

Turkish IPOs in Istanbul and London – Key Issues for Market Participants

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The Turkish IPO market has experienced a significant uptick in activity over the past year, indicating that the IPO outlook for Turkish businesses is significantly improving. This follows the London Stock Exchange listings of Global Ports Holding plc and DP Eurasia N.V. (the master franchisee of Domino's Pizza in Turkey and Russia), as well as the *Borsa Istanbul* listing of Mavi Giyim Sanayi ve Ticaret A.Ş. (Mavi Jeans), both of which closed in May–June 2017. There are also reports of more than 10 companies actively planning to go public in 2018–2019 as part of this growing trend, most recently following the Q1 2018 IPOs of Medical Park, Turkey's largest private hospital chain, and Enerjisa Enerji, one of the country's leading energy companies.

This memorandum outlines certain of the key international and Turkish legal considerations arising in such transactions. It considers each step in the transaction timeline, focusing specifically on IPOs involving a *Borsa Istanbul* listing in the context of a global equity offering², and also compares these to the equivalent requirements for an IPO and listing of a Turkish business on the London Stock Exchange.

If you have any questions concerning this memorandum, please reach out to your regular firm contact or the following authors

Cleary Gottlieb Steen & Hamilton
LLP – London

Pierre Marie Boury
T: +44 20 7614 2380
pboury@cgsh.com

Raj S. Panasar
T: +44 20 7614 2374
rpanasar@cgsh.com

Chrishan Raja
T: +44 20 7614 2224
craja@cgsh.com

Mohamed Taha
T: +44 20 7614 2321
mtaha@cgsh.com

Paksoy Ortak Avukat Bürosu

Omer Collak
T: +90 212 366 4732
ocollak@paksoy.av.tr

Okkes Sahan
T: +90 212 366 4790
osahan@paksoy.av.tr

¹ This alert memorandum provides updates to our prior publication dated May 25, 2016 for recent market developments.

² Typically an equity offering to qualified institutional buyers in the United States under SEC Rule 144A and outside of the United States under Regulation S. Offerings involving (i) a domestic public offering to retail investors and (ii) an offering to institutional investors both domestically and internationally will be referred to as “dual-tranche offerings”.



A. OFFERING STRUCTURE

Prospectuses

In the case of a *Borsa Istanbul* listing, an English language international offering circular (“IOC”), prepared to an international standard in terms of disclosure, is typically produced, along with the Turkish prospectus (*izahname*) used for the domestic offering. The *izahname* contains separate financial statements prepared in accordance with Turkish Financial Reporting Standards; these are virtually identical to IFRS. In terms of disclosure, the *izahname* must include all material information contained in the IOC and be substantively consistent with it; the layout must follow a specific format prescribed by the CMB.

For a London listing, a prospectus compliant with the EU Prospectus Directive³ (the “EU PD”) and other UK rules is prepared and filed for approval with the United Kingdom Listing Authority (the “UKLA”). By contrast to the position in Turkey, a single prospectus can be used to conduct a public offering to retail investors in the United Kingdom as well as a global institutional offering and to obtain the London listing. However, the timetable needs to be structured carefully in such circumstances: for use in a retail offering, the prospectus (including a price range) needs to be approved by the UKLA before the start of book-building.

Markets

Under Turkish law, no offering by Turkish companies inside Turkey is permitted without a public offering to Turkish retail investors, which would trigger the requirement for a *Borsa Istanbul* listing.⁴ To be eligible for a Turkish listing (whether on the Stars or Main Market⁵), among other requirements, the

³ Directive 2003/71/EC of the European Parliament and of the Council of November 4, 2003, as amended.

⁴ As of January 13, 2016, the dual listing of shares of Turkish or foreign issuers is permitted on *Borsa Istanbul* if such shares are already listed on an exchange in certain foreign jurisdictions.

