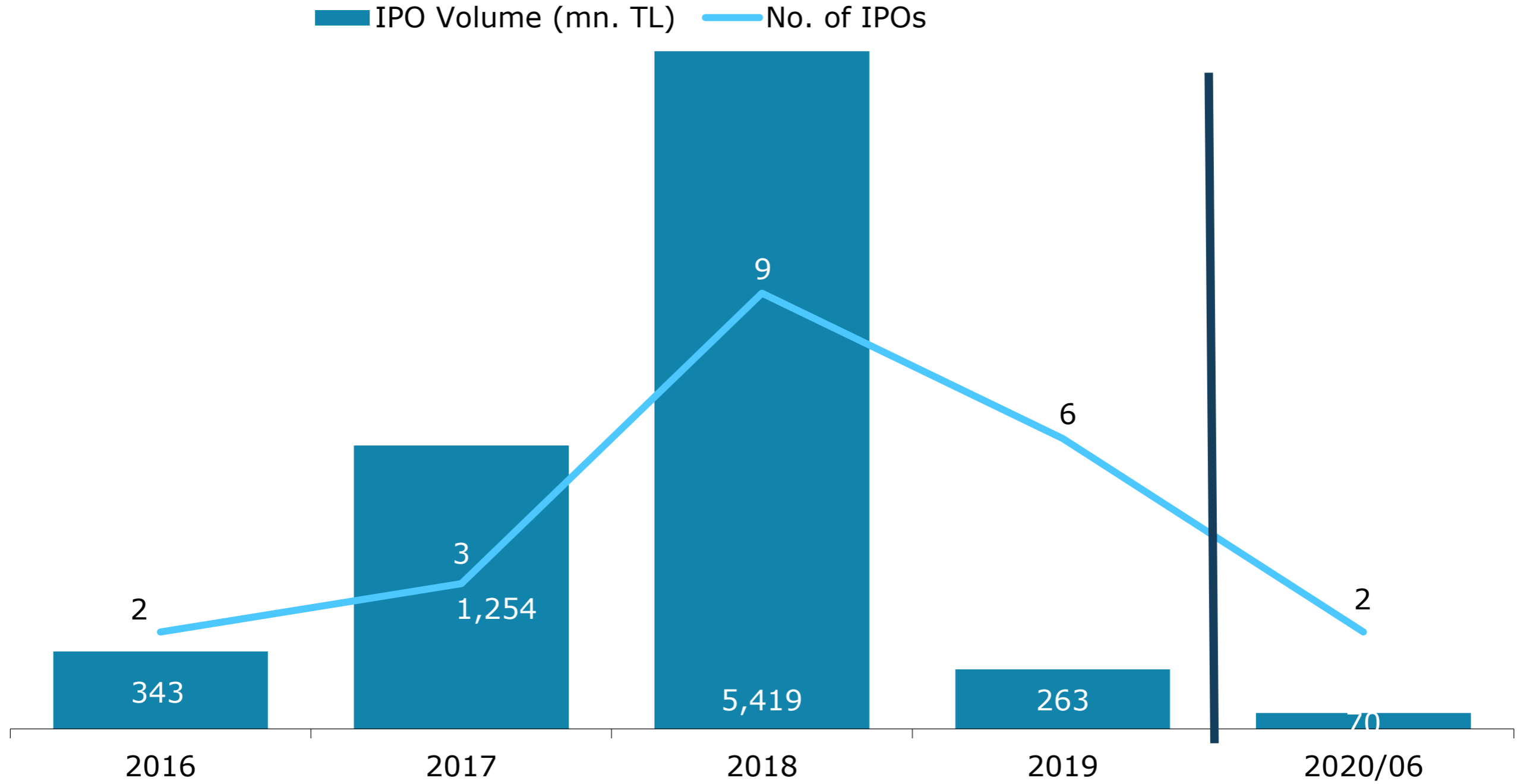
Source: WFE

NUMBER OF LISTED CORPORATE BONDS (2019)



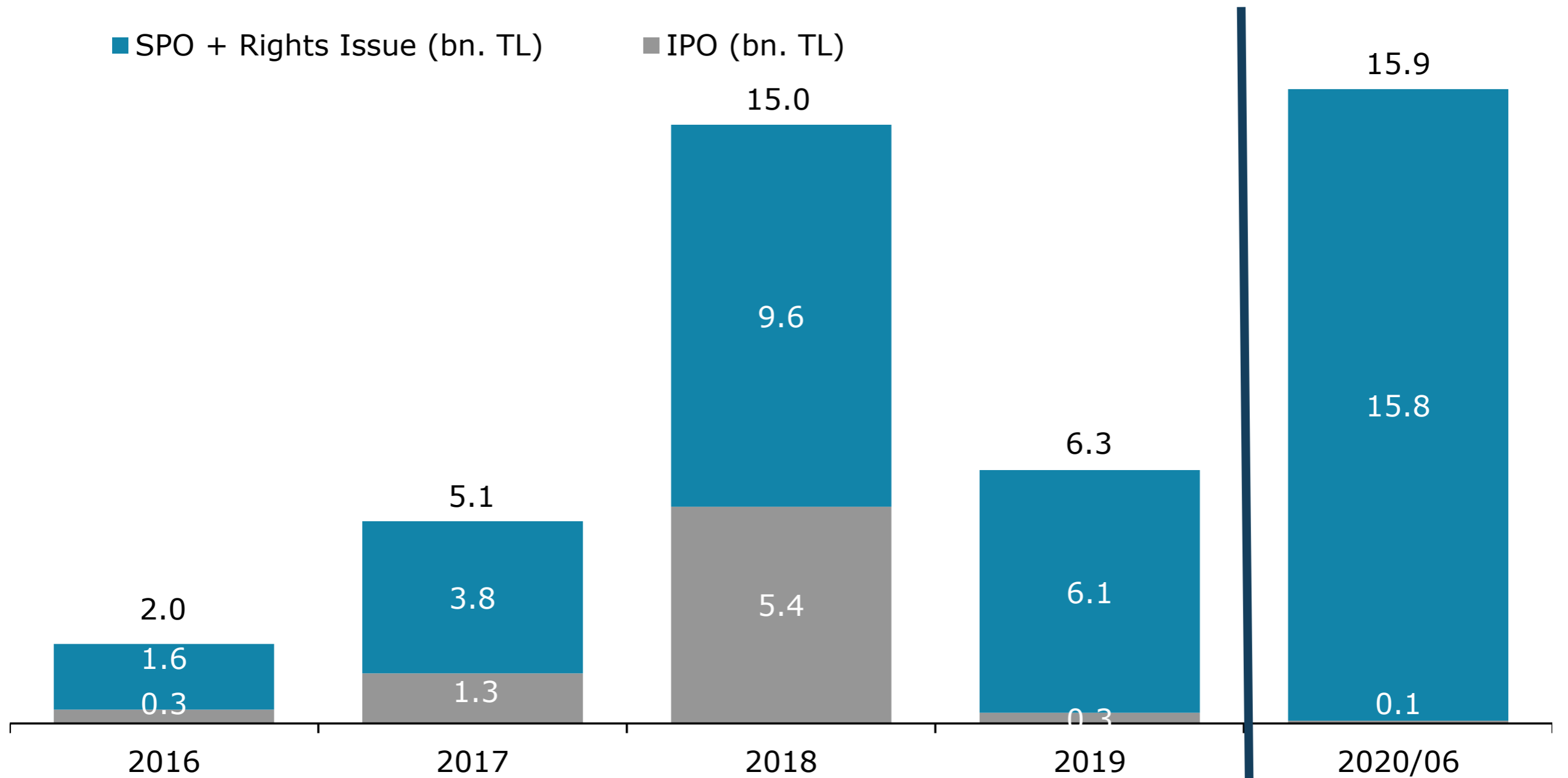
Source: WFE

INITIAL PUBLIC OFFERINGS



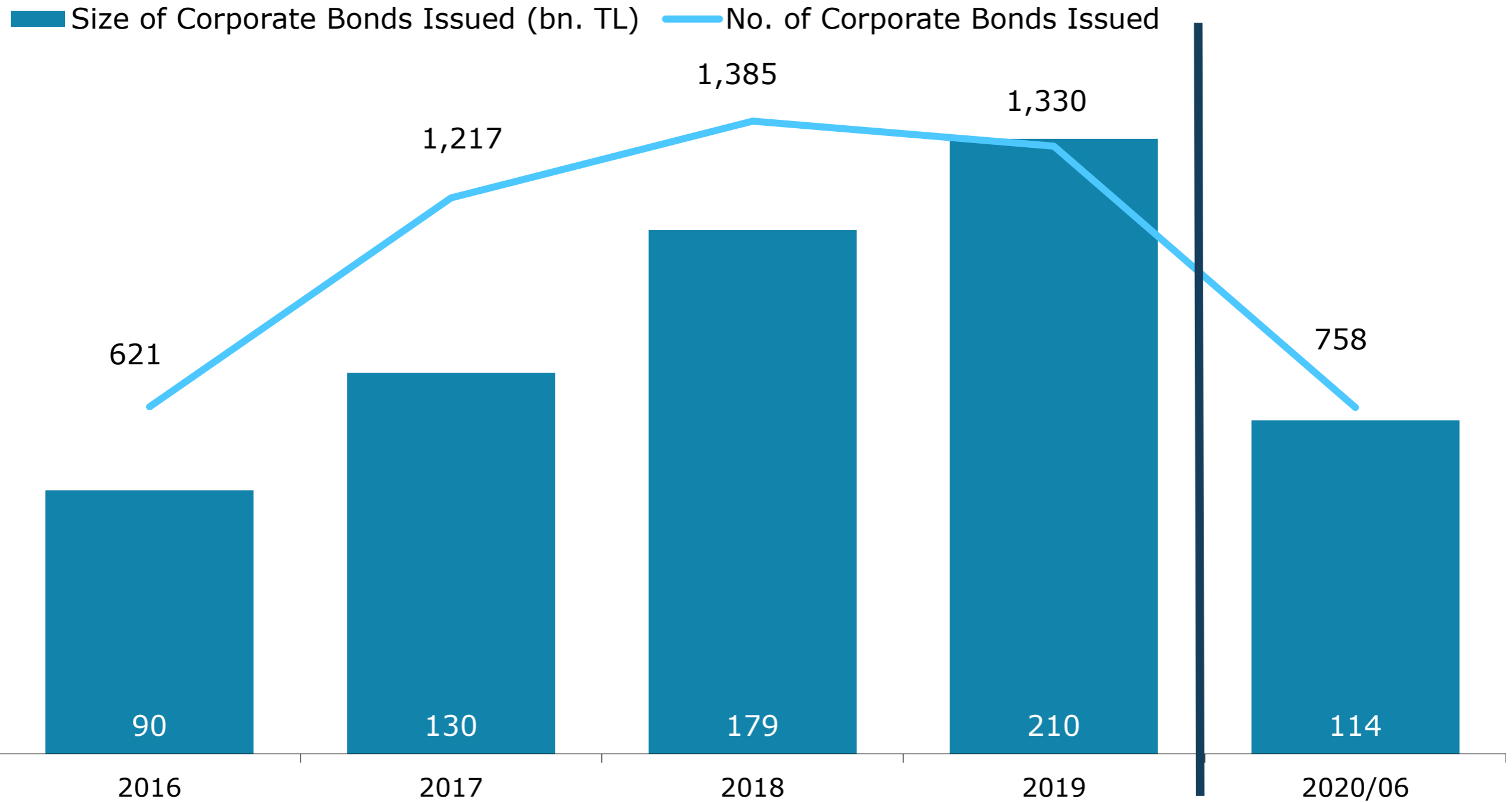
Source: Borsa Istanbul

EQUITY FINANCING



Source: Borsa Istanbul

CORPORATE DEBT SECURITIES ISSUANCE



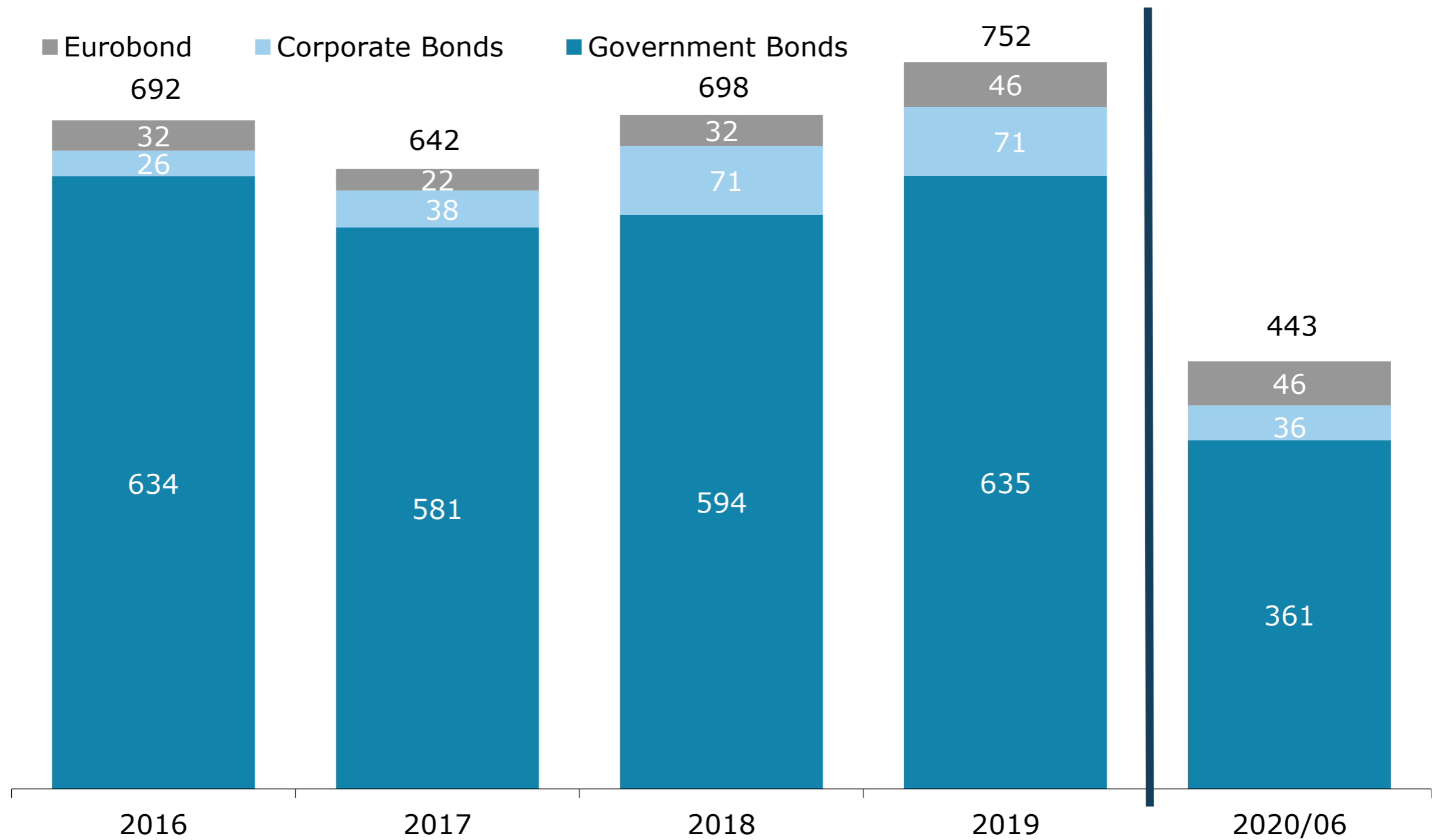
Source: Borsa Istanbul

*Excludes private placement

INVESTMENT INSTITUTIONS



FIXED INCOME TRADING VOLUME OF INTERMEDIARIES (BILLION TL)

