

CAPITAL MARKETS
BOARD OF TURKEY



2011
ANNUAL REPORT



CAPITAL MARKETS BOARD OF TURKEY
Annual Report
2011

ANKARA
APRIL 2012

The Capital Markets Board of Turkey

has the VISION of being a leading, dynamic and respected institution in both the national and international arenas. To achieve this, our MISSION is to perform objective and accountable regulation and supervision in the capital markets, with simple and understandable rules, in line with international standards and developments and responding to changing market needs, to ensure that capital markets are secure, fair, transparent and efficient.



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ABBREVIATIONS

CBRT	: Central Bank of the Republic of Turkey
CMB	: Capital Markets Board of Turkey
CML	: Capital Markets Law
CPI	: Consumer Price Index
CRA	: Central Registry Agency Inc.
ECB	: European Central Bank
EMBI	: Emerging Markets Bond Index
EMC	: Emerging Markets Committee
EU	: European Union
FCIB	: Financial Crimes Investigation Board
FED	: US Federal Reserve
GATS	: General Agreement on Trade in Services
GDP	: Gross Domestic Product
GNP	: Gross National Product
IAASB	: International Auditing and Assurance Standards Board
IGE	: Istanbul Gold Exchange
IMF	: International Monetary Fund
IOSCO	: International Organization of Securities Commissions
IPO	: Initial Public Offerings
ISE	: Istanbul Stock Exchange
LIBOR	: London Interbank Offered Rate
MSCI	: Morgan Stanley Capital International
NYSE	: New York Stock Exchange
OECD	: Organisation for Economic Cooperation and Development
PDP	: Public Disclosure Platform
TAIEX	: Technical Assistance Information Exchange Office
TAKASBANK	: ISE Settlement and Custody Bank Inc.
TSPAKB	: Association of Capital Markets Intermediaries of Turkey
TURKDEX	: Turkish Derivatives Exchange
USA	: United States of America
WFE	: World Federation of Stock Exchanges
WTO	: World Trade Organisation
WPI	: Wholesale Price Index

CHAIRMAN'S STATEMENT

Since its foundation in 1982, the Capital Markets Board of Turkey, in addition to its role of regulating and supervising the capital markets, has been involved in continuous efforts to increase product diversification and the number of organisations in the market, as well as to improve the overall well-being of the markets.

Not surprisingly, as a result of the past global economic crisis, there has been a surge in the adoption of certain regulations and practices which aim to minimise the vulnerability felt in the global financial markets. Within this context, measures have been taken to minimise the systemic risk felt in the markets, and the ever growing importance of the capital markets in an economy has emphasized in the studies.

In Turkey, 'forex' transactions have been defined as a new capital market activity in the most recent revisions made to the Capital Markets Law (CML). Within this framework, the principles and rules regarding this activity have been defined, and certain monitoring and enforcement mechanisms have been adopted in order to promote the healthy functioning of the forex market.

As is known, institutional investors constitute one of the most significant factors in the capital markets. Various regulations have been adopted in relation to investment funds which constitute the largest part of institutional investors in our markets. New types of funds have been created, measures have been taken in order to improve the performance of mutual funds, and to enhance public disclosure requirements of mutual funds. For real-estate investment trusts, regulations have been introduced for a better disclosure of their asset portfolio through their financial statements, and incentives have been given for going public. In addition, portfolio management companies have been given the permission to act as intermediaries in the trading of mutual fund participation certificates, harmonizing the underlying legislation regarding the distribution of investment fund certificates that of the European Union (EU). New regulations have been adopted which seek to boost investors' interest in mutual funds.

Various reforms have also been made in relation to public companies which play a very significant role in the capital markets. Companies are now allowed to trade in their own shares to decrease the level of price fluctuations. With these regulations, it is aimed that these transactions are made



in a fair and transparent environment, so that investors can be better informed. Additionally, certain disclosure requirements, especially regarding independent auditing and financial reporting have been lifted for companies traded on the Istanbul Stock Exchange Emerging Companies Market.