⁵ *Borsa Istanbul* is composed of several markets, the two largest and most important for equity securities being the Stars and Main Markets. Both markets require specific

underlying business must be at least two years old, and its total consolidated asset value and consolidated net revenue must be more than TRY 13 million (approx. USD 3.5 million) and TRY 6.7 million (approx. USD 1.8 million), respectively. The CMB reviews these thresholds annually.⁶

The CMB has issued a new regulation, effective as of December 1, 2017, which significantly relaxes previously strict rules on the size of minimum allocations to domestic investors in IPOs of Turkish companies with a *Borsa Istanbul* listing (the “Minimum Domestic Allocation”), which had previously placed notable pressure on the book-building and allocation process. These rules formerly required a Minimum Domestic Allocation of 30%, with 10% being allocated to Turkish retail investors and 20% to Turkish institutional investors.

Under the new rules, however, the Minimum Domestic Allocation has been reduced to 20% (with a minimum of 10% to be allocated to Turkish institutional investors and 10% to Turkish retail investors).

Moreover, under such rules it is possible for the issuer⁷ to apply to the CMB for a reduction of the Minimum Domestic Allocation (potentially to zero) in advance of the start of book-building. When doing so, factors the issuer could cite to the CMB as justifications for such a reduction would include the limited size of the domestic investor base, the number of IPOs coming to market at a similar time and the pressure on book-building created by such required minimum thresholds (which are not common in other jurisdictions).

minimum profitability, offer value and offer size requirements. Pursuant to an amendment dated July 31, 2017 in the Listing Directive of *Borsa Istanbul*, the board of *Borsa Istanbul* is authorized to approve the application of a company that fails to meet the net income or equity to capital ratio requirements for listing on the Stars Market, provided that certain other financial conditions are satisfied.

⁶ For Rule 144A transactions, financials for three full years (or for such shorter period as the issuer has been in operation) should be included.

⁷ The CMB expects such application to be made by the issuer, whether or not the offering is primary or secondary in nature.

Under both the new and former rules, if the offering is upsized at the end of the book-building period,⁸ the amount of the upside can be allocated entirely to international investors. Also, once book-building commences, should there be under-subscription in the domestic market, an amount up to and including the size of the Minimum Domestic Allocation can be re-allocated and sold to international investors. We note that the practical effect of this would be to permit a full reduction of the Minimum Domestic Allocation through action taken only during the book-building process (without any pre-launch application or approval thereof by the CMB). However, such re-allocation, which would occur during the domestic book-building process (the last two to three business days in a typical two week international book-building period) has the potential to unsettle international investors and ultimately disrupt demand. As such, applying for such reduction before the start of the book-building process would be preferable, as a practical matter.

While Turkish companies could avoid the Minimum Domestic Allocation by listing only outside of Turkey,⁹ this has been a rare occurrence to date, in part due to the difficulties associated with establishing effective settlement arrangements in Turkish shares to be listed overseas.¹⁰ By contrast, an alternative is to establish a non-Turkish holding company alongside an international listing (two recent examples being the London Stock Exchange listings of Global Ports Holding plc¹¹ and DP Eurasia N.V.). If this structure is pursued, the consequences of a corporate reorganization to put in place an international holding

⁸ Known in the Turkish market as “over-allotment” shares, although these are not associated with a conventional “greenshoe” option. See Section D below.

⁹ That said, we note in any event that if the number of shareholders of the issuer crosses 500 (worldwide), the issuer will be obliged to file with the CMB and become a public company under Turkish law (with requirements to list or become private again within two years).

¹⁰ See Section E below regarding technical settlement considerations which may necessitate a corporate reorganization before such share listing.

¹¹ Cleary Gottlieb advised the underwriters in the IPO and London listing of Global Ports Holding plc.

company should be carefully assessed, especially for any tax consequences arising from transferring the shares of the Turkish entity abroad, as well as any change of control provisions that could be triggered by the reorganization.