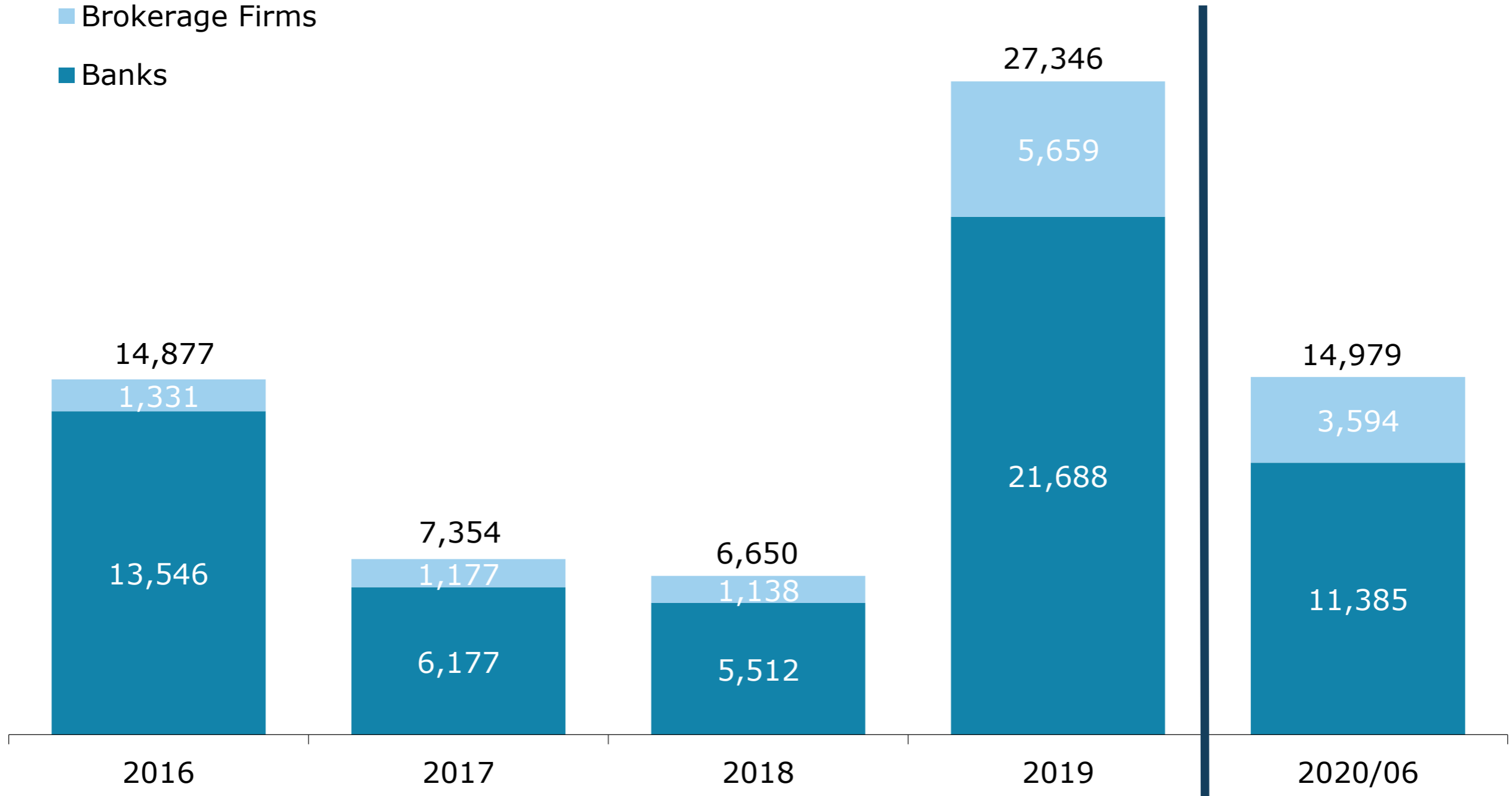


Source: Borsa Istanbul

Excluding Central Bank and Takasbank

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

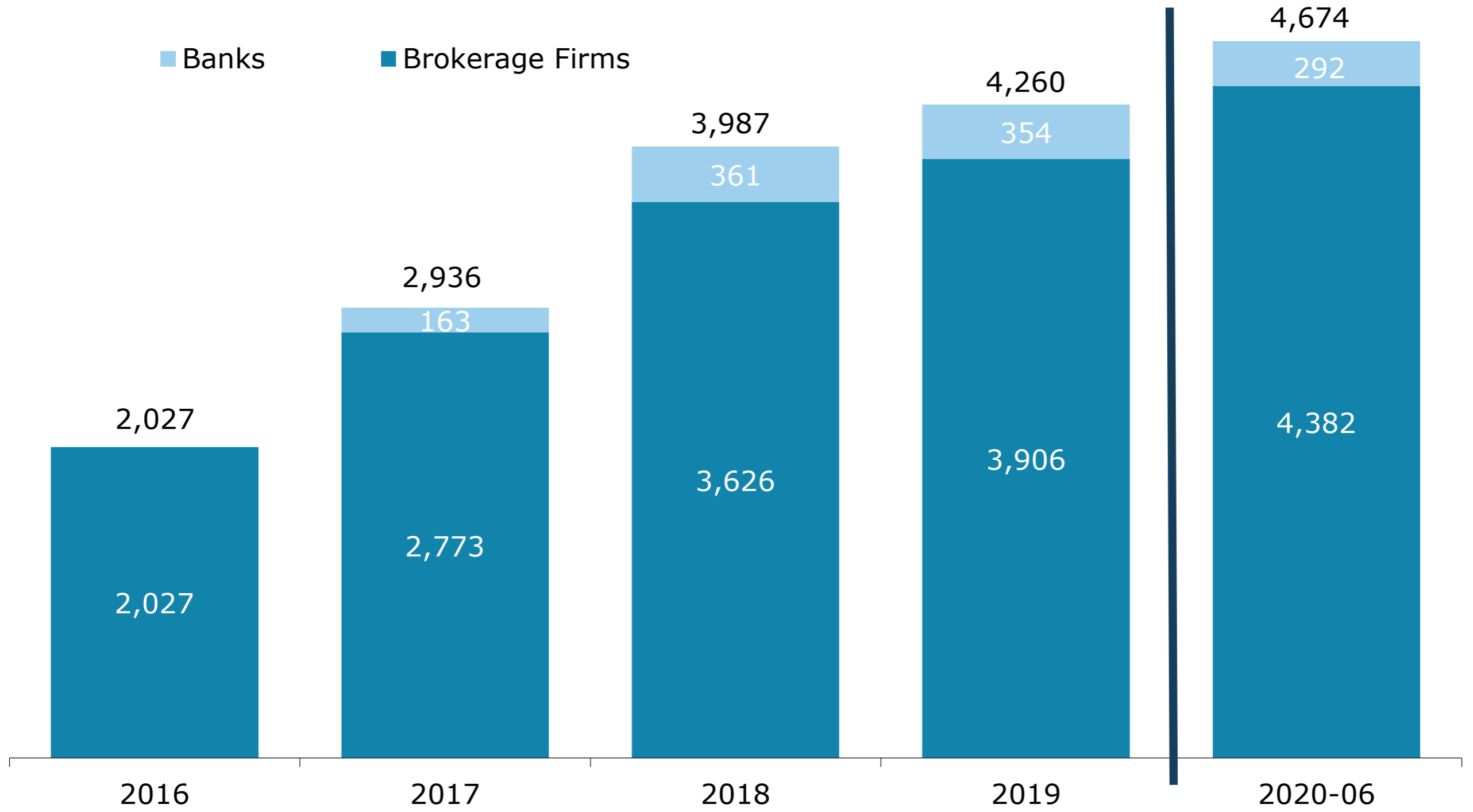
- Brokerage Firms
- Banks



Source: Borsa Istanbul

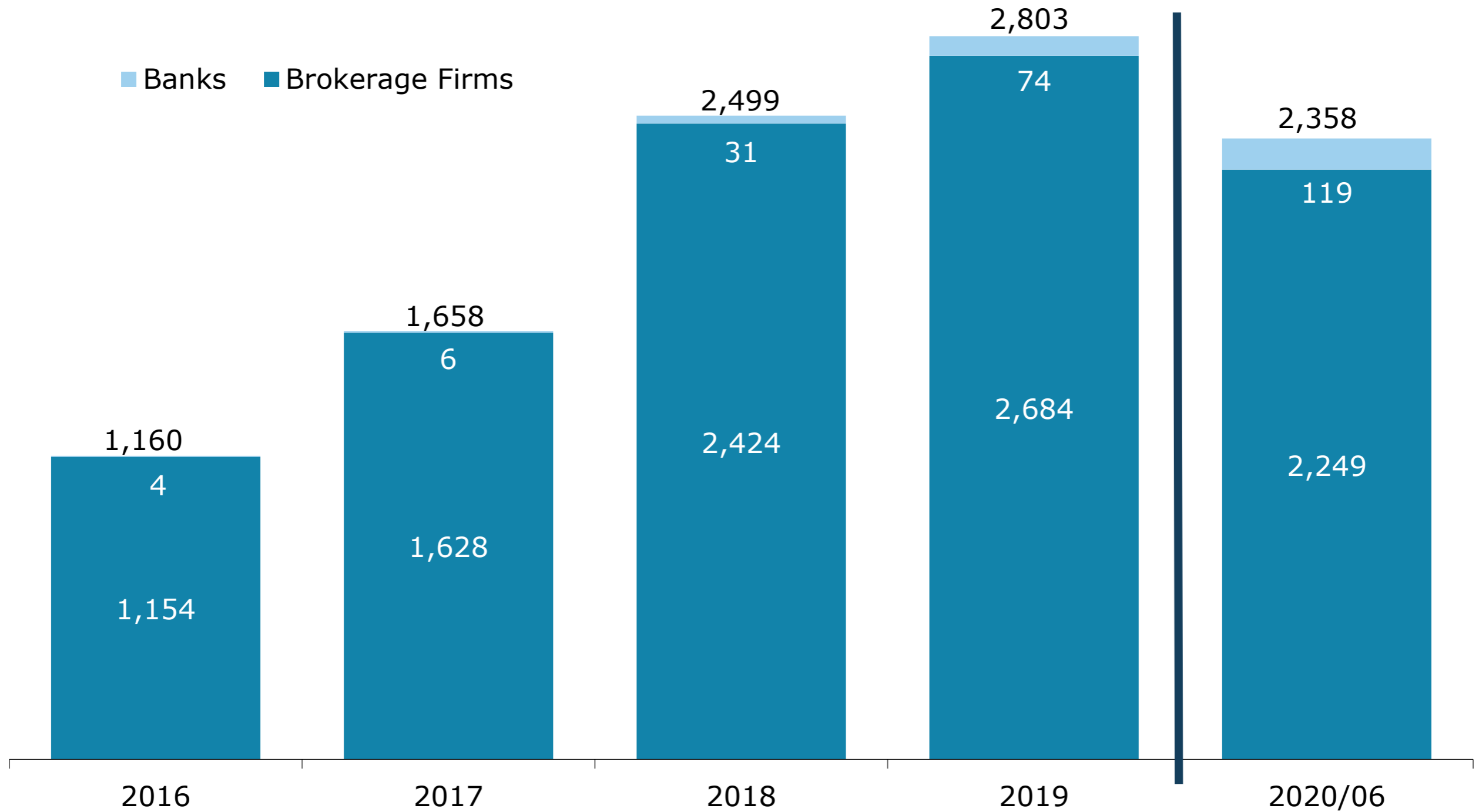
Excluding Central Bank and Takasbank.

EQUITY TRADING VOLUME OF INTERMEDIARIES (BILLION TL)



Source: Borsa Istanbul

FUTURES TRADING VOLUME OF INTERMEDIARIES (BILLION TL)

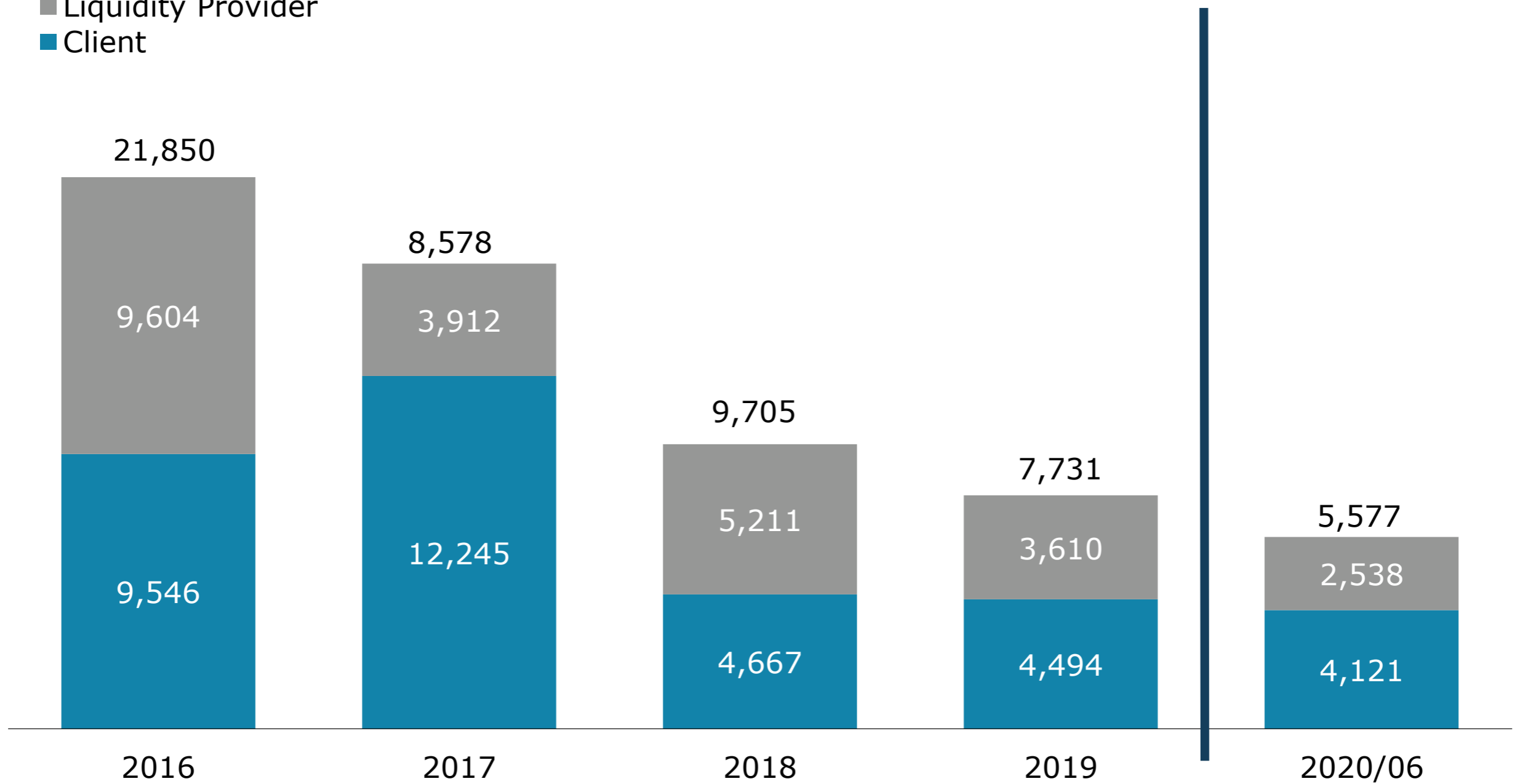


Source: Borsa Istanbul

Excluding Central Bank

FOREX TRADING VOLUME (BILLION TL)

■ Liquidity Provider
■ Client



Source: TCMA

CONCENTRATION IN TRADING VOLUMES (2020 JUNE)

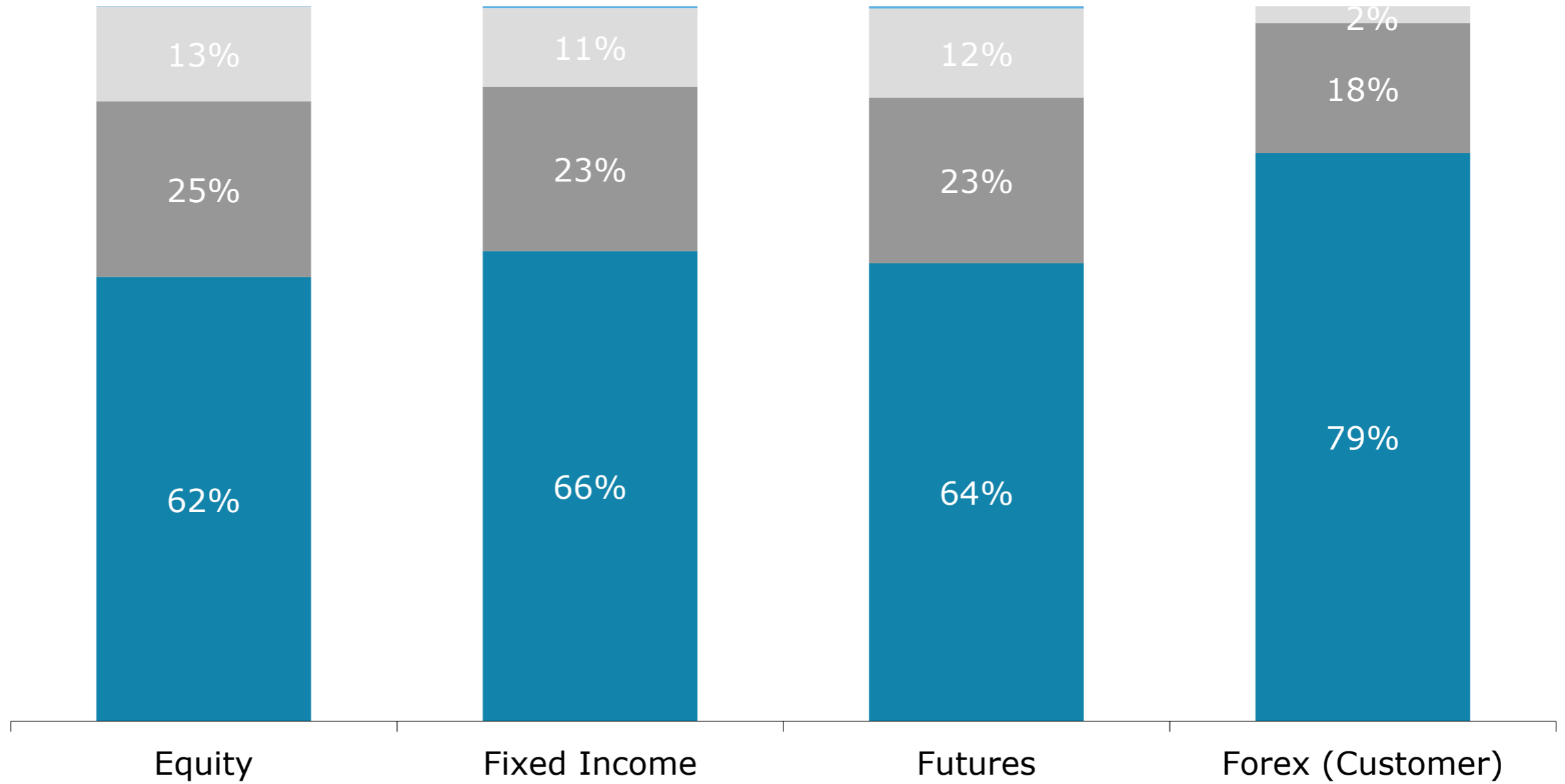
No. of Intermediaries

■ 51+

■ 21-50

■ 11-20

■ 1-10



Source: Borsa Istanbul, TCMA

TOP 10 MEMBERS IN THE MARKETS (2020 JUNE)