As to new capital market instruments, factoring organizations have been allowed to issue asset guaranteed securities guaranteed by factoring receivables. With the help of these reforms made to the underlying legal infrastructure, after a long period of time, some securitization transactions have taken place again, and for the first time in Turkey non-interest bearing lease certificates (sukuk) have been issued. Moreover, some foreign securities by financial companies have been registered with the Board.

The ever first public offering by the Emerging Companies Market took place at the year begin, enabling the financing of Small and Medium Sized Enterprises via the capital markets. We strongly believe that the Emerging Companies Market shall become a much more active market in the very near future, and that the Small and Medium Size Enterprises shall benefit significantly from financing through the capital markets.

One of the most important reforms that we made this year was in relation to corporate governance. With the authority given to our Board by Decree by Law no 654 which became effective in November 2011, Corporate Governance Principles, have been transformed into regulations in the form of a Communiqué. By taking into consideration the worldwide developments in corporate governance

principles, some new essential changes to the principles have been made. Changes mainly focused on enabling a better decision making environment for investors, and aimed at providing a fair representation of small investors. Moreover, these changes intended to provide a working environment for the Board of Directors that would be free from any conflicts of interest, and to strengthen the rights of minority shareholders.

In relation to the reforms that were brought about in 2011, changes made to the exchanges have played a crucial role. Namely, electricity based futures contracts, have commenced trading on the Turkish Derivatives Exchange. With the further expansion of this market, enabling an improved setting for the forming of future price expectations in this market, investments into the energy sector, which is an important need for our country, can now be made in a much more sound and efficient manner.

In order to provide investors with better means to monitor their investments, and to minimize any irregularities, necessary regulatory amendments have been made and principles have been set for the registration and customer based safekeeping by the Central Registry Agency of government debt securities.

Previously our Board had taken some measures to strengthen the supply side of the capital markets via the launch of the Public Offering Campaign. To enhance these measures, our Board has also taken some measures aimed at focusing on the demand side of the capital markets. In this context, our Board has taken some very important steps aimed at promoting investor education. For this, our Board has initially launched a website 'www.yatirimyapiyorum.gov.tr' to inform investors in various areas such as different investment types, different financial products, investor rights, and any other factors that are worth considering when making an investment decision. There is also information pertaining to unapproved public offerings. The "Virtual Portfolio" and the Knowledge Contest Award and the Composition Contest are all some remarkable examples of activities that were launched in order to increase investor education regarding capital markets and to help promote knowledge and awareness in this area. Moreover, in order to help promote 'Financial Literacy', various activities have been conducted to help, educate investors via appropriate means of communication. Within this context, various seminars have been conducted in order to educate women and university students.

In order to help develop our capital markets, and in order to help attain a globally competitive position, our Board is in continuous cooperation with other major international organizations. Within this context, our Board attaches great significance to harmonizing its rules and principles with those of other major international organizations, such as the International Organization of Securities Commissions, the Organisation for Economic Cooperation and Development, the World Trade Organisation, and Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation. Our Board is in continuous cooperation with these international organisations in a very proactive manner. Memoranda of Understanding (MoU) are still being signed between our Board and other regulatory authorities worldwide. In addition to these international activities, we have also organized numerous international meetings at various places in the world, in order to present our capital markets internationally. These meetings and presentations served to be very useful in the exchange of information between our organization and foreign investors, international capital market institutions, and fund managers. In our efforts regarding the harmonization of our regulations with those of the EU, our works on the use of both EU and country funds are still in continuous progress.