Separately, in 2016 the European Securities and Markets Authority (“ESMA”) published an opinion (the “ESMA Opinion”)¹² on Turkish prospectuses, stating that an *izahname* drawn up in line with Turkish laws and regulations can constitute a valid prospectus under the EU PD (without the addition of any wrapper), provided that it contains financial statements in accordance with IFRS. However, the ESMA Opinion acknowledges the continued (and unlimited) discretion of national competent authorities to require further information, either in the prospectus itself or by way of a “wrapper” to the prospectus. Although this was presumably designed to increase the number of issuers seeking to obtain dual listings on *Borsa Istanbul* and in Europe, enabling them to conduct public offerings in both jurisdictions, no such dual listing has yet taken place since the issuance of the ESMA Opinion. Depending on the size and profile of the transaction, issuers undertaking European IPOs are likely to want to market to qualified institutional buyers in the United States under Rule 144A. For offerings where most of the sales will be to investors outside of Turkey, we would expect the English language IOC, as opposed to an English translation of the *izahname*, to drive the disclosure process, with necessary amendments being made to satisfy the relevant EU Prospectus Directive requirements (as interpreted by the national competent authority in question).

Underwriting Syndicates

For a number of reasons, including Turkish financial intermediary licensing requirements and market practice, in a typical dual-tranche offering in Turkey there are two separate syndicates of banks:

¹² “ESMA assessment of Turkish laws and regulations on prospectuses,” dated February 8, 2016: https://www.esma.europa.eu/sites/default/files/library/2016268_opinion_on_equivalence_of_the_turkish_prospectus_regime.pdf.

international and domestic. Domestic syndicates in Turkey consist primarily of one or several lead managers who coordinate the activities of a broader consortium of domestic intermediary banks. In larger IPOs, the market practice for domestic banks is to provide intermediary services on a best efforts basis (*en iyi gayret aracılığı*), without any actual underwriting commitment, under an “intermediation agreement” signed just before the CMB’s approval of the *izahname*. The international syndicate may make a similar undertaking or, in the most common alternative, underwrite the international tranche on a firm commitment basis under a separate underwriting agreement signed at pricing.

This offering structure closely resembles one that used to be common in global equity offerings, in which a separate underwriting agreement would typically govern each of the tranches to be offered in the several countries in question. As used to be the case in transactions structured in this way, underwriters should consider entering into an intersyndicate agreement to coordinate the offering of the domestic and international tranches, including selling restrictions, settlement procedures, the allocation of commissions, stabilization of the shares offered in each tranche, the re-allocation of shares from one offering to the other and, most importantly, the inter-conditionality of both offerings.¹³

The syndicate structure differs in the case of a dual-tranche offering in the London listing context. As would be usual in an offering solely to institutional investors, a syndicate of international banks markets (and underwrites, as of pricing) the deal to institutional investors.

In the London listing context, the retail component can be marketed through certain financial intermediaries.¹⁴ The prospectus and contractual arrangements between

the issuer and financial intermediaries can be designed to ensure a single document can be used to market the institutional offer and the retail offer. To the extent that retail investors would also benefit from shorter form documents in addition to the prospectus, these can be prepared in parallel. Such intermediaries, appointed by the issuer directly under a separate contractual arrangement (the “**Intermediaries’ Terms and Conditions**”), then market the offering to retail investors. Care should be taken to ensure that the Intermediaries’ Terms and Conditions contain suitable restrictions on the conduct of the intermediaries, in line with those placed on the international banks, in relation to matters such as publicity, research distribution and use of specified materials to market the offering.¹⁵

In both the Istanbul and London listing contexts, it is common for there to be commercially negotiated lock-ups of the issuer and selling shareholder, subject to certain customary exceptions (contractually agreed with, and subject to waiver by, the underwriters). Notably in the Istanbul context, a typical 180-day lock-up of the issuer and selling shareholders is supplemented by a “regulatory lock-up” imposed on shareholders by Turkish securities laws. This prevents any holders of 10% or more of the issuer’s ordinary shares (as well as any person which otherwise holds a controlling interest in the issuer)¹⁶ from selling further shares below the IPO price for the period ending one year after the start of trading.