Equity Market

1	YAPI KREDİ YATIRIM	13%
2	İŞ YATIRIM	10%
3	AK YATIRIM	6%
4	MERRILL LYNCH	6%
5	GARANTİ YATIRIM	6%
6	GEDİK YATIRIM	5%
7	QNB FİNANS YATIRIM	4%
8	VAKIF YATIRIM	4%
9	İNFO YATIRIM	4%
10	A1 CAPITAL YATIRIM	4%
	Total (billion TL)	4,674

Futures Market

1	YAPI KREDİ YATIRIM	15%
2	İŞ YATIRIM	9%
3	GARANTİ YATIRIM	7%
4	QNB FİNANS YATIRIM	6%
5	İNFO YATIRIM	5%
6	DENİZ YATIRIM	5%
7	AK YATIRIM	5%
8	TACİRLER YATIRIM	4%
9	TEB YATIRIM	4%
10	MERRILL LYNCH	4%
	Total (billion TL)	2,358

Fixed Income Market

1	HSBC BANK A.Ş.	12%
2	TÜRKİYE GARANTİ BANKASI	10%
3	TÜRK EKONOMİ BANKASI	9%
4	AKBANK	7%
5	AK YATIRIM	6%
6	TÜRKİYE İŞ BANKASI	5%
7	YAPI VE KREDİ BANKASI	5%
8	JPMORGAN	4%
9	TÜRKİYE VAKIFLAR BANKASI	4%
10	YAPI KREDİ YATIRIM	4%
	Total (trillion TL)	792

Forex Market (Customer)

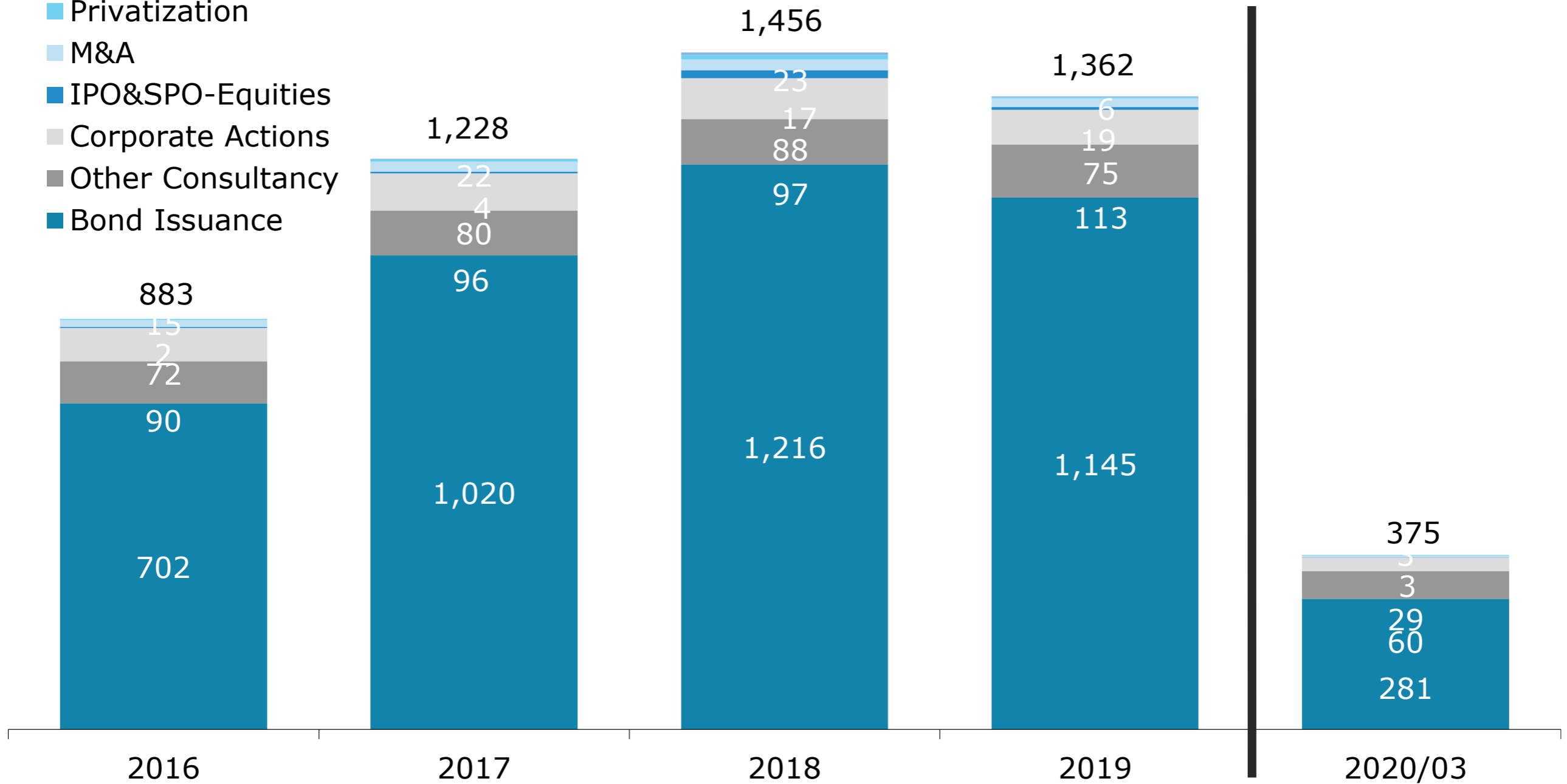
1	AK YATIRIM	18%
2	GCM YATIRIM	11%
3	İŞ YATIRIM	10%
4	INTEGRAL YATIRIM	10%
5	MEKSA YATIRIM	10%
6	GEDİK YATIRIM	5%
7	QNB FİNANS YATIRIM	4%
8	DENİZ YATIRIM	4%
9	YAPI KREDİ YATIRIM	4%
10	İŞIK MENKUL	4%
	Total (billion TL)	3,040

Source: Borsa Istanbul, TCMA

Fixed Income excluding Central Bank and Takasbank.

NUMBER OF FINALIZED CORPORATE FINANCE DEALS (BROKERAGE FIRMS ONLY)

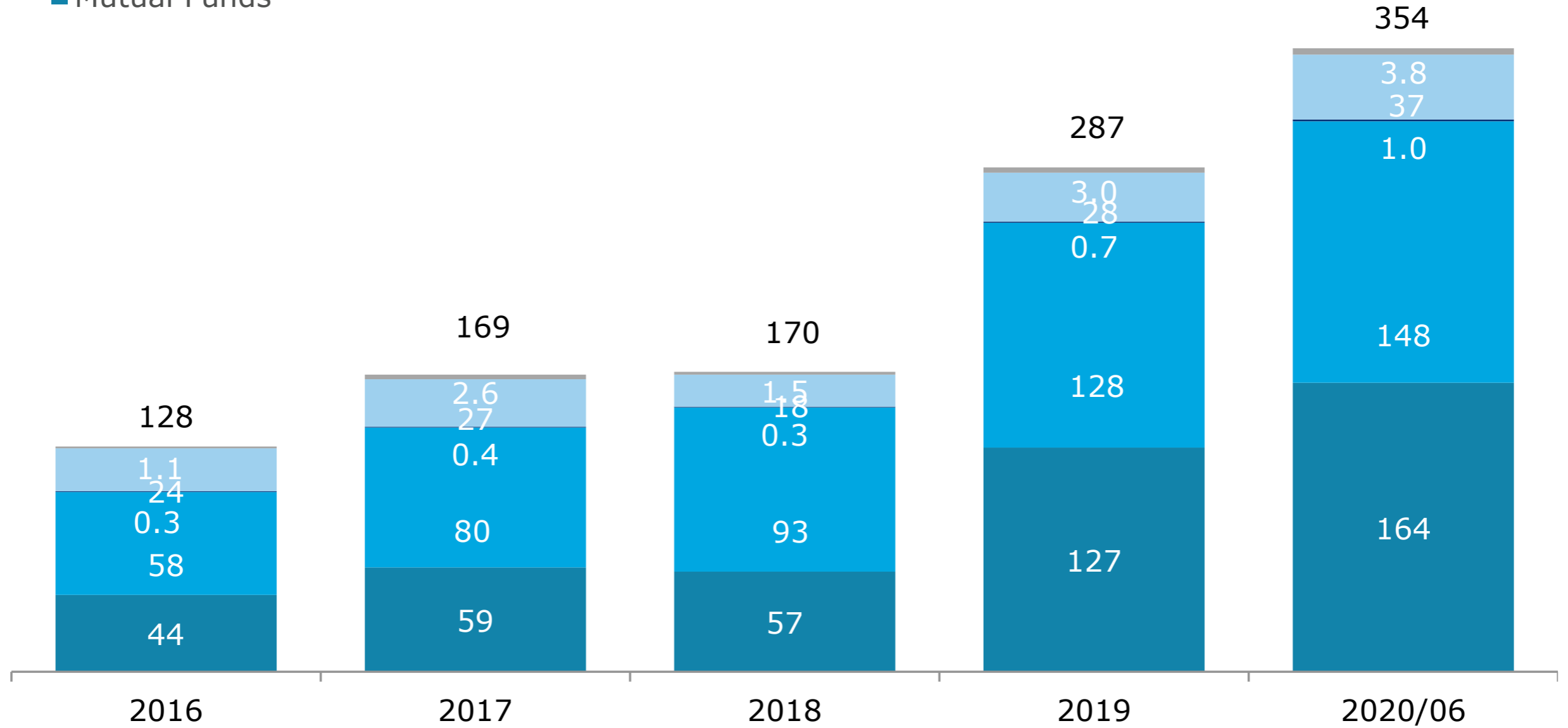
- Other Financing
- Privatization
- M&A
- IPO&SPO-Equities
- Corporate Actions
- Other Consultancy
- Bond Issuance



Source: TCMA

INSTITUTIONAL INVESTMENTS (BILLION TL)

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

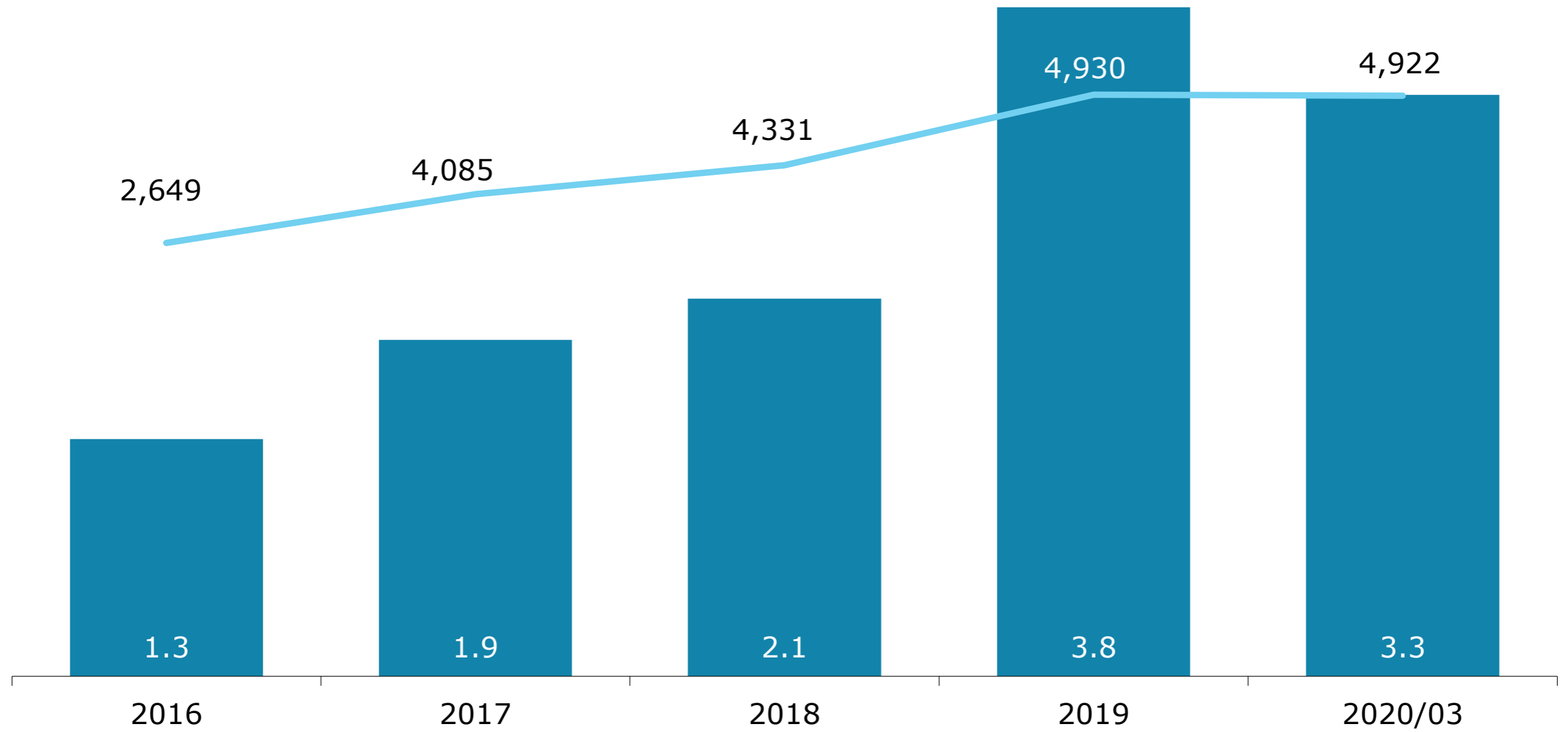


Source: Borsa Istanbul, TCMA

ASSET MANAGEMENT BY BROKERAGE FIRMS

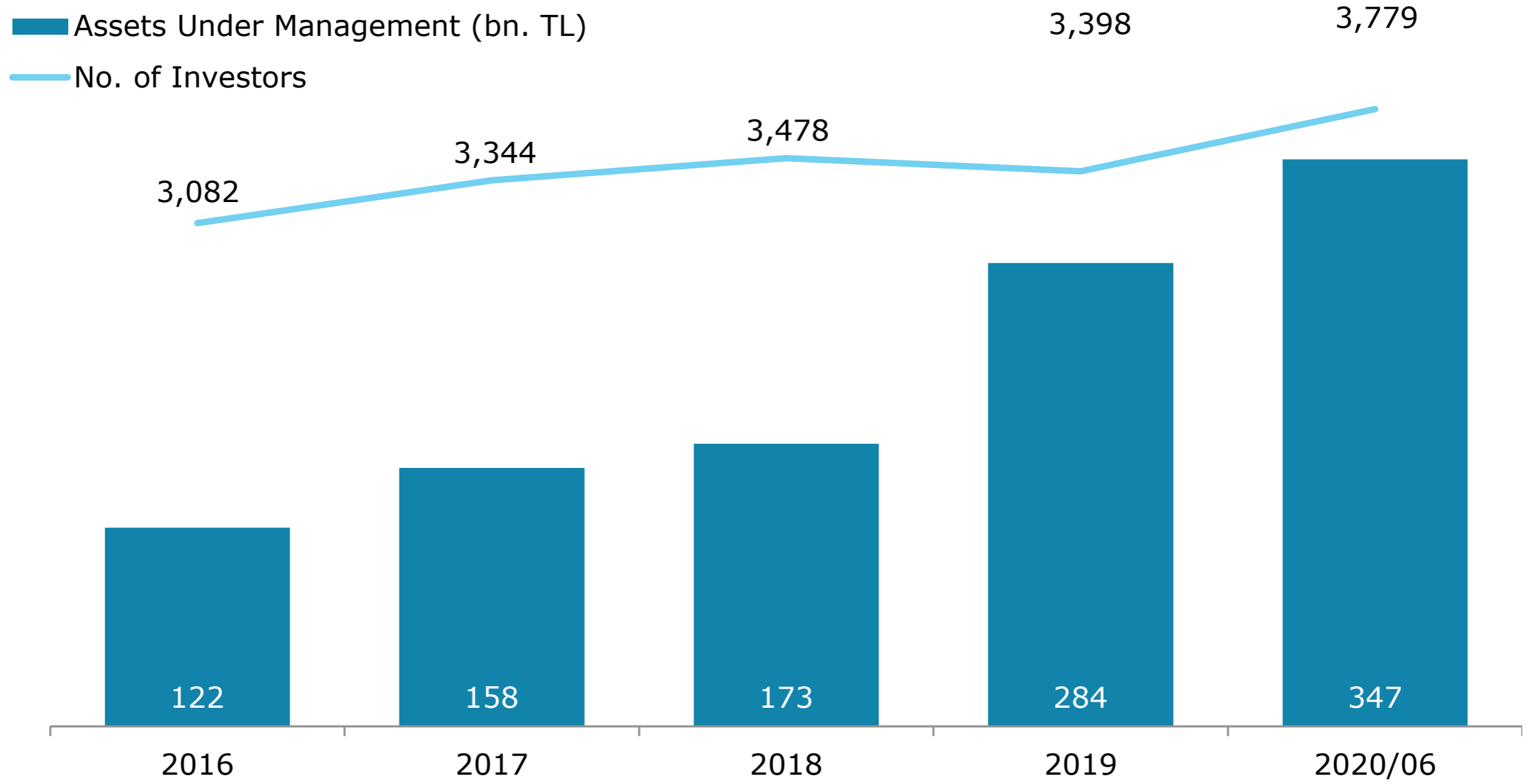
■ Assets Under Management (bn. TL)