In relation to our future projects, a new set of major amendments to be made to our CML are of greatest significance. The new CML was drafted taking into consideration the recent developments in the financial markets and the associated new regulations worldwide, and also the feedback from the local market participants. With this new law, we aim to create a healthy environment for our capital markets, enabling them to compete at the international level, thereby improving our country's fund providing mechanism. We strongly believe that with these amendments to be made in our CML, together with other new regulations, our developing capital markets shall lead the way for our country to become a regional financial centre within the next five years. Surely this will not be achieved solely by the contributions of the Board and its staff, but will also have the support of all the other market participants.

A. Vedat AKGİRAY
Chairman



I. Turkish Grand National Assembly Building - Ankara

1. CAPITAL MARKETS BOARD OF TURKEY

CMB is the sole regulatory and supervisory authority to regulate and control the secure, transparent and stable functioning of the capital markets and to protect the rights and benefits of investors with the purpose of ensuring an efficient and widespread participation by the public in the development of the economy through investing savings in the securities market in Turkey. The CMB was established as a self-funding statutory public legal entity with administrative and financial autonomy empowered by CML which was enacted in 1981 with the aim of implementing the duties and exercising its authority endowed by this Law.

The CMB's Executive Board has seven Members/Commissioners, two of whom are the Chairman and the Deputy Chairman. The CMB is related to the deputy prime minister or minister assigned by the prime minister. The CMB's headquarters* is located in Ankara, and there is a regional office in Istanbul.

1.1. MISSION VISION DUTIES AND AUTHORITIES

The MISSION of the CMB is "to regulate and supervise the capital markets for the secure, fair, transparent and efficient functioning of the capital markets, within the framework of objectivity and accountability, conducting supervision and making clear and easily understandable regulations that are in conformity with international norms and developments, and that meet the constantly changing market needs." The VISION of the CMB is "to be a leading, dynamic and respected institution in both the national and international arenas."

The main duties and authorities of the CMB specified by the CML are as follows:

- To regulate and control the conditions of the issuance, public offering and sale of capital market instruments ;
- To register capital market instruments to be issued or offered to public and to halt the public offering and sale of capital market instruments temporarily in case the public interest so requires;
- To determine standard ratios related to financial structures, and the use of resources of capital market institutions subject to the CML in general or by areas of activity or types of institutions, and to regulate the principles and procedures related to the publication of these ratios;
- To determine the principles related to independent auditing operations, including when appropriate with respect to use of electronic media in the capital markets; to determine the conditions for establishment and the working principles of institutions engaged in independent auditing operations with respect to the capital market according to Law No. 3568, dated 1 June 1989 by consulting with the Union of Chambers of Public Accountants of Turkey and to publish lists of those who have such qualifications;
- To reach general and specific decisions to ensure duly and timely enlightenment of the public and to determine and issue communiqués about the content, standards and principles for the publication of financial statements, reports and their audit, of prospectuses and circulars issued at the public offering of capital market instruments, and of important information affecting the value of instruments;
- To supervise the activities of the issuers subject CML, banks with respect to provisions in paragraph (a) of Article 50 of CML, capital market institutions and stock exchanges and other organized markets for compliance CML, decrees, communiqués of the Board and other legislation related to capital markets by demanding all the necessary information and documents;
- To monitor all kinds of publications, announcements and advertisements relevant to the capital markets made via any means of communication, and to ban those which are determined to be misleading and to inform the related organizations to duly execute what is required;
- To review the financial statements and reports and other documents obtained by the CMB or submitted to it in accordance with the provisions of CML, to request reports also from issuers and internal auditors and independent auditors about matters deemed to be necessary and by evaluating the results obtained, to take the required measures as proved in this Law;
- To determine the principles related to voting by proxy in the framework of the general provisions at the general assemblies of publicly held joint stock corporations and to make regulations related to those who collect proxies or acquire shares in an amount enabling them to change the management of such corporations, or the obligation of purchasing other shares and the rights of the partners who are in the minority to sell their shares to persons or a group which has taken over the control;
- To regulate the qualifications and sale and purchase principles of any derivative instruments, including futures and options contracts based on economic and financial indicators, capital market instruments, commodities, precious metals and foreign currency, the supervision of the obligations of those employed at the exchanges and markets where these instruments are traded, and of the rules and principles of activities and of the rules, principles, and guarantees of the clearing and settlement system;
- To regulate agreements for the purchase or sale of capital market instruments with the promise to resell or repurchase; to adopt market transaction rules related to these contracts; and to determine operating rules and principles related to these transactions;