B. PRE-LAUNCH

Filing with the CMB

In case of a *Borsa Istanbul* listing, the regulatory steps required to be taken by the issuer are numerous and must occur in a prescribed order, particularly if the issuer operates in a regulated industry (*e.g.*, banking or energy) where the relevant industry regulator’s consent

¹³ Under Turkish law, if the domestic offering is not successful for reasons other than lack of demand (*e.g.*, a termination right in the domestic underwriting agreement is triggered or the *izahname* is not approved by the CMB), then the international offering must be discontinued.

¹⁴ This approach was followed in the Global Ports Holding IPO.

¹⁵ In this regard, such arrangement can serve a similar function to the intersyndicate agreement referenced above in the Turkish listing context.

¹⁶ For example, a shareholder holding “privileged” shares granting the right to appoint the majority of the board.

is required for the offering or change of shareholding structure.

First, the issuer must apply to the CMB to amend its articles of association to permit the IPO. Following the CMB approval, the issuer must amend its articles of associations in due course. This is followed shortly by the first filing of the *izahname*, which triggers the start of the CMB's review and is public. This should typically take place at least eight weeks before the anticipated final approval date¹⁷ (close to launch) to provide sufficient time for review.

The CMB review process may take notably longer than in other jurisdictions (such as the UK). This factor, when combined with the timing/availability of financial statements and practical deadlines for launching and closing an international offering, can put significant pressure on the transaction timetable.¹⁸ By way of example of such constraints, an offering using an issuer's audited financials for the year ended December 31, 2017 would need to close on or around May 15, 2018. Based on a typical (two-week) book-building period and T+2 settlement schedule, this would require filing of the *izahname* in early March 2018, within days of the audited financials for the most recent year having become available.¹⁹ This leaves

¹⁷ Under Turkish law, the review process of the CMB should not exceed a maximum of 20 business days from the time the filing is complete (in practice, this is achieved in stages, with the first filing starting the process but being inevitably incomplete due to, *inter alia*, the reasons discussed in this section).

¹⁸ This timing problem arises regardless of whether the latest financial statements are as of year-end (and so audited) or for an interim period (and so only reviewed), though it may be more pronounced in the former context due to additional time required for auditors to complete their work. By way of background, Statement on Auditing Standards No. 72 provides that auditors may not give negative assurance to underwriters as to changes in specified financial statement line items as of a date 135 days (or more) subsequent to the date of the most recently audited or reviewed financials.

¹⁹ It is important to involve the auditors early on in the process of preparing for the IPO to agree on all comfort-related issues. Specific to the Turkish context, if the issuer's financial statements have not been audited under IFRS, explanations of any non-IFRS measures and the nearest

little (if any) time for drafting the sections of the disclosure related to the financial statements, principally the Operating and Financial Review in the IOC and the corresponding section of the *izahname*.

While the first draft of the *izahname* needs to include a set of prescribed information, Turkish securities laws permit certain information to be omitted (typically recent financial disclosure not available in stable form at the time of the first filing). To ensure that the CMB has sufficient time to review the *izahname* in advance of the desired date of final approval, the possibility of filing a partially complete version should be raised with the regulator. Such version would contain a full discussion of the earliest two (of three) years' financials, with a subsequent filing containing the analysis of the most recent period.²⁰ Any such interim or subsequent filings are not made public until the *izahname* is finally approved.