— No. of Investors



Source: TCMA

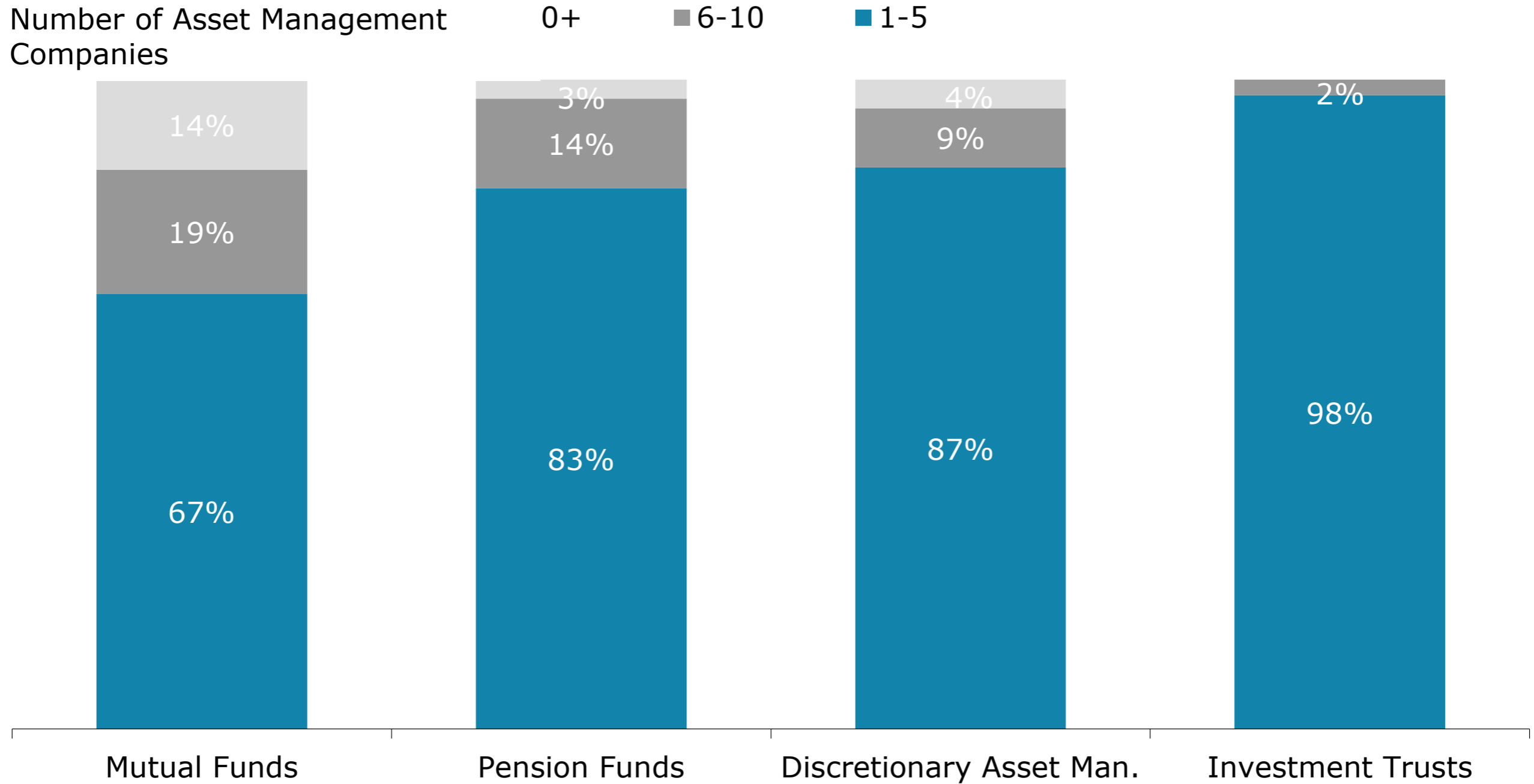
ASSET MANAGEMENT BY ASSET MANAGEMENT COMPANIES



Source: CMB, TCMA

CONCENTRATION IN PORTFOLIO MANAGEMENT FIRMS (2020 JUNE)

Number of Asset Management Companies



Source: TCMA

TOP 5 MEMBERS IN PORTFOLIO MANAGEMENT ACTIVITIES (2020 JUNE)

Mutual Funds

1	İŞ PORTFÖY	21%
2	ZİRAAT PORTFÖY	16%
3	AK PORTFÖY	12%
4	YAPI KREDİ PORTFÖY	11%
5	GARANTİ PORTFÖY	6%
	Total (billion TL)	164.2

Pension Funds

1	ZİRAAT PORTFÖY	21%
2	AK PORTFÖY	19%
3	İŞ PORTFÖY	17%
4	YAPI KREDİ PORTFÖY	13%
5	GARANTİ PORTFÖY	13%
	Total (billion TL)	148.4

Discretionary Asset Management

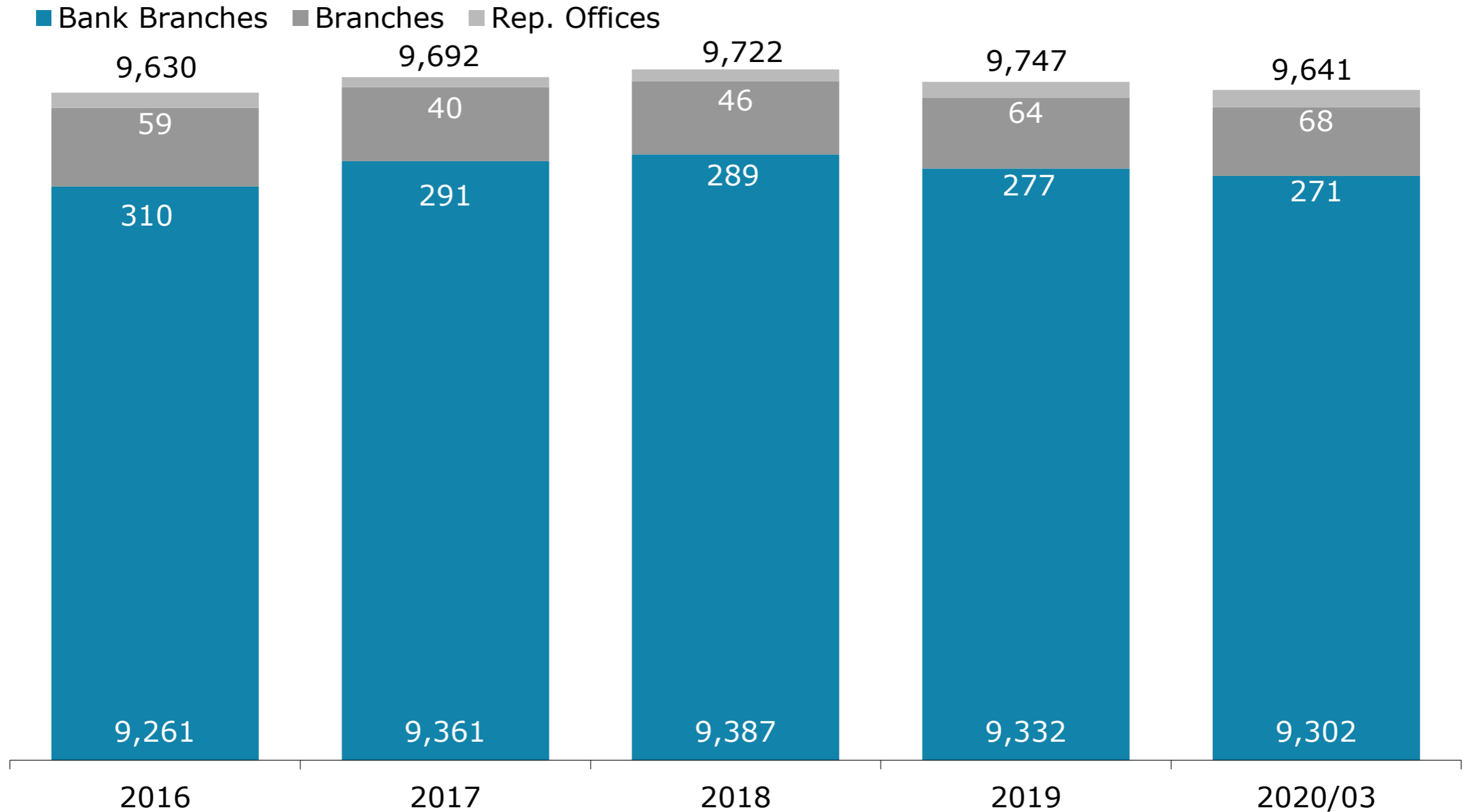
1	ZİRAAT PORTFÖY	29%
2	AK PORTFÖY	21%
3	AZİMUT PORTFÖY	16%
4	İŞ PORTFÖY	13%
5	İSTANBUL PORTFÖY	7%
	Total (billion TL)	34.5

Investment Trusts

1	METRO PORTFÖY	43%
2	İŞ PORTFÖY	34%
3	HEDEF PORTFÖY	10%
4	GARANTİ PORTFÖY	6%
5	OYAK PORTFÖY	5%
	Total (million TL)	633.6