* According to Law numbered 6111 published in the Official Gazette on February 25, 2011 the CMB is headquartered in Istanbul. However, the administrative center of the CMB will remain at its current headquarters in Ankara until the procedures for moving to Istanbul are completed.

- To determine rules and principles related to the borrowing and lending capital market instruments and short selling transactions and, after obtaining the opinions of the Undersecretariat of the Treasury and the Central Bank of the Republic of Turkey, to adopt regulations related to transactions involving margin trading;
- To make necessary regulations within the framework of related legislation with respect to the issuing and public offering of capital market instruments in Turkey by non-residents;
- To regulate and supervise the clearing and custody of capital market instruments and the rating of capital market institutions and capital market instruments;
- To determine the principles of establishment, operation, liquidation and termination of newly established capital market institutions and to supervise them in order to ensure the development of capital markets;
- To perform the examinations requested by the Related Minister; to submit reports to the Related Minister in relation with its activities; to submit proposals to the Related Minister with respect to the amendment of legislation concerning the capital market;
- To establish the qualifications necessary to serve as an expert institution with respect to the appraisal of real estate for the purpose of capital market activities and to publish a list of the institutions that have met these qualifications;
- To determine the rules and principles applicable to persons and organizations engaged in making investment recommendations on the capital market, including in the media and by electronic means;
- To determine the principles for issuing certificates showing the vocational training and vocational adequacy of persons who shall engage in activities on the capital markets and

managers and the other employees of capital market institutions and with this objective to establish centers and to determine the principles with respect to the activity;

- To regulate and supervise public offerings and capital market activities and transactions that are made by means of all kinds of electronic communication tools and media and similar tools including internet and pursuant to general rules to provide for and supervise the use of electronic signatures in activities within the scope of the CML;
- To make rules and regulations with respect to the method of collective use of voting rights wholly or partly to select members of the board of directors and of company auditors by the general assemblies of stockholders of publicly held joint stock companies subject to the CML;
- To collaborate in every aspect and to exchange information regarding the capital markets with foreign equivalent authorities responsible for regulation and supervision of their respective capital markets.

1.2. THE EXECUTIVE BOARD AND ORGANIZATION

1.2.1. The Executive Board

The Executive Board is composed of the Chairman and the Commissioners. The CMB's highest decision making body is the Executive Board. The Executive Board is empowered to discuss and to make decisions on all matters which according to the laws fall under the CMB's duty and authority. The Executive Board has seven Members/Commissioners. The Council of Ministers appoints two members from four nominations by the related ministry the other five members are appointed from the nominations of the "Ministry of Finance", the "Ministry of Industry and Trade*", the "Banking Regulatory and Supervisory Board", the "Association of Trade Chambers and Exchanges", and the "Association of Capital Markets.



From left to right, Bülent GÖKREM, İlhami ÖZTÜRK, Vahdettin ERTAŞ, A. Vedat AKGİRAY, Mustafa KORHAN, Mithat HIZLI, Muhammed Emin ÖZER

* Within the framework of the transitional Article 2 entitled "right and authorities, transfer of personnel, and references " of the " Decree Law Regarding the Organization and Duties of the Ministry of Customs and Trade " which was issued by the Council of Ministers on 3 June 211, based on the Authorization Law No:6223, dated 6 April 2011, the Ministry of Industry and Trade should presently be considered as the Ministry of Customs and Trade.