Filing with the UKLA

By contrast to a first filing with *Borsa Istanbul*, a first filing with the UKLA in advance of London listing remains confidential; as such, the forthcoming offering can be kept out of the public domain until the announcement of the intention to float (the "ITF"). The UKLA requires 10 clear working days to provide comments on the first submission of a prospectus for an IPO, and 5 clear working days for any subsequent submission. The timetable needs to be structured to ensure sufficient time is allowed for UKLA review. As is the case with the CMB filing, the deal team should discuss with the UKLA the possibility of filing a draft prospectus for the first submission that does not include a discussion of the results of the latest financial year (this being included in a subsequent submission instead).

Although a London listing offers greater flexibility in preserving confidentiality at the earlier end of an IPO timetable compared to a *Borsa Istanbul* listing, equity

reconciliations thereto may be necessary in the IOC and comfort letters.

²⁰ General market practice suggests that the CMB is amenable to such an approach, although each transaction is reviewed on a case-by-case basis.

offerings in London with an analyst presentation taking place after July 1, 2018 will need to follow new Conduct of Business Sourcebook (“COBS”) provisions issued by the FCA in October 2017, which essentially require issuers to publish an approved registration document or a prospectus before the publication of research reports by connected and unconnected analysts, which is likely to lead to an earlier ITF announcement than the market has been used to in prior transactions.²¹

C. LAUNCH

Borsa Istanbul Listing

Timing

It is important to distinguish between international and domestic offerings in this context—the former being a placement to institutional investors only (for the purposes of this memorandum) and the latter including a public offer to Turkish retail and institutional investors.

Marketing for the domestic offering/book-building takes place using the “final” *izahname*, which is printed and circulated (with a price range) only after approval by the CMB.²² Domestic book-building typically coincides with the end of the international offering book-building period, and must be conducted over two to three business days under Turkish law. While Turkish institutional investors may, in line with international practice, place bids across the full spectrum of the price range, Turkish retail investors are, for practical reasons, required to place orders at a price equivalent to the top of the range (the excess

²¹ Confidentiality of the deal could be compromised at an earlier stage if the deal team decides to invite unconnected analysts to the same analysts presentation meeting as connected analysts, which is one of the options offered by the new COBS rules to ensure ability of unconnected analysts to produce pre-deal research reports. For further details on the new COBS provisions, please refer to Cleary Gottlieb’s memorandum, available [here](#).

²² For purposes of this memorandum, it has been assumed that domestic book-building takes place using a price range set at launch, which is the method used in the overwhelming majority of Turkish IPOs.

amount being reimbursed if the deal prices at a lower level).

The marketing/book-building for the international offering may start before the final CMB approval if the Preliminary IOC includes appropriate disclaimers that indicate, among other things, that the Turkish *izahname* has not yet been approved by the CMB and no formal orders are taken.

Local Valuation Report and Price Range

One of the domestic lead managers is required to prepare a valuation report, the purpose of which is to provide a fair market value estimate of the shares (in the form of a price range).²³ The valuation methodology of the report—but not the valuation itself—is reviewed by the CMB, which may require several versions to be submitted.²⁴ The final report is disclosed to the public on the Turkish Public Disclosure Platform.

The price range needs to be included in the preliminary IOC for consistency of treatment between international and domestic investors (as noted above, the final price range is disclosed to the latter in the *izahname*). The timetable should thus be structured to ensure that approval of the final valuation report containing the price range (coinciding with the approval of the *izahname*, which also includes such range) is received before the launch of the international offering, though that is not always possible, such that this final price range can be included in the preliminary IOC for use in the international roadshow.²⁵ As a matter of Turkish law,

²³ Other domestic managers or any other Turkish investment banks may also review the valuation report and provide their own analyses, which is, like the valuation report, made public.

²⁴ The first draft of the report contains a valuation range that is in most cases wider than the final IPO price range. The CMB-approved version of the valuation report contains the narrower price range included in the preliminary IOC and *izahname* and used during international and domestic book-building.

²⁵ This is earlier than the timing prescribed by the Turkish securities laws, which requires publication of the local valuation report at least three days prior to the start of book-building to domestic investors.

there is a limit to any widening of the price range: the top of the price range cannot be more than 20% higher than the bottom.

