

Recent Decisions in Turkish Capital Markets

February 2023



Dear Clients, Colleagues and Friends,

In an effort to increase effectiveness and simplicity in sale methods in initial public offerings (“**IPOs**”), the Turkish securities regulator (**CMB**) has recently resolved that certain sized IPOs not to be sold with or without book building method but only through sale on the exchange method (*Borsa’da satış*). The decision is published and is effective as of 19 January 2023. As per the CMB decision, this method has become mandatory for IPOs, in case the market value of the shares to be offered to the public is TRY 250 million or less.

In addition to this resolution, conditions of being deemed as an institutional investor have also been amended in order to meet the growing demands of individual investors in IPOs.

Thus, within the scope of IPOs, it has been resolved as follows;

- In order for hedge funds, private investment funds or private hedge funds to be deemed as an institutional investor, two conditions should be met: (i) the number of investors shall be more than 50, and (ii) any investor shall have less than 20% of the total number of fund participation shares,
- Requests submitted by portfolio management companies on behalf of customers with whom they have signed individual portfolio management agreements shall not be deemed within the scope of the institutional investor group, and
- Professional customers, which meet at least two of the following criteria of (i) having total amount of assets corresponding to TRY 50 million, (ii) having an annual net revenue of TRY 90 million and (iii) having and equity capital of over TRY 5 million shall not be deemed as an institutional investor.

With these above-mentioned new decisions of the CMB, the conditions of being deemed as an institutional investor have become tightened in terms of IPOs.

Furthermore, in order to ensure that capital markets are operated and developed in a reliable, transparent, efficient, stable, fair and competitive environment and also to protect the rights and interests of investors, CMB introduced a new temporary restriction on short selling transactions (*including positions made during the day without pressing the short selling button and closed out on the same day*) as per Article 128/1 of the Capital Market Law numbered 6362. The related new CMB decision was taken and came into force as of 6 February 2023 after the terrible earthquake struck south eastern provinces of the country.

Finally, as of 8 February 2023, due to the increase in volatility and unusual price movements after the earthquake in Türkiye, Borsa Istanbul has decided to suspend Equity & Index Market Segments in Borsa Istanbul Equity

Market and Derivatives Market for five working days (until the evening of 14 February 2023) and all trades executed on 8 February 2023 are cancelled accordingly. Following this closure decision of Borsa Istanbul, CMB published another decision on the same day and resolved as follows, starting from 8 February 2023, until the Equity Market reopens:

1. It has been decided that funds, except ones stated below, do not calculate the unit share value and suspend the trading of participation shares, provided that the portfolio custodian and the investors shall be informed with an announcement to be made on the Public Disclosure Platform (“**KAP**”) In this regard, the transactions on Turkish Electronic Fund Trading Platform (“**TEFAS**”) of these funds are also suspended.

The following funds are excluded from the scope of the foregoing decision:

- Funds issued in connection with debt instruments umbrella fund, money market umbrella fund, guaranteed/hedge umbrella fund, precious metals umbrella fund,
- Hedge funds with expressions of “foreign exchange”, “money market” and “short-term” in their titles and funds with expressions of “foreign” in their titles, and
- Funds with a certain asset group (lease certificate, gold, precious metals, money market) in their titles from the funds affiliated to the participation umbrella fund.

2. It has been decided that pension mutual funds (including Auto Enrolment System Funds) except ones stated below, do not calculate share prices and suspend trading shares, provided that participants shall be informed with an announcement to be made on the Public Disclosure Platform. In this regard, the transactions on the Private Pension Fund Trading Platform (“**BEFAS**”) of these funds are also suspended.

The following pension mutual funds are excluded from the scope of the preceding decision:

- debt instruments, money market, participation (excluding equity participation funds), precious metals, initial pension mutual funds, and
- pension mutual funds with expressions of “foreign” and “foreign exchange” in their titles.

3. CMB has also resolved that the valuation date shall be considered as the first day when Borsa Istanbul equity market reopens for share purchase/selling orders with a valuation date of 8 February 2023 (including transactions realized in TEFAS/BEFAS) of mutual funds and pension mutual funds which are suspended.

Please do not hesitate to contact us for any further information on this briefing.

Kind regards,

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