EXECUTIVE BOARD



Prof. Dr. A. Vedat AKGIRAY
Chairman



İlhami ÖZTÜRK
Board Member



Mithat HIZLI
Board Member



Mustafa KORHAN
Board Member



Muhammed Emin ÖZER
Acting Chairman



Vahdettin ERTAŞ
Board Member



Bülent GÖKREM
Board Member

1.2.2. Organization

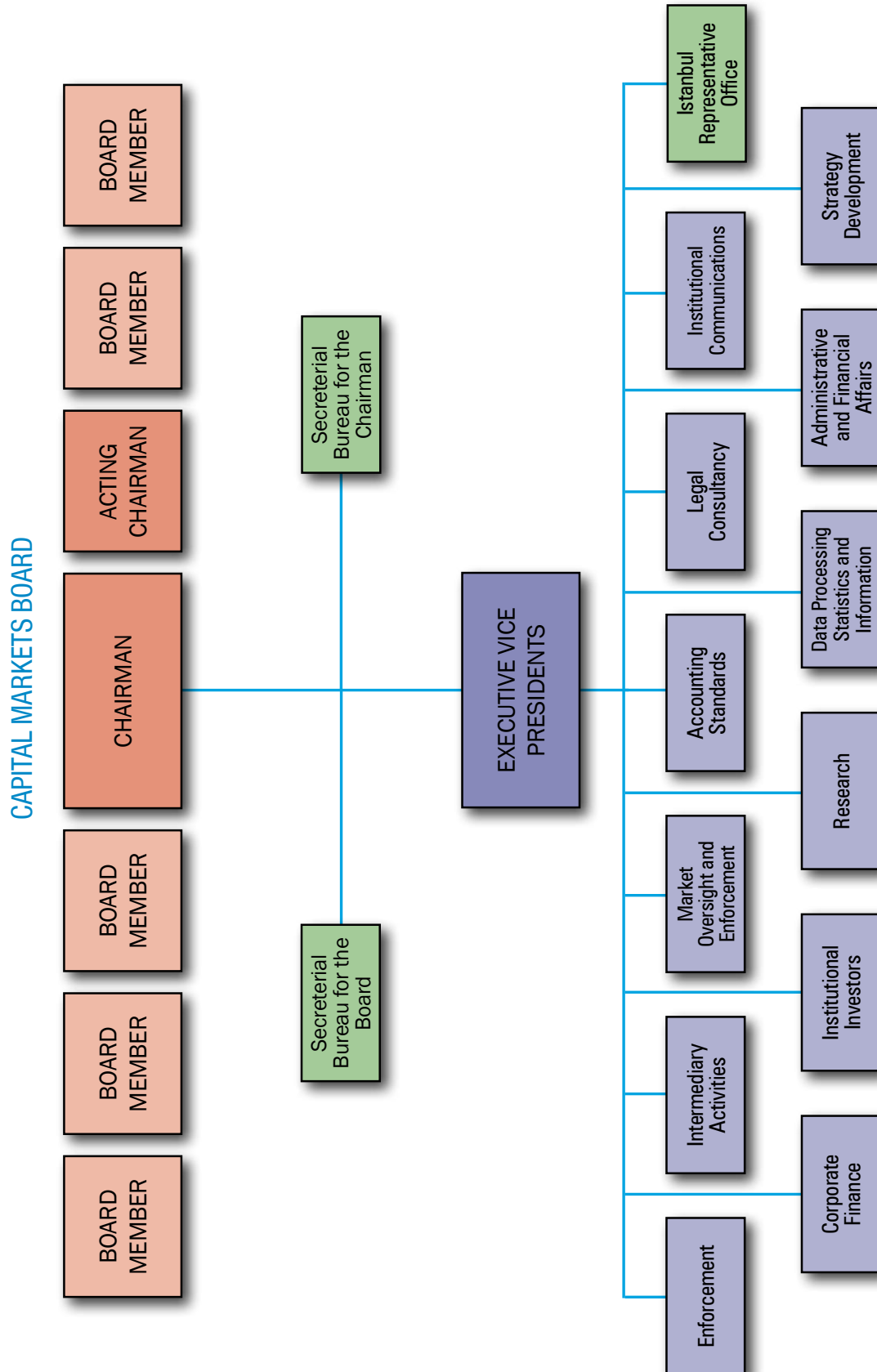
The CMB consists of the Chairman, the Executive Board and Departments which are responsible to the Chairman.