London Listing

In a dual-tranche offering involving a retail element in the London listing context, a prospectus containing a price range is approved by the UKLA ahead of launch, and used for marketing purposes to both institutional and retail investors. Under the EU PD, in the case of a public offering to retail investors the approved prospectus must be available to the public for six working days before the end of the offer (thereby providing a minimum length of offering period for the retail tranche). However, this is not a significant limiting factor in practice, since institutional book-building typically lasts for ten working days.

The existence of the retail tranche also triggers certain requirements under the UK regime for regulating financial promotions (commonly construed as communications of an invitation or inducement to engage in investment activity). While communications to professional investors are generally exempt from such regulations, those to retail investors are not. As such, the ITF announcement, launch press release and other similar communications by the issuer need to be approved by an FCA-authorized person (typically, one of the underwriting banks) under FCA Conduct of Business Rules for retail promotions. Communications must be fair, clear and not misleading, as applied to an unsophisticated retail audience; in practice this limits use of financial and industry jargon in such communications.

In a typical Regulation S/Rule 144A offering without a retail tranche, the underwriting agreement is signed at pricing of the transaction, after the completion of book-building. By contrast, it is typical in London listings with a retail tranche for the underwriting agreement to be signed at the start of book-building, although the underwriting commitment of the banks is contingent on the execution of a subsequent agreement at pricing. In this way, the underwriters obtain the benefit of the issuer's and selling shareholders' representations and warranties (specifically those

regarding the truth and accuracy of the prospectus), but their underwriting obligations remain contingent on the book of investor demand having been successfully built.

In spite of this divergence, in both such cases the underwriting banks take only "settlement risk", since underwriting commitments are only made at pricing, by which point investor demand is known.

Subsequent Material Disclosure Events

The occurrence of material disclosure events before settlement not included in the offering documentation may, as in the international context, necessitate further disclosure to the market in Turkey by way of supplementary *izahname*. The CMB may suspend the offering process in such circumstances, and both international and domestic investors will have withdrawal rights with respect to orders placed. As well as making the international and domestic offerings inter-conditional, the international banks should also consider including a mechanism in the international underwriting agreement for protection in the case of a reduced (as opposed to failed) domestic offering.²⁶ A similar requirement for a prospectus supplement exists in the London listing context, which would also trigger withdrawal rights for investors for the two working days after the date of publication of the supplement.²⁷

D. PRICING

Timing and Upsizing the Deal: Turkish vs. International Practice

The CMB has recently amended the requirement relating to the announcement of the price range initially disclosed in the *izahname*, the revision of which was not permitted under prior rules unless

²⁶ This would avoid a situation in which the standard triggering withdrawal rights of Turkish investors does not match up to the conditions precedent to closing in the international underwriting agreement.

²⁷ See ss. 87G and 87Q of the Financial Services and Markets Act 2000, as amended.

included in a new *izahname* filing with the CMB.²⁸ With effect from December 1, 2017, the price range disclosed in the *izahname* can be decreased through simple and brief public disclosure and need not require a formal amendment to the *izahname* itself.²⁹ It is advisable to explicitly disclose this new regulatory flexibility and the possibility of a future decrease of the price range in the preliminary IOC and the *izahname*. Such decrease may occur either before or after commencement of the domestic book-building period. We believe that this will give market participants greater flexibility in initially setting the price range for the book-building period and in decreasing such price range, should market conditions demand it.

If the price range is decreased before the opening of the domestic book-building period, the start of such period is required to be delayed until, at the earliest, the second calendar day following the announcement. If the price range is decreased during the domestic book-building period, the book-building period must remain open for a minimum of two business days after any such decrease. As international books close at the same time as the domestic book in a typical dual-tranche IPO in Turkey, any such change to the price range has the effect of extending the international book-building period as well.

