

Response of the Turkish securities regulator to COVID-19

April 2020



Dear Clients, Colleagues and Friends,

While the Coronavirus (COVID-19) continues to spread rapidly across the world and affect economies of countries including Turkey, the Capital Markets Board of Turkey (“**CMB**”) has taken certain measures to mitigate the effects of this global threat and it announced a number of targeted measures, some of which are summarised below:

Limit on derivative transactions:

In parallel with the decisions of the Banking Regulation and Supervision Agency which go back to August 2018 and decrease the limit over the cross currency swap transactions of Turkish banks with foreign entities gradually from 50% to 1%, the CMB has now also decided in its board resolution on 13 April 2020 to limit the amount of the derivative transactions conducted by capital markets institutions. New limits are listed below:

- The total of the money swap, forward, option and other derivative transactions conducted by capital markets institutions with the counterparties residing abroad for TRY purchase at the maturity will be limited to 1% of their equity capital calculated based on their capital adequacy statements prepared as of the end of previous month. New transactions will not be executed or renewed until the current excess is down to 1% which will be monitored on a daily basis.
- The total of the above-mentioned transactions conducted by capital markets institutions with the counterparties residing abroad for TRY sale at the maturity will be limited to the levels stated below as follows:
 - » 1% of the equity capital (calculated as explained above) for the transactions which will become due in seven days,
 - » 2% of the equity capital for the transactions which will become due in 30 days,
 - » 10% of the equity capital for the transactions which will become due in one year.

The extension of the maturity of those transactions or their termination before the maturity will be subject to the approval of the CMB.

Extension of filing deadlines and other measures:

The CMB decisions taken in late March are as follows:

- Deadlines for 2019 annual and Q1 2020 financials, where applicable, are extended for listed companies,

portfolio management companies, investment funds and other entities subject to the capital markets legislation.

- Buyback of shares by listed companies from the market without being subject to required limits will continue to be in force¹,
- Until a further notice, client orders can be accepted through mobile applications (such as WhatsApp, etc.) and/or personal e-mail accounts of the employees of the investment institutions and portfolio management companies provided that evidencing registration mechanisms are established and the clients are informed accordingly.

Short selling restrictions:

As is the case in some European countries and emerging economies, the CMB prohibited short selling transactions on the Equity Market of Borsa Istanbul in order to ensure that the capital markets function in a secure, transparent and stable environment and that the rights and interests of investors are protected. The prohibition is also applicable to short sale transactions which are not flagged as a short sale but that are closed on the same day.

¹ The CMB had taken steps in July 2016 which allowed listed companies (but not their shareholders, managers and other persons who have access to inside/continuous information) to buyback free float shares regardless of any ongoing buyback programme. Accordingly, the companies are allowed to disregard several principles set forth under the Communiqué on Bought Back Shares No. II-22.1 (the “Communiqué”), such as the requirement (i) for a shareholders meeting of the publicly listed companies to authorize the board of directors for buying back shares, (ii) not to exceed 10% of the paid or issued share capital of the company and (iii) to limit the number of daily bought-back shares by the company and/or its subsidiaries to 25% of average 20 day trading amount.

There is also no need for a shareholders meeting to start a buyback programme. A simple board resolution is sufficient and should be announced that needs to include the purpose for buyback, the maximum number of shares subject to buyback and the maximum amount of fund to be reserved for such transaction.

The companies that have already established buyback programmes may continue to implement the existing rules under the Communiqué or adopt board resolution to utilise benefits introduced.

Finally, the bought-back shares shall be sold in a maximum of three years, but maximum 10% may be held by the company for an unlimited period.



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