The Chairman is the chief executive of the organization and the Executive Board. The executive vice presidents are authorized and responsible for the coordination, operation and administration of the entire organization. The departments are as follows: Department of Enforcement, Department of Corporate Finance, Department of Intermediary Activities, Department of Institutional Investors, Department of Market

Oversight and Enforcement, Department of Research, Department of Accounting Standards, Department of Data Processing, Statistics and Information, Department of Legal Consultancy, Department of Institutional Communication, Department of Strategy Development, Department of Administrative and Financial Affairs. Besides, there are Groups within the departments dealing with European Union Affairs, International Relations, Requests for Information, Licensing and Registration and Investor Education. Organization chart of the CMB is given on the following page.



CMB Building - Ankara



1.3. BUDGET

The income and expenditure figures of the CMB are TL 153.3 million and TL 155.2 million in 2011, respectively. The detailed figures are as follows (Table 1.1).

Table 1.1. Income and Expenditure of the CMB in 2011

1-INCOME		(TL)
Type of Income	Allowances	Realizations
Legal Income	62,290,000	64,861,381
Income from Lodgement	330,000	328,038
Other Real Estate Income	500,000	538,716
Income From Exchanges	13,106,000	31,476,274
Other Interest	502,000	1,117,368
Other Income	1,440,000	55,022,147
TOTAL	78,168,000	153,343,924
2-EXPENDITURE		
Type of Expenditure	Allowances	Realizations
Staff	48,928,000	43,750,336
Social Security	3,147,000	2,789,086
Goods and Services	19,137,000	17,898,324
Current Accounts	4,156,000	2,273,184
Capital Cost	12,800,000	88,499,092
TOTAL	88,168,000	155,210,022
Source:CMB		

The CMB can be considered as a self-financing entity since all the expenditures accrued are paid by a particular fund which has been established for this purpose in compliance with the CML. A total of 0.005% - 0.2% of the volume of the securities registered with the CMB is paid by the issuer as registration fee, which constitutes the financial sources of CMB's budget. With the latest amendments to the CML, 10% of the income

of the exchanges established within the scope of the CML is transferred to this fund. In case the income from this fund is insufficient to meet the expenditures of the CMB, the deficit is financed by an amount allocated from the budget of the Undersecretariat of Treasury. However, such a deficit has not occurred since 1992.

1.4. STAFF

The rank profile of the CMB staff at 2011-end is as follows (Table: 1.2).

Table 1.2. Staff of the CMB

EXECUTIVE BOARD	7
TOP MANAGEMENT	41
Executive Vice Presidents	4
Heads of Departments	12
Istanbul Representative	1
Deputy Heads of Departments	13
Advisors	11
PROFESSIONAL STAFF	223
Chief Experts	89
Experts	101
Chief Lawyers	14
Lawyers	19
JUNIOR PROFESSIONAL STAFF	70
Assistant Experts	60
Assistant Lawyers	10
IT STAFF	51
ADMINISTRATIVE STAFF	178
TOTAL	570
Source: CMB	



Shanghai Finance Center - China

2. WORLD ECONOMY

Global economic growth slowed down in 2011 as expected. International Monetary Fund (IMF) cut its forecast for 2011 global economic growth from 4% to 3.8% in its January 2012 update. IMF also forecasted in its January update that the global economic growth rate will decline to 3.3% in 2012.

According to the latest forecast of IMF, in 2011 advanced economies are expected to grow 1.6%, while developing countries is expected to grow 6.2%. Among advanced countries, the Gross Domestic Product (GDP) growth in US