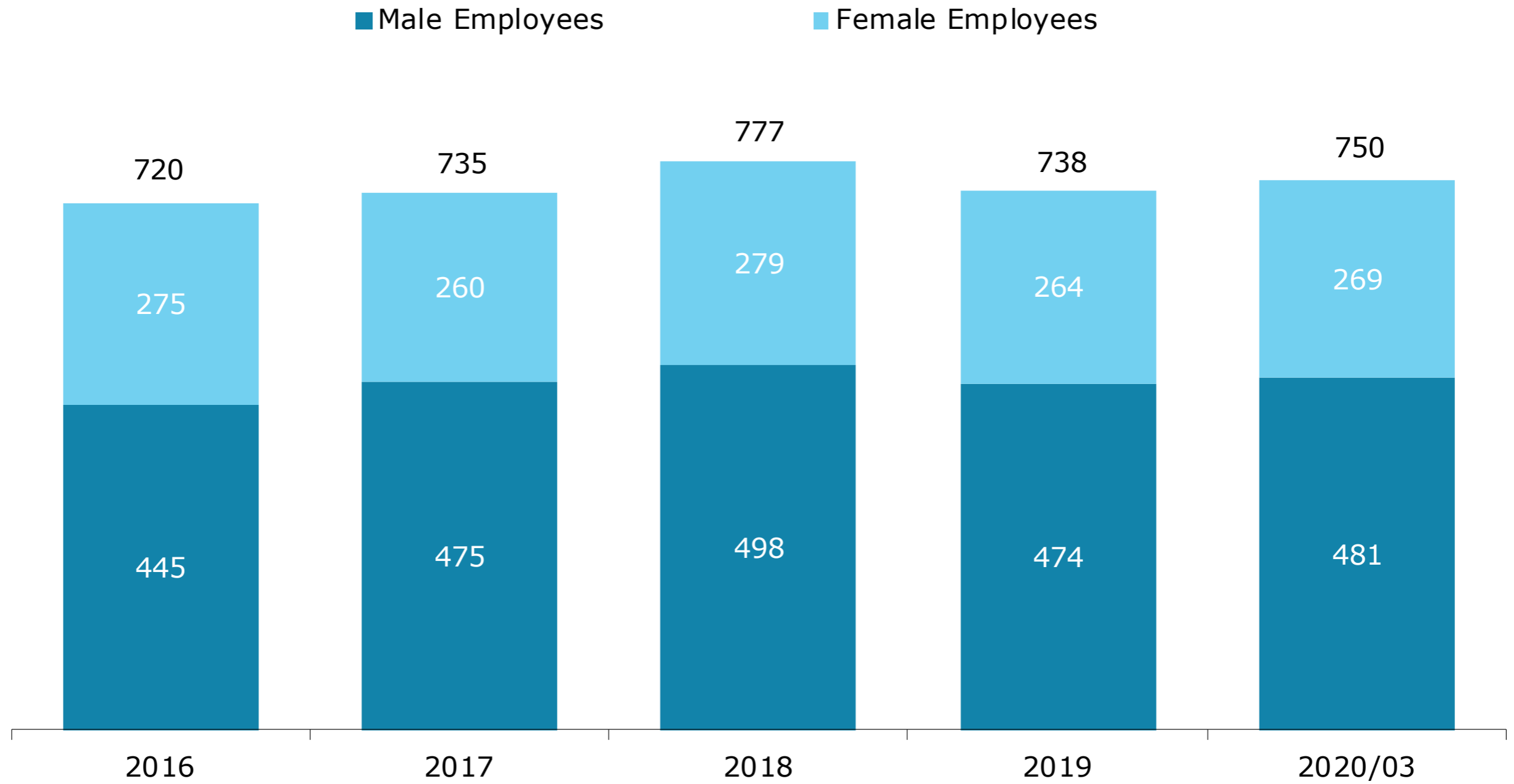
Source: TCMA

BROKERAGE FIRMS' BRANCH NETWORK



Source: TCMA

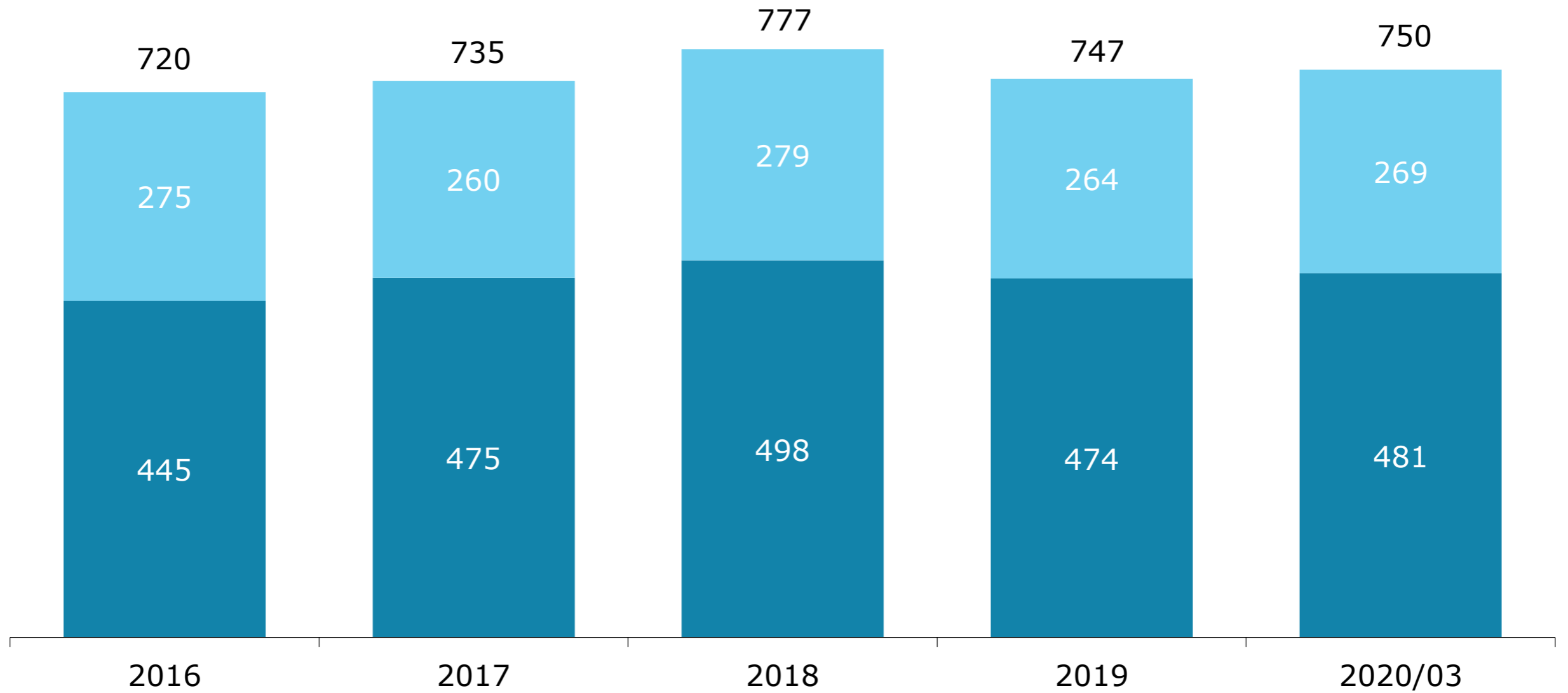
BROKERAGE FIRMS' EMPLOYEES



Source: TCMA

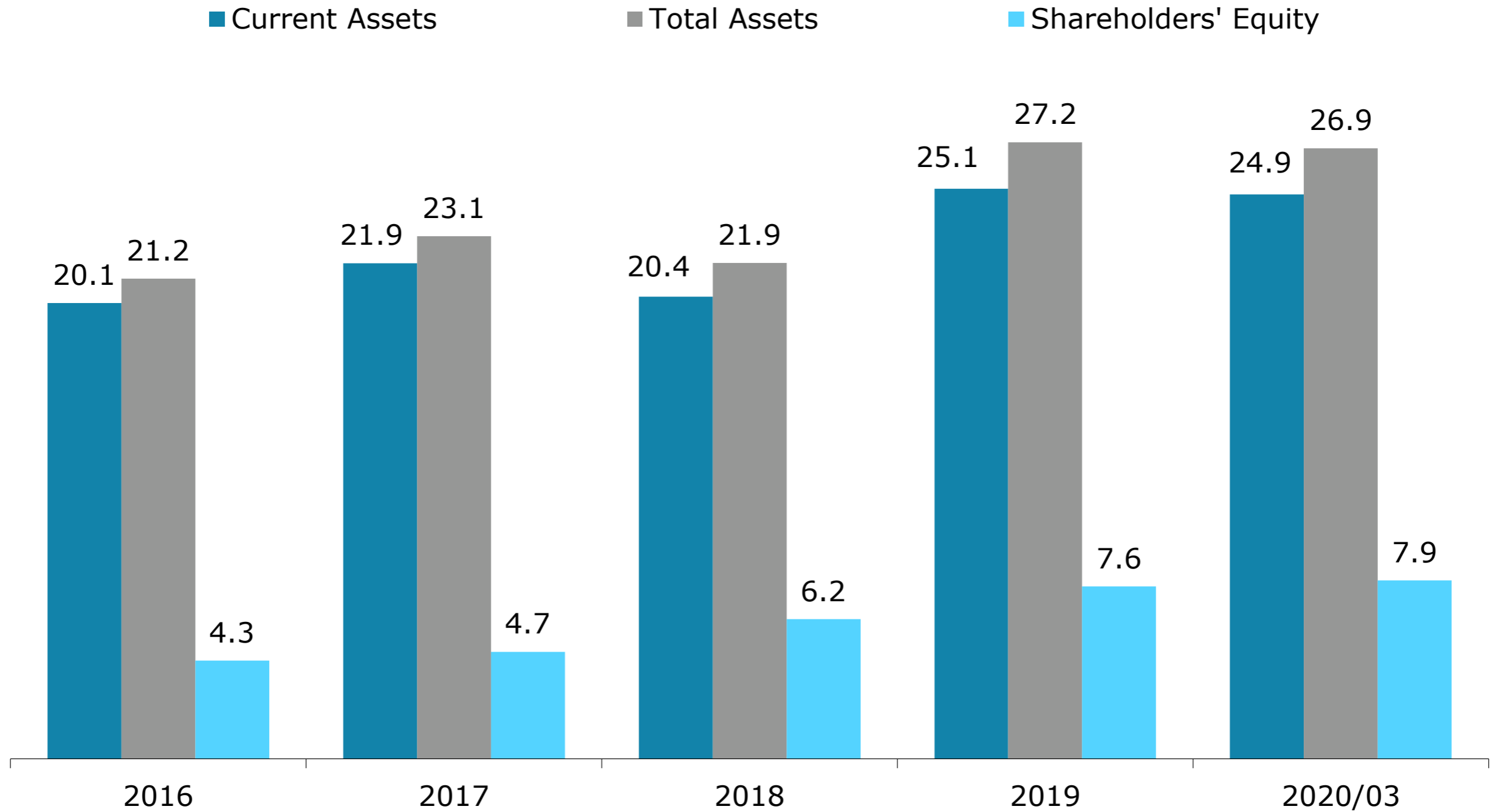
ASSET MANAGEMENT COMPANIES' EMPLOYEES

■ Male Employees ■ Female Employees



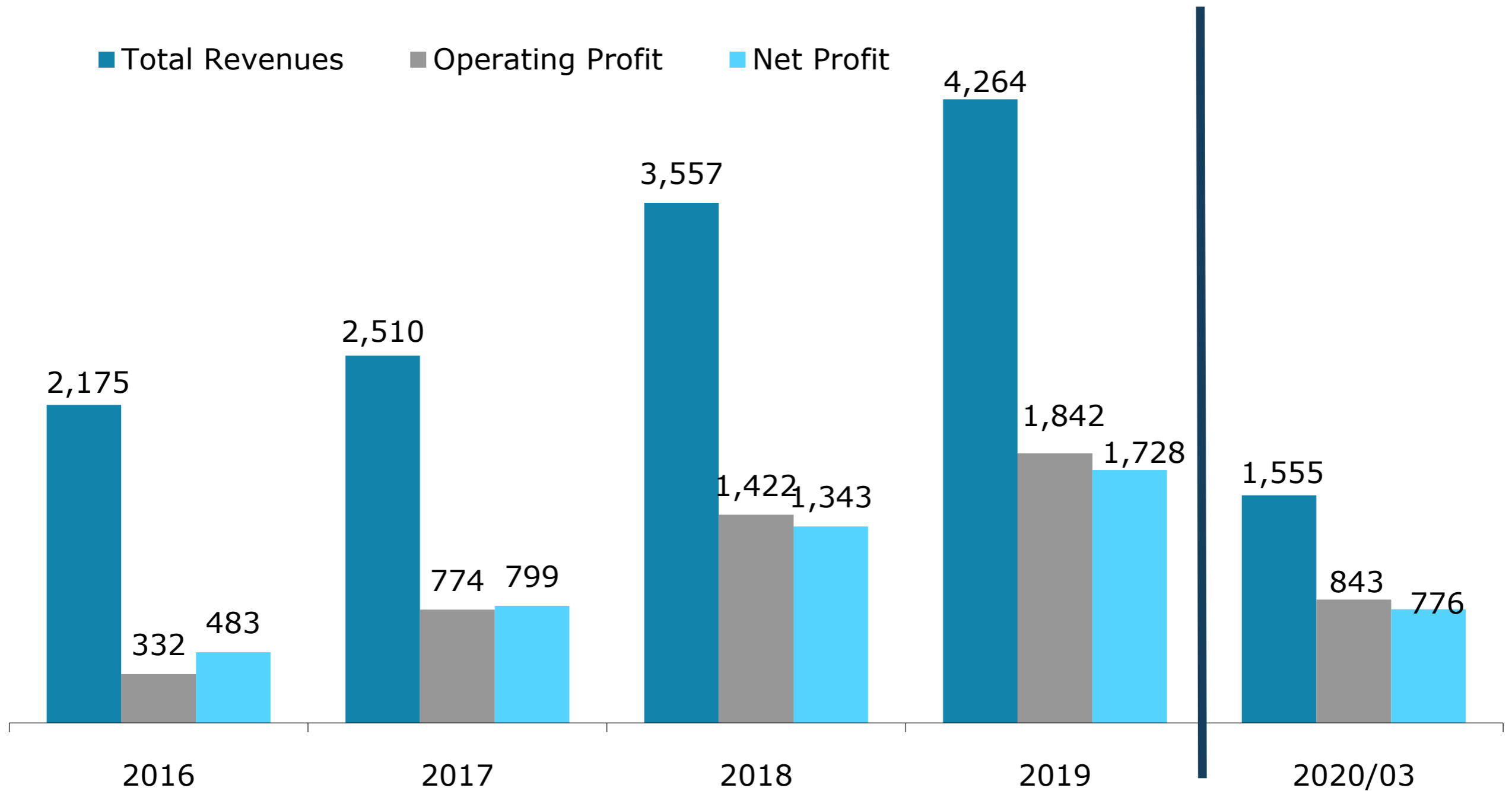
Source: TCMA

BALANCE SHEET OF BROKERAGE FIRMS (BILLION TL)



Source: TCMA

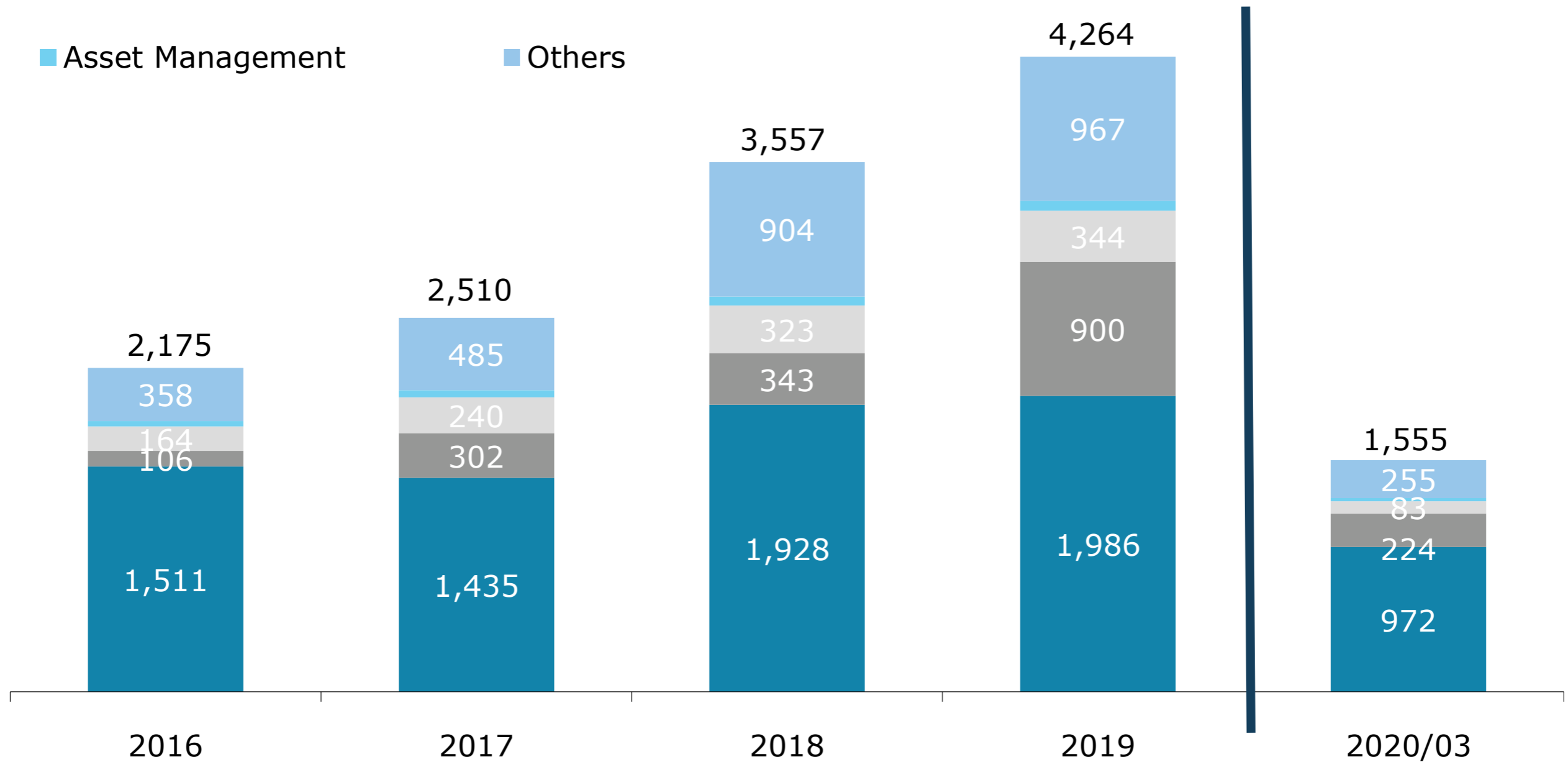
INCOME STATEMENT OF BROKERAGE FIRMS (MILLION TL)



Source: TCMA

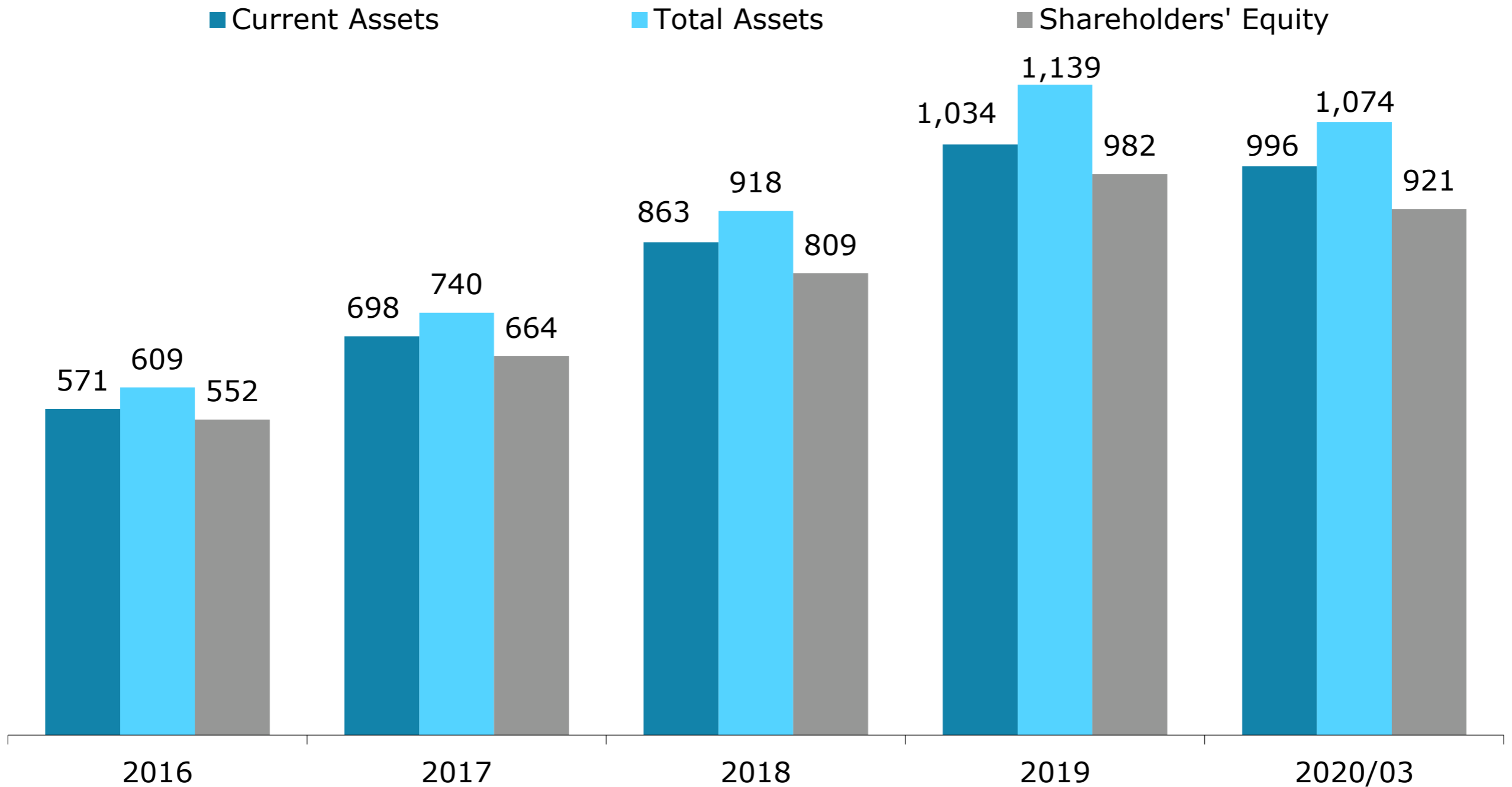
BREAKDOWN OF BROKERAGE FIRMS' REVENUES (MILLION TL)

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



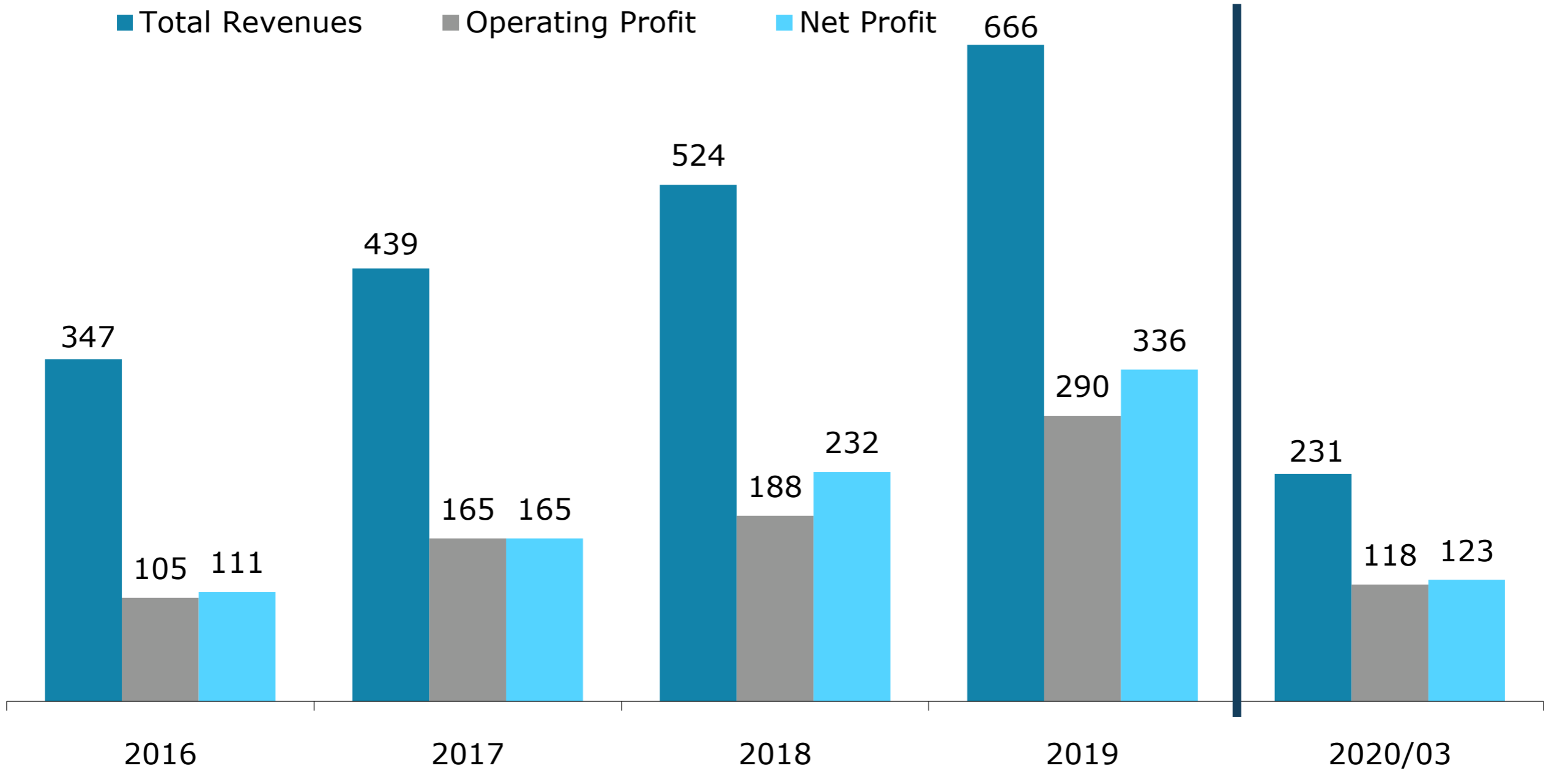
Source: TCMA

BALANCE SHEET OF ASSET MANAGEMENT COMPANIES (MILLION TL)