In the international context, pricing typically occurs on the day books of demand are closed. At such time, the price is set, the pricing term sheet is circulated to investors (and “time of sale” occurs for U.S. securities law purposes) and the underwriting agreement among the issuer, selling shareholder and underwriters is signed.

In the Turkish context, an additional layer of complexity is added by Turkish practice regarding “upsizing” the deal, this referring to any selling shareholder(s)’s option to increase the size of the

offering by up to 20% of the originally intended size (including primary and secondary components).³⁰ All descriptions relating to the offering (for example, in public announcements made in respect of launch) should reflect the possibility of this occurring. In terms of timing, any decision to upsize typically takes place following the night of pricing, at the end of the international and domestic book-building periods. Book-building is typically scheduled to finish (and the final offering price to be determined) on a Friday. The allocation list is circulated to the issuer (and selling shareholder(s)) on the morning of the following Monday, and the “sale contract” with domestic investors is formed on that day under Turkish law, following the approval of such list by the issuer and selling shareholder(s). Only at such later time is the pricing term sheet circulated to international investors and the underwriting agreement signed in such offerings. The intervening weekend is used to consider any “upsize” and finalize allocations.

This practice is sometimes referred to in the Turkish market as an “overallotment,” whereas in international practice (including, for this purpose, the London listing context), this term refers to the creation of a short position, typically settled using a share borrowing, intended to support stabilization activities, with the short position being closed out through market repurchases or the exercise of the “greenshoe” option. While a conventional overallotment option structure is legally and theoretically possible in Turkey, it is very uncommon in practice.³¹ Instead, as described below, a portion of the proceeds from the offering is used to effect stabilizing purchases in the aftermarket.

Irrespective of any “upsize,” stabilization activity may still be carried out under Turkish law within 30 days of

²⁸ This would cause the CMB approval process to either restart completely or to restart with a supplement, approval of which will take additional time.

²⁹ Any revised price range remains subject to the limitation that the top of the range be no more than 20% above the bottom.

³⁰ Such upsize is not possible in offerings with no secondary component.

³¹ There is a general perception in Turkey that, save for fees/commissions, underwriters should not profit from the sale of the shares, a result that is, of course, possible in a conventional overallotment structure. That said, there is a clear disconnect between this and the stabilization practice discussed in the next paragraph.

closing. Pursuant to a separate stabilization agreement, one of the domestic lead managers, as a stabilization manager, has exclusive discretionary authority to undertake stabilization activities during the stabilization period. The number of shares that are repurchased in stabilization activities should not, at any one time, constitute more than 20% of the total offer size.

Under CMB regulations, if there are primary and secondary tranches in the offering, initially the proceeds from the secondary offering must be used to finance the stabilization activities, which is what typically occurs. In circumstances where the stabilization activities are funded out of the primary offering proceeds, the amount used may not exceed 20% of the primary proceeds before any upsize. In such circumstances, consideration would have to be given to the implications of the effectively reduced offering size on use of proceeds and capital resources, particularly as a matter of disclosure.

E. CLOSING

Settlement

Payment for the shares is made in Turkish lira in same day funds. In practice, the syndicates of banks open custody accounts with a recognized Turkish depository for the investors in order to make payments of Turkish lira and take receipt of the shares. Upon settlement, a first time issuer gains public status and becomes a public company under Turkish law.

In case of a London listing, care should be taken that listed shares should be eligible for settlement on the CREST system, which is limited to securities of English companies. While international companies incorporated in certain foreign jurisdictions can have their shares effectively made eligible for CREST settlement through the issuance of CREST Depositary Interests, Turkish law prevents a Turkish company from accessing this route. This has, in recent times, led Turkish companies to pursue a corporate reorganization ahead of listing their shares on the London Stock Exchange.

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CLEARY GOTTlieb STEEN & HAMILTON LLP
PAKSOY ORTAK AVUKAT BÜROSU

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