Source: TCMA

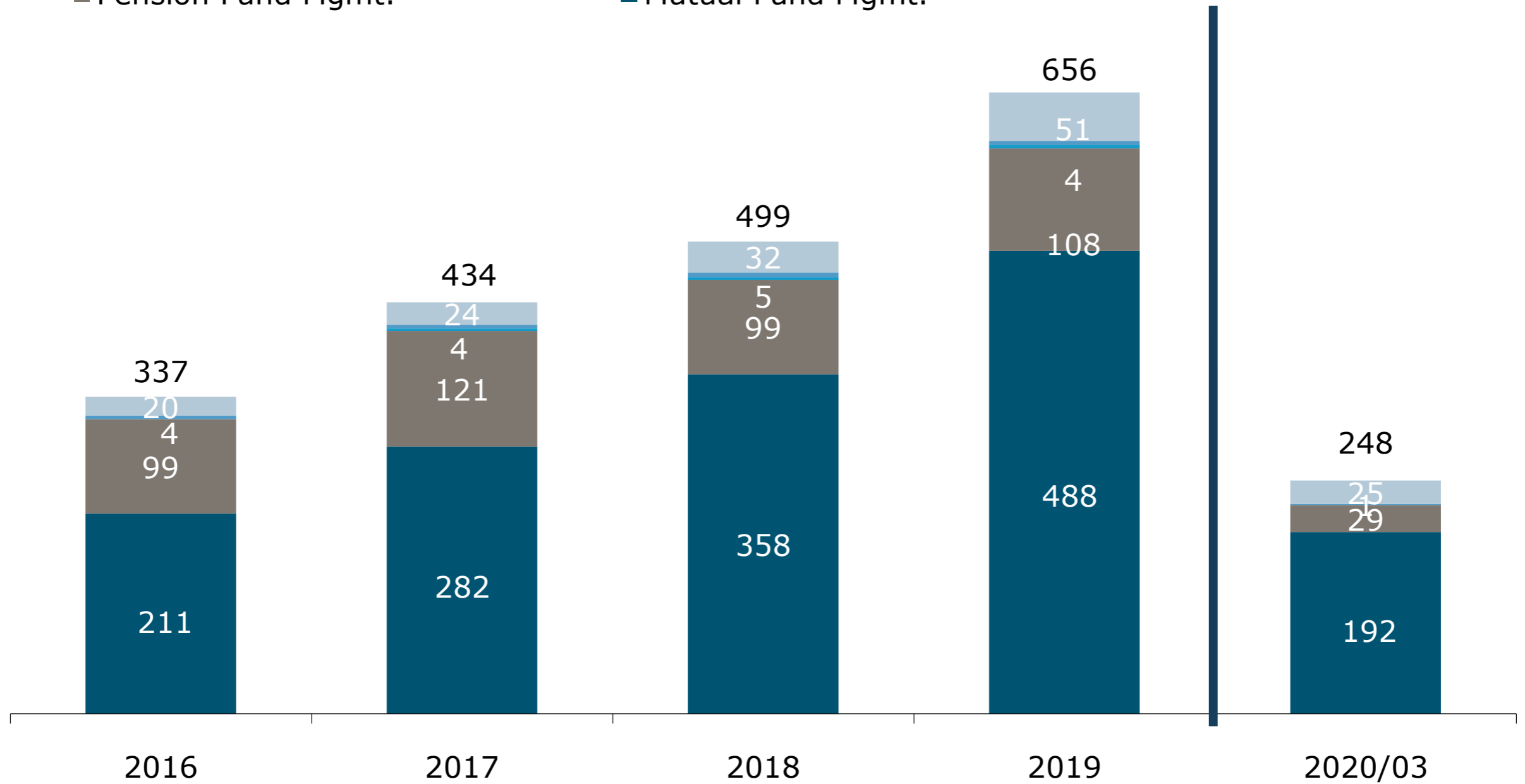
INCOME STATEMENT OF ASSET MANAGEMENT COMPANIES (MILLION TL)



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.

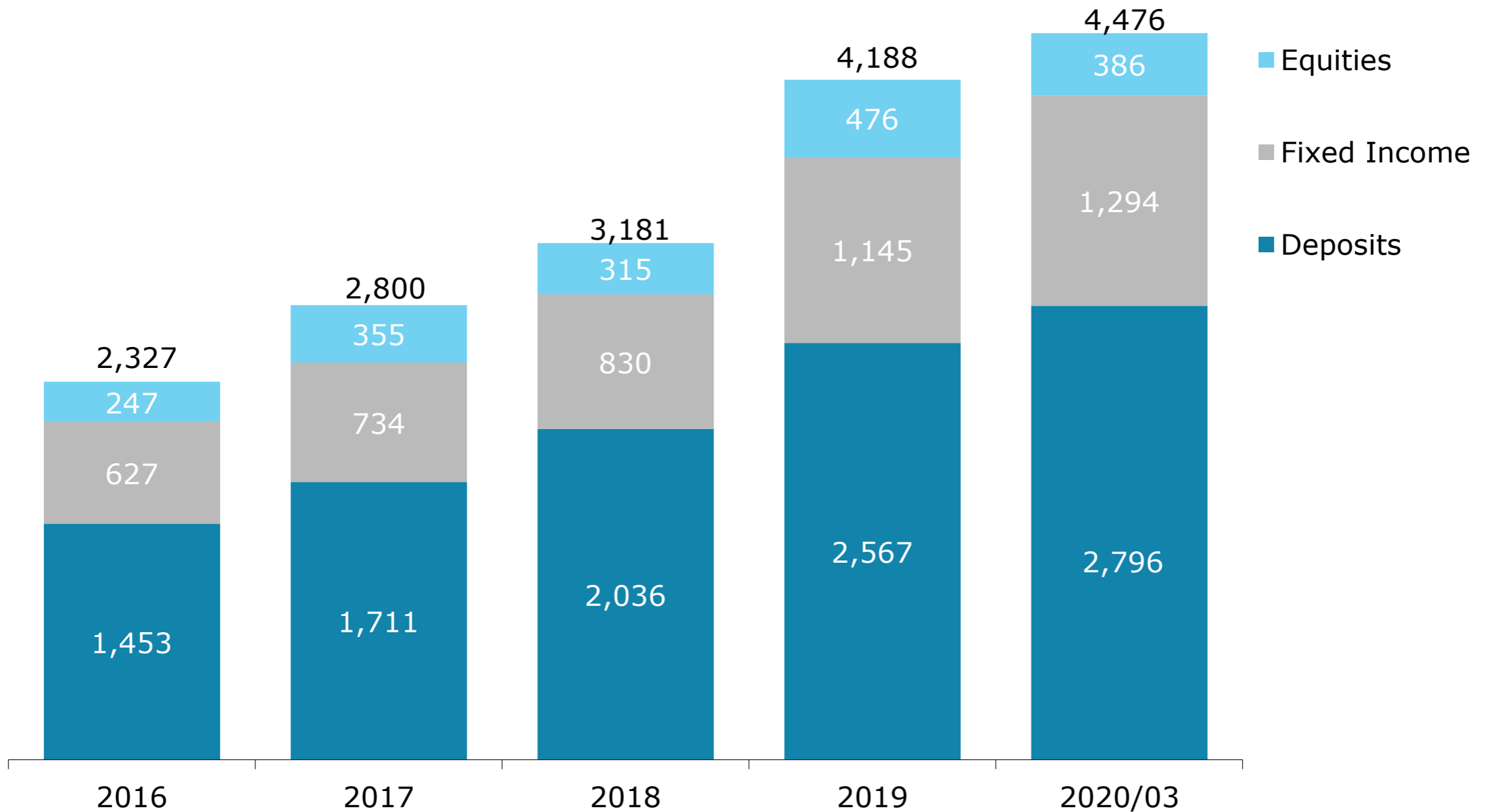


Source: TCMA

INVESTOR PROFILE

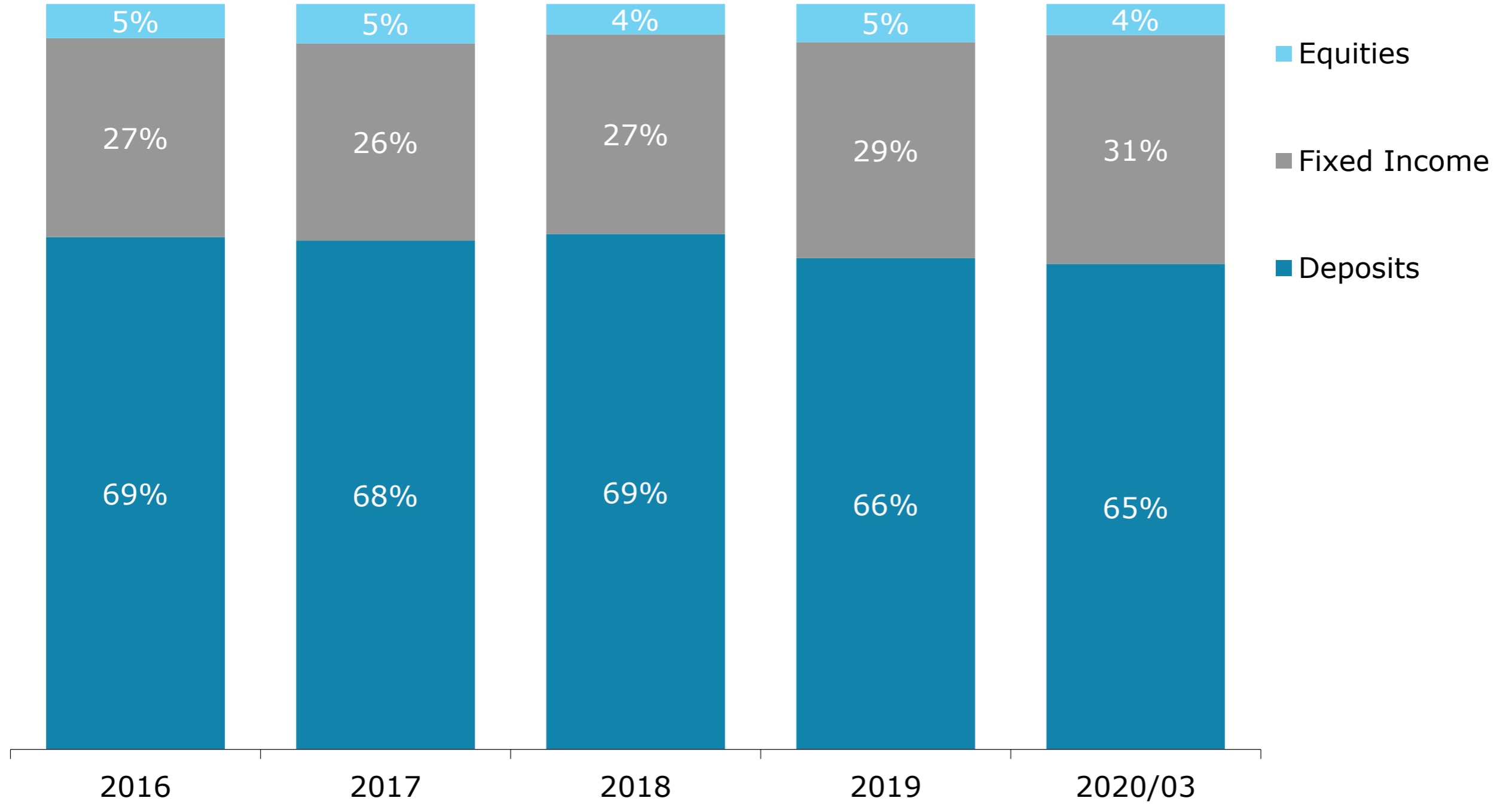


BREAKDOWN OF TOTAL SAVINGS (BILLION TL)



Source: BRSA, CRA, TCMA estimates

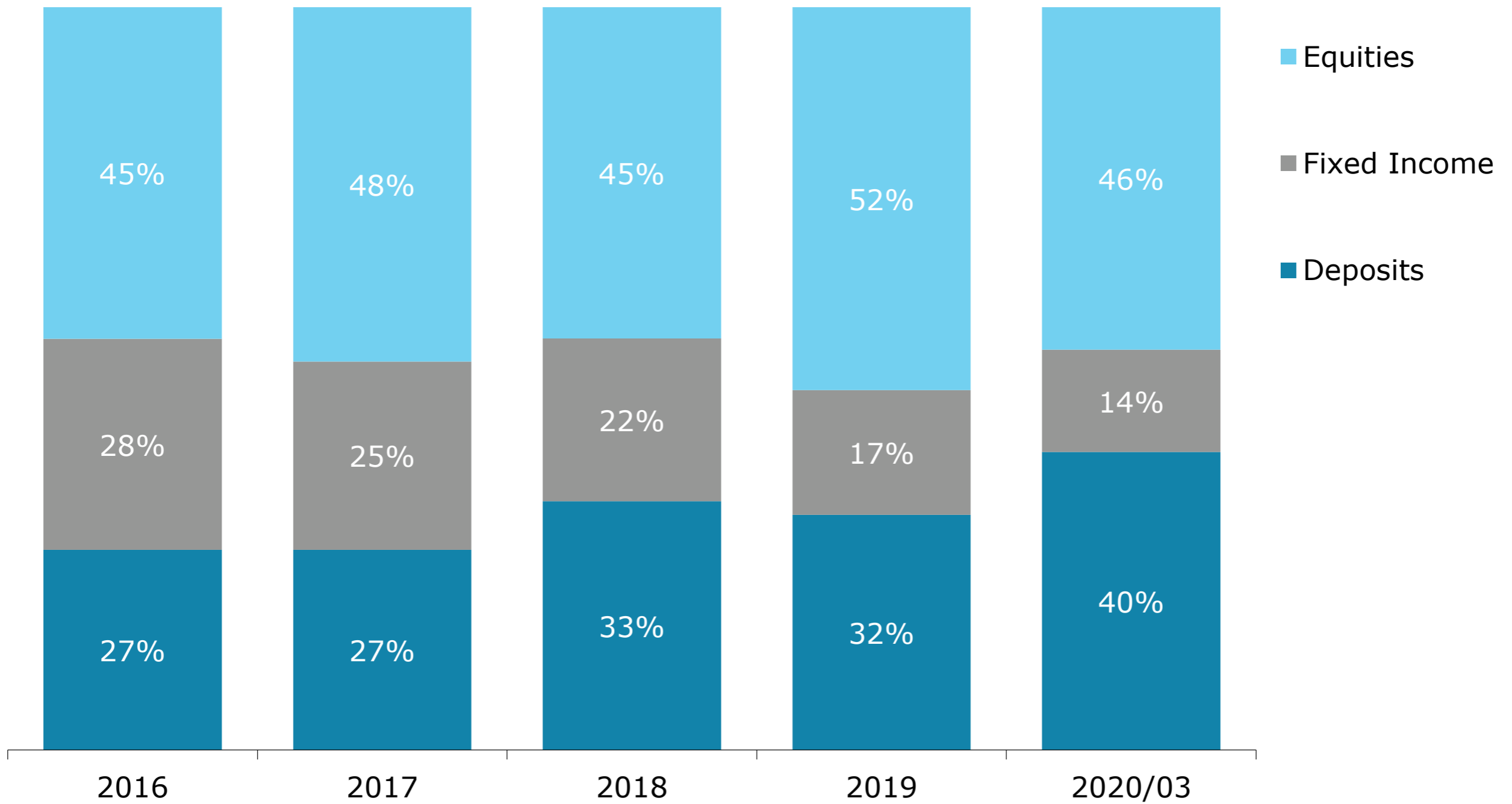
SAVINGS OF DOMESTIC INVESTORS



Total Domestic Inv. Savings as of
March 2020: TL 4 trillion

Source: BRSA, CRA, TCMA estimates

SAVINGS OF FOREIGN INVESTORS



Source: BRSA, CRA, TCMA estimates

Total Foreign Investors' Savings as of
March 2020: TL 475 bn

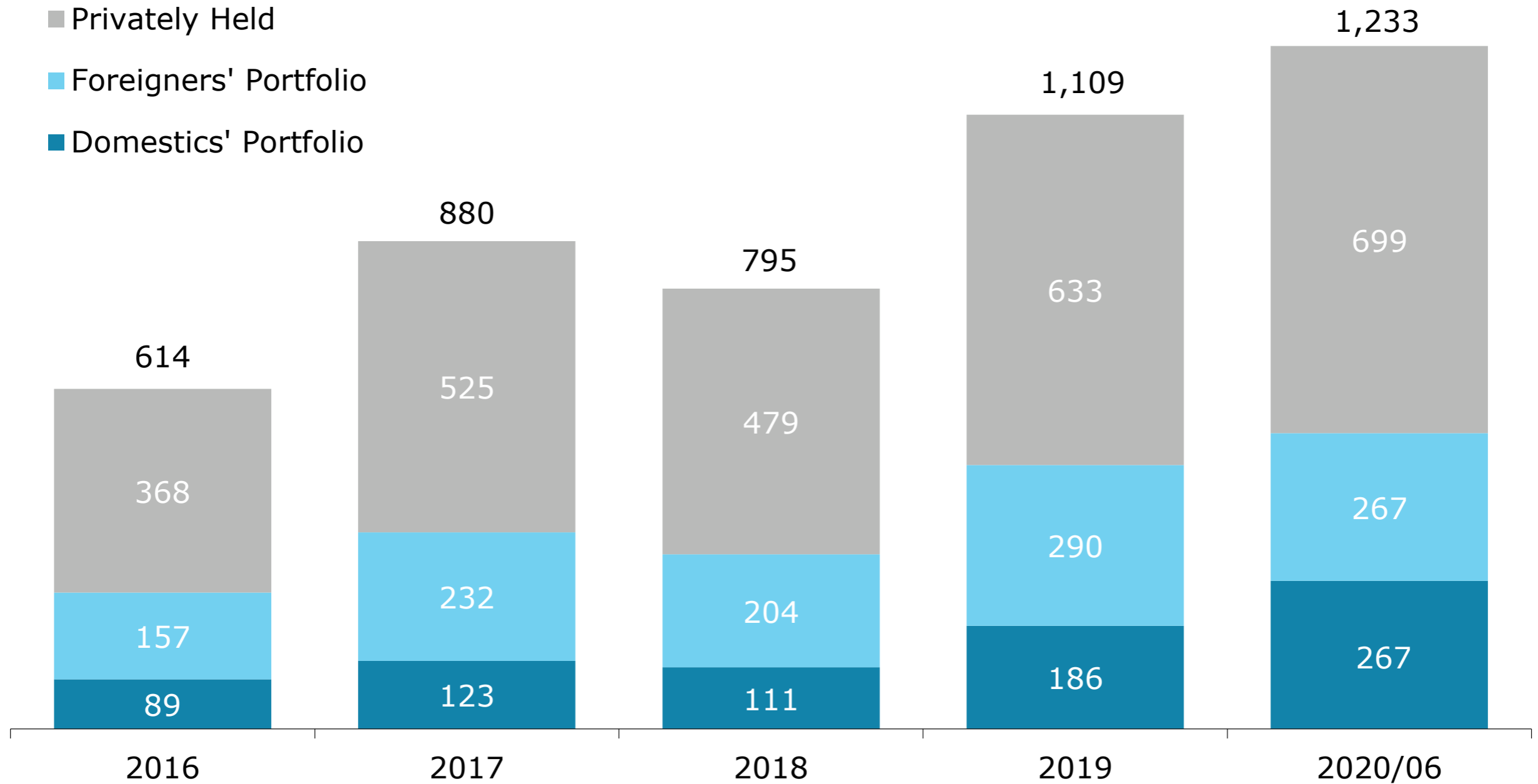
NUMBER OF EQUITY INVESTORS

Number of Equity Investors (thou.)	2016	2017	2018	2019	2020'06
Domestic Investors	1,049.2	1,031.3	1,081.3	1,193.7	1,558.4
Dom. Individuals	1,043.5	1,025.9	1,076.1	1,188.1	1,552.2
Dom. Corporations	5.0	4.7	4.6	4.9	5.4
Dom. Institutionals	0.7	0.7	0.7	0.7	0.8
Foreign Investors	9.8	9.5	9.6	9.7	10.9
For. Individuals	6.2	6.2	6.2	6.6	8.0
For. Corporations	1.5	1.4	1.5	1.4	1.3
For. Institutionals	2.1	1.9	1.9	1.7	1.6
Total	1,059.0	1,040.8	1,090.9	1,203.4	1,569.3

Source: CRA

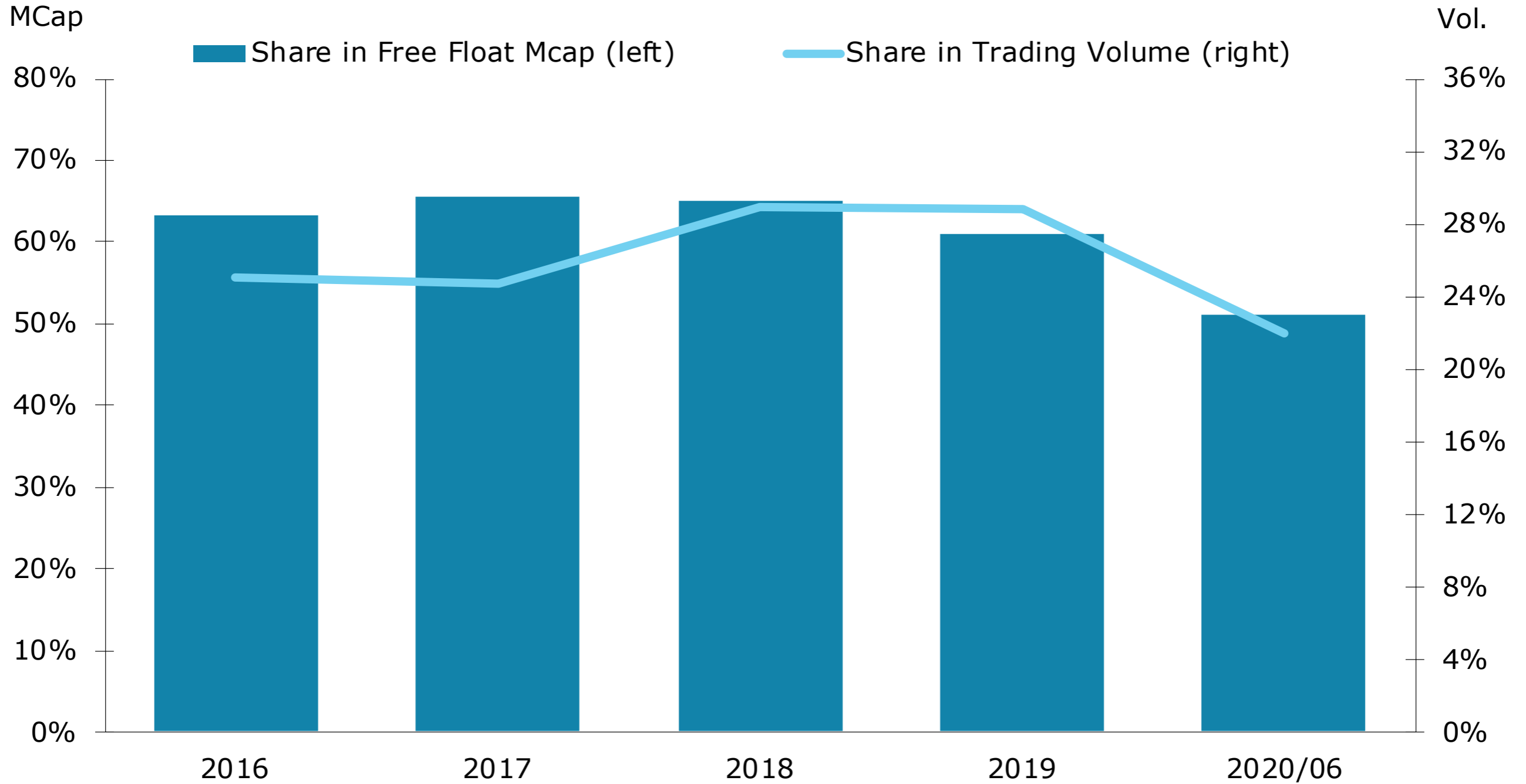
BREAKDOWN OF MARKET CAPITALIZATION (BILLION TL)

- Privately Held
- Foreigners' Portfolio
- Domestics' Portfolio



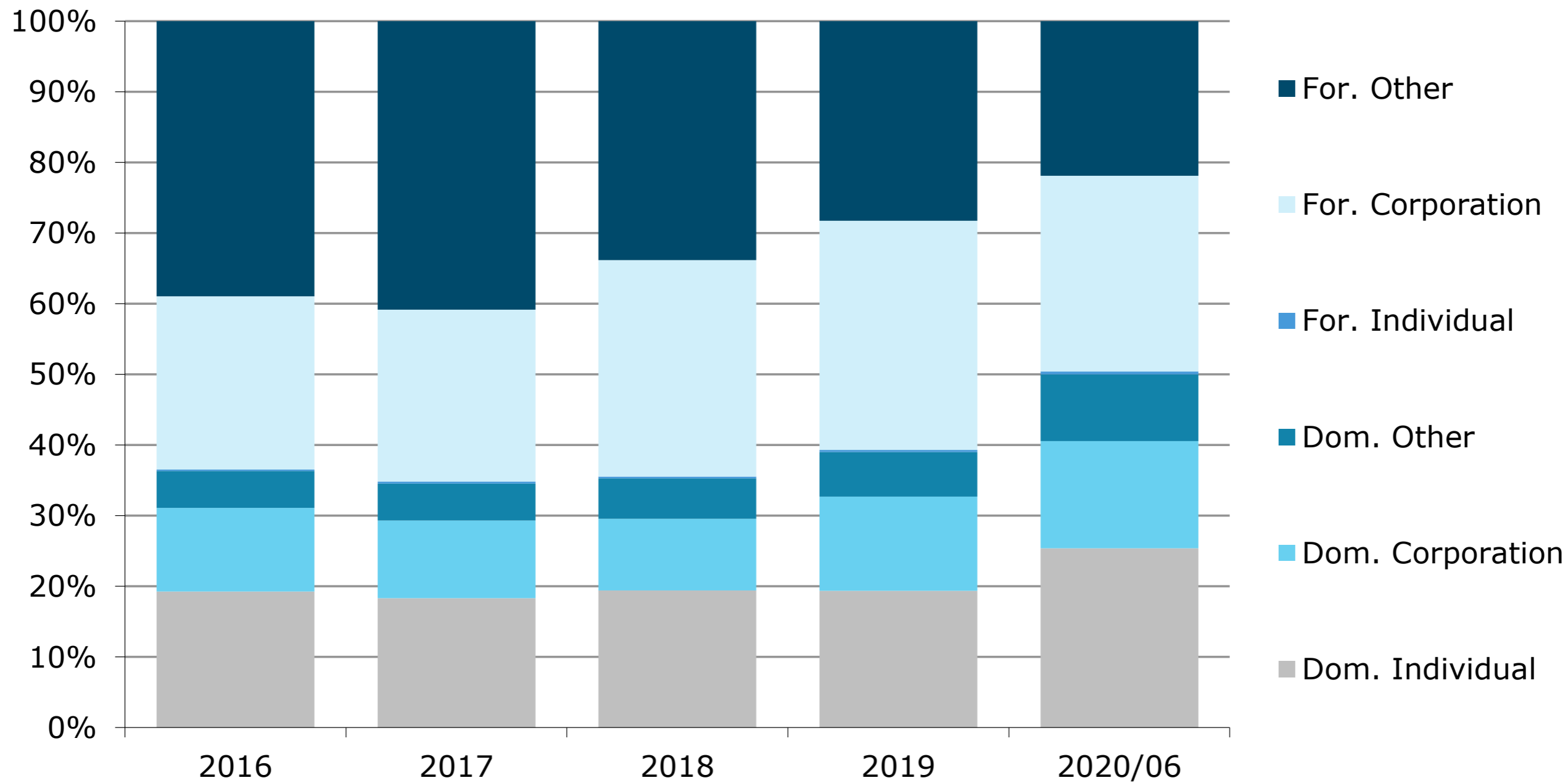
Source: CRA, Borsa Istanbul

SHARE OF FOREIGN INVESTORS



Source: CRA, Borsa Istanbul

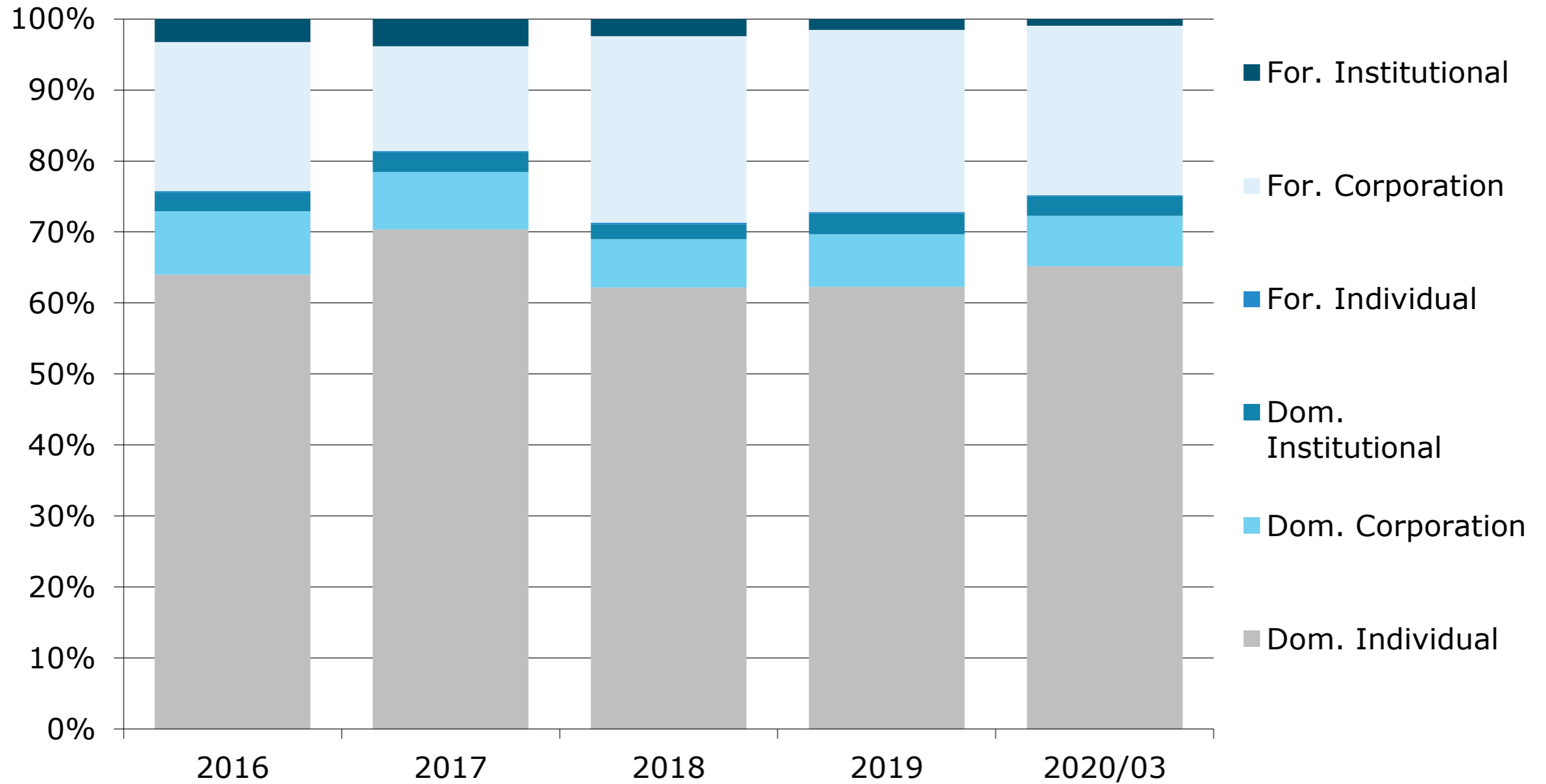
EQUITY OWNERSHIP ACCORDING TO INVESTOR CATEGORIES



Source: CRA

Total equity portfolio as of June 2020: TL 534 bn

EQUITY TRADING VOLUME BY INVESTOR CATEGORIES*



Source: TCMA

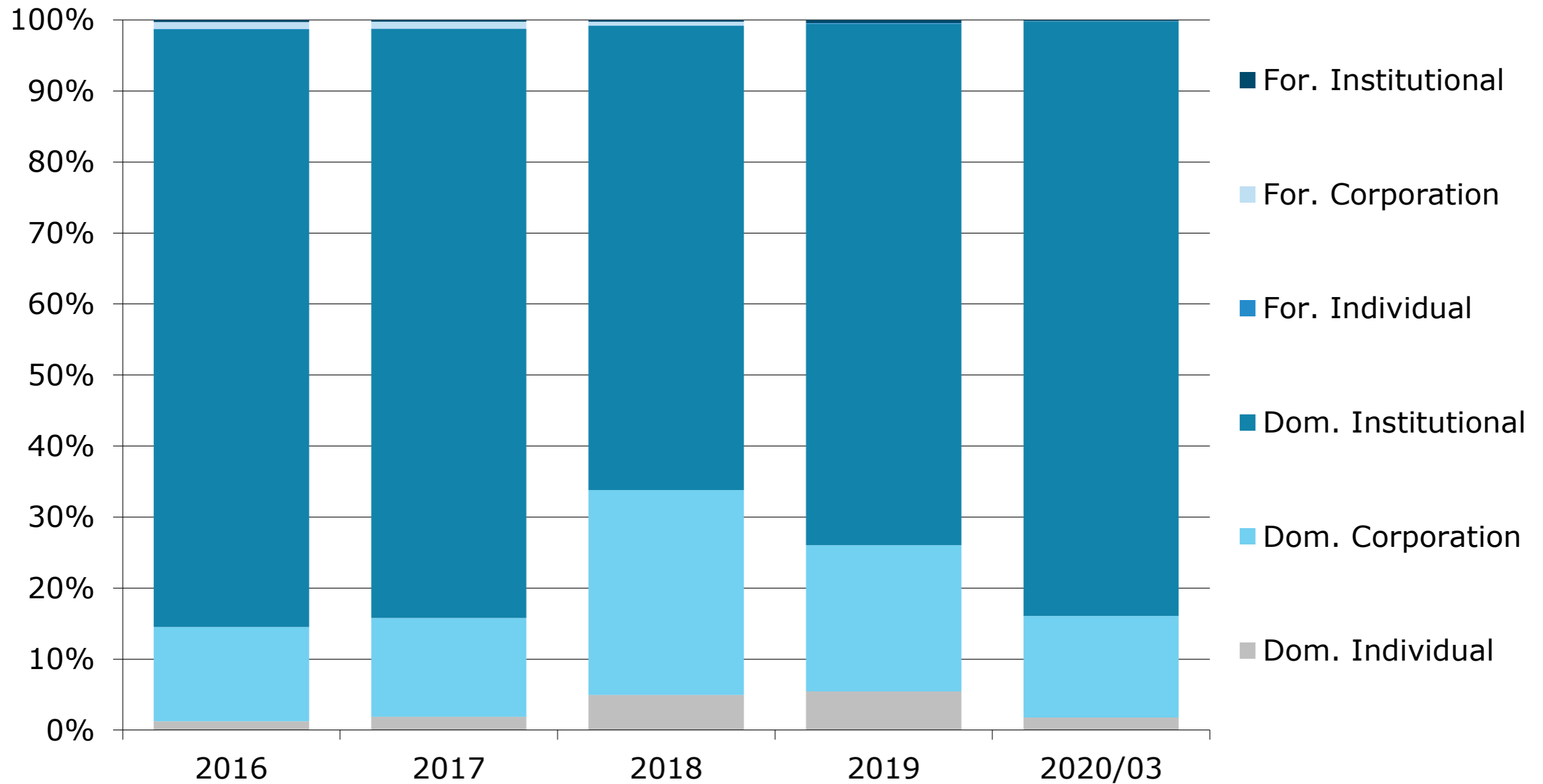
*Brokerage firms and investment banks only

NUMBER OF CORPORATE BOND INVESTORS

Number of Corporate Bond Investors					
	2016	2017	2018	2019	2020/06
Domestic Investors	96,771	81,865	77,671	65,998	62,083
Dom. Individuals	93,217	78,954	75,361	64,010	60,068
Dom. Corporations	2,886	2,292	1,660	1,344	1,383
Dom. Institutionals	668	619	650	644	632
Foreign Investors	705	622	662	453	457
For. Individuals	677	594	641	431	435
For. Corporations	25	24	18	19	20
For. Institutionals	3	4	3	3	2
Total	97,476	82,487	78,333	66,451	62,540

Source: CRA

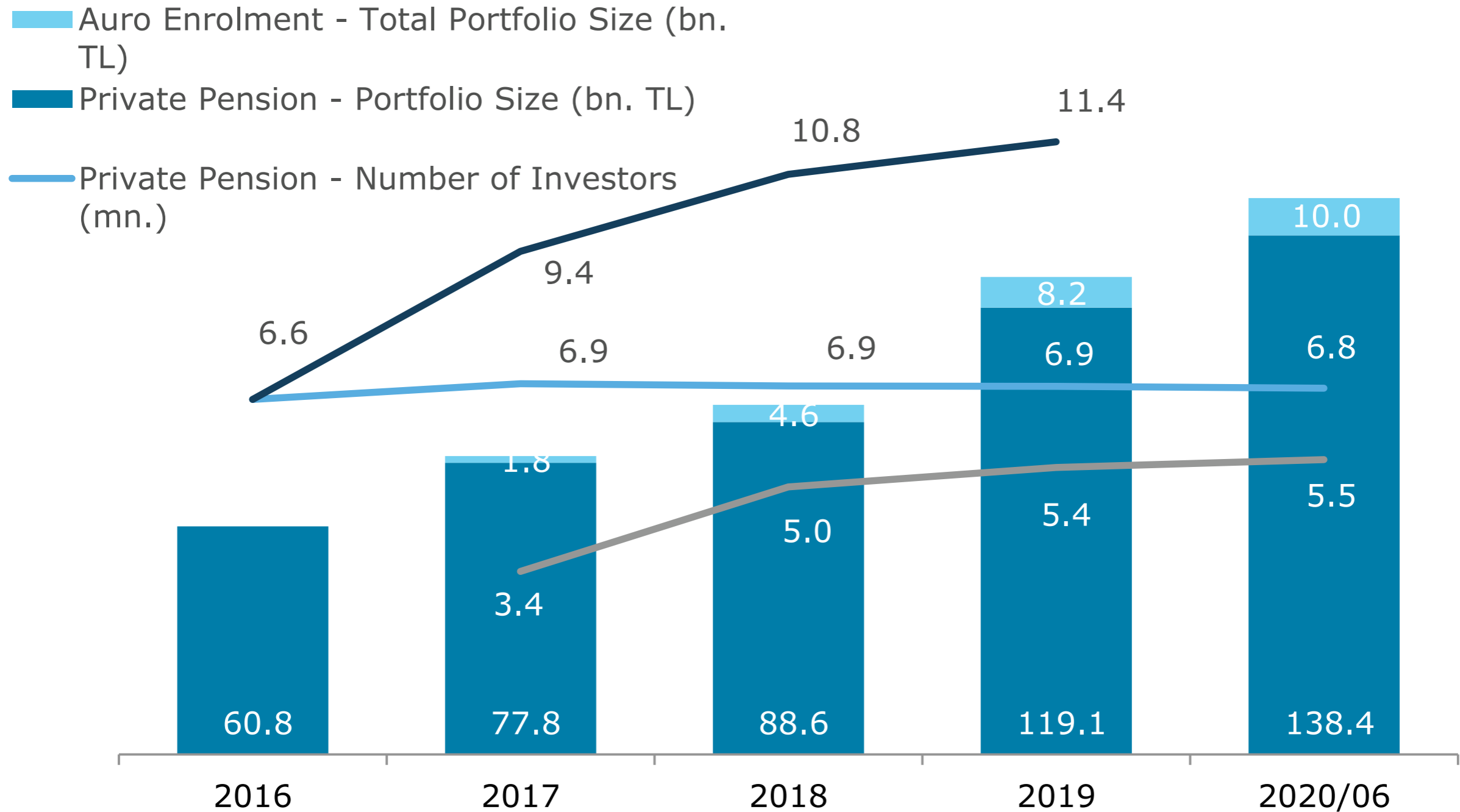
CORPORATE BOND OWNERSHIP ACCORDING TO INVESTOR CATEGORIES



Source: CRA

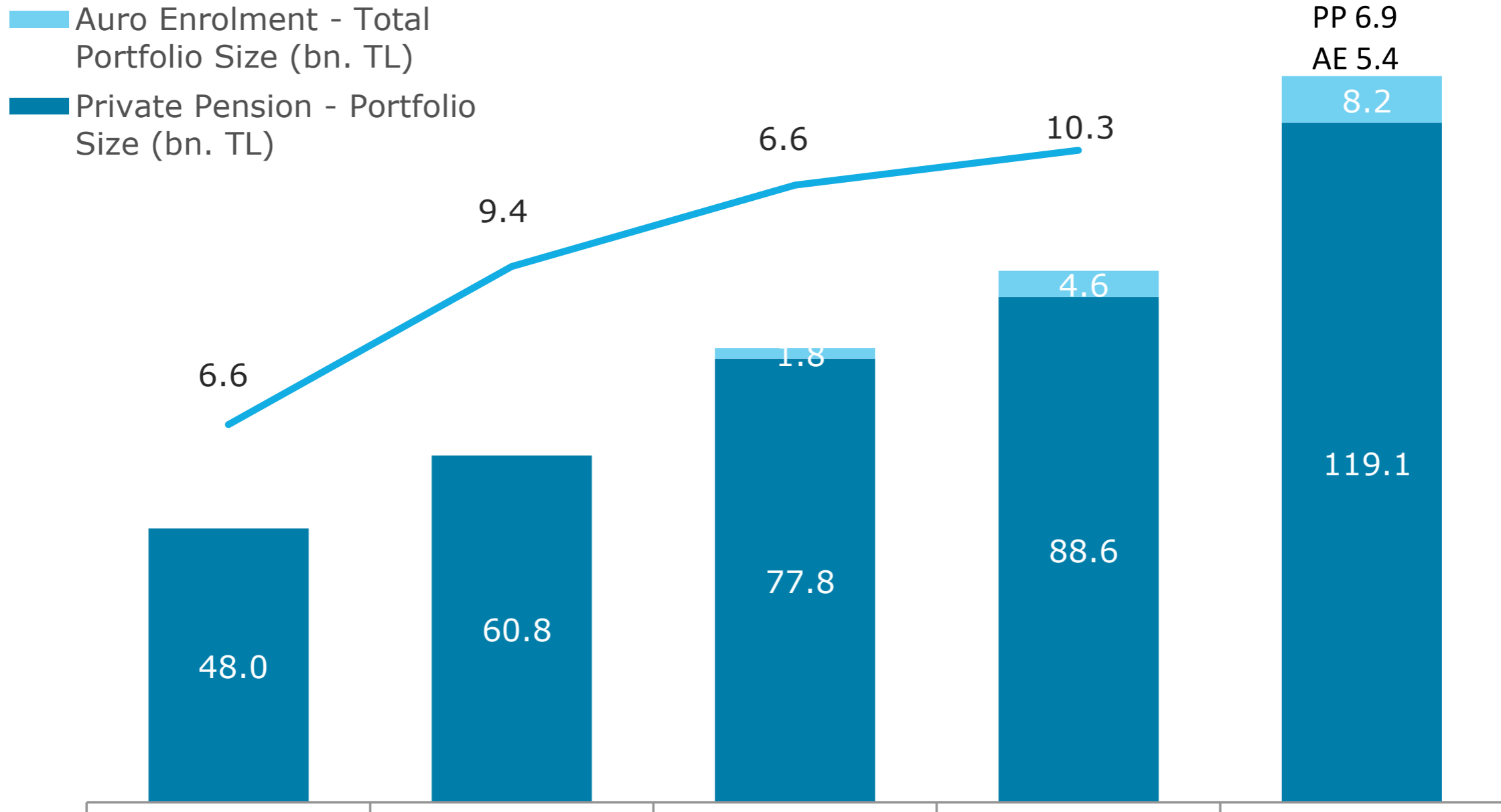
Total corporate bond portfolio as of June 2020: TL 116 bn.

MUTUAL FUND INVESTORS



Source: CRA

PENSION FUND INVESTORS

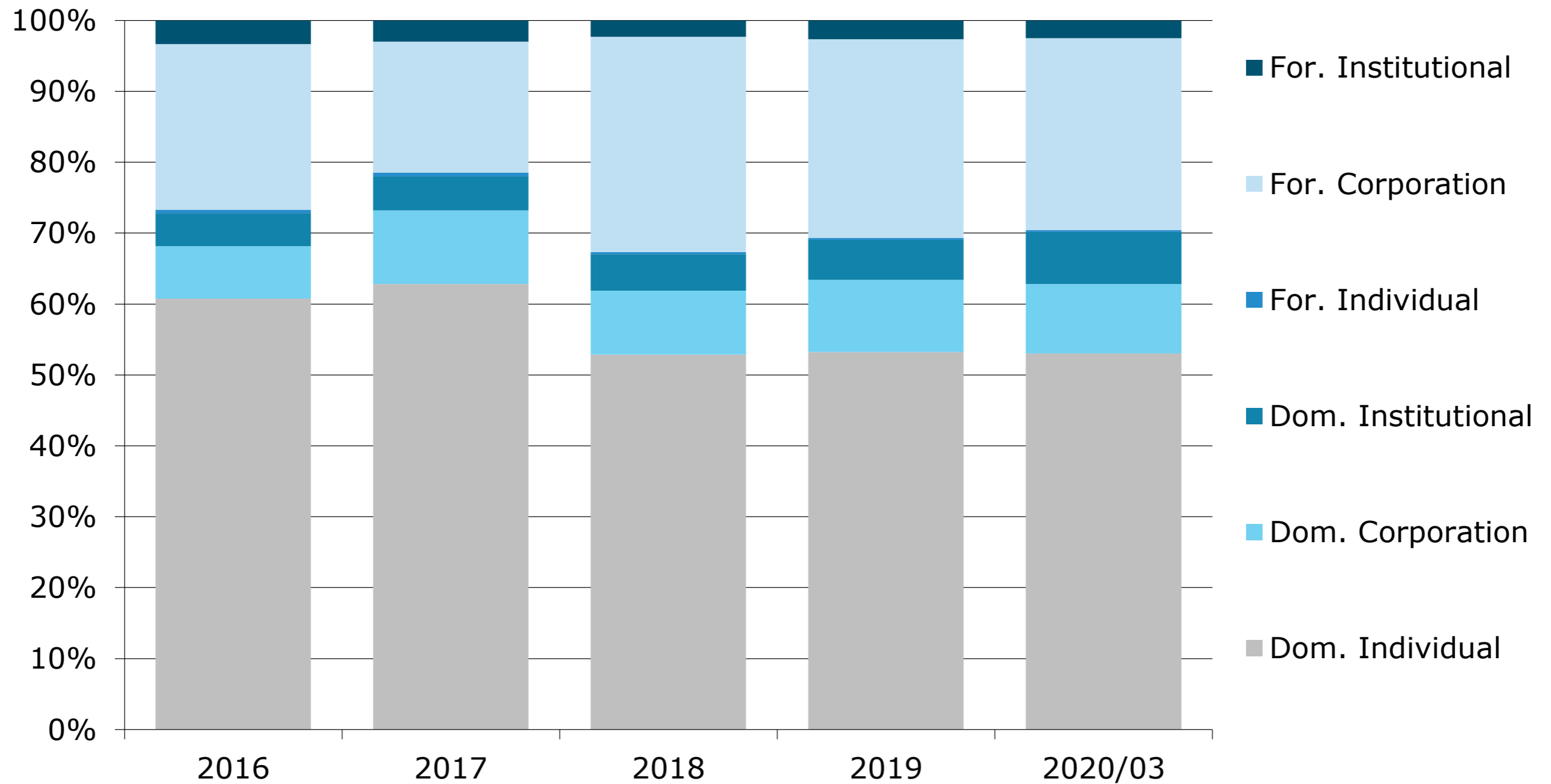


Source: PMC

PP: Private pension schemes
AE: Auto-enrolment

Portfolio size includes government contributions.

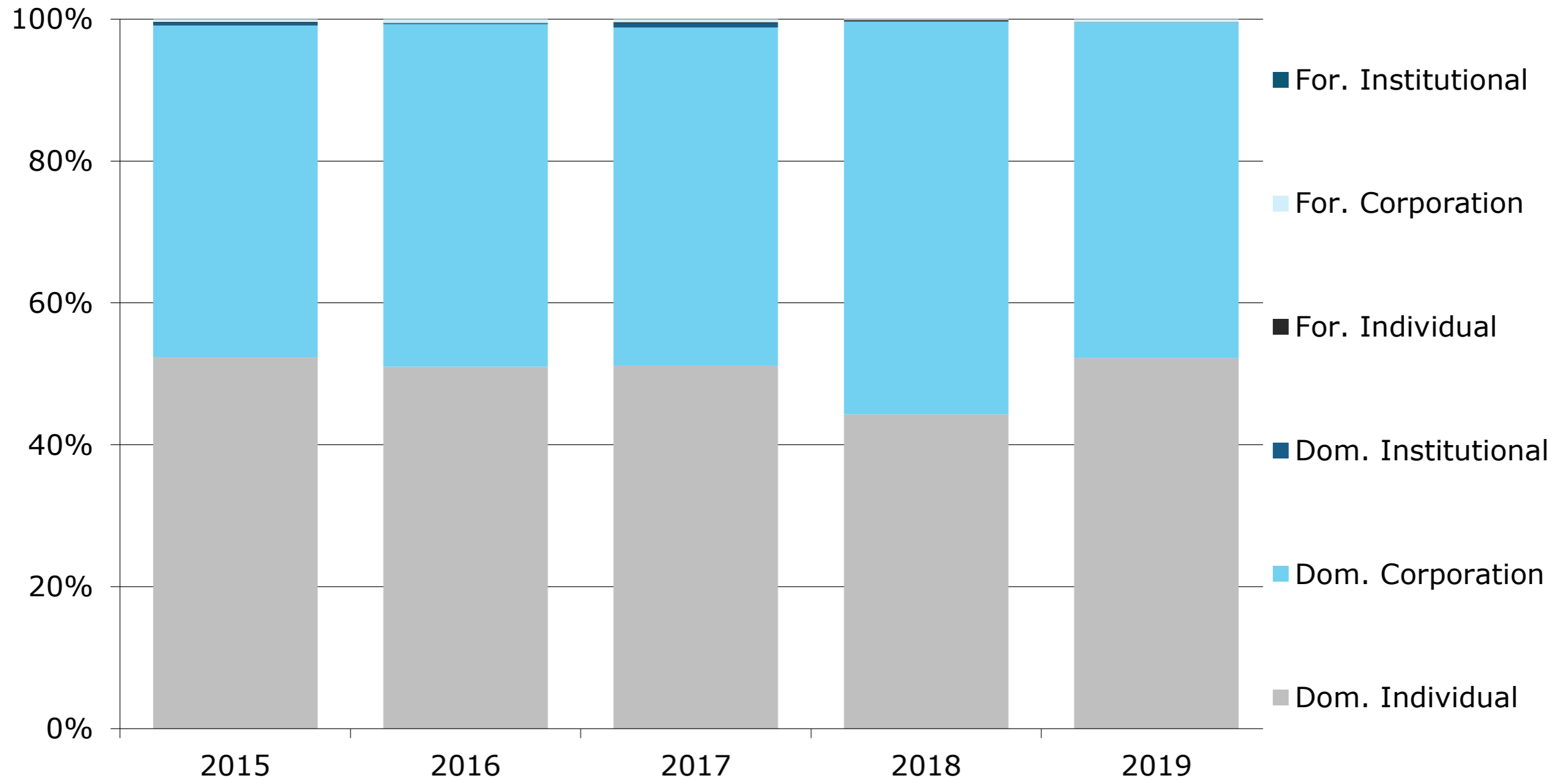
BREAKDOWN OF FUTURES TRADING VOLUME BY INVESTOR CATEGORIES*



Source: TCMA

*Brokerage firms only

FOREX TRADING VOLUME OF BROKERAGE FIRMS



Source: TCMA

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The logo for TCMA, featuring a blue curved line above the letters "TCMA" in a bold, blue, sans-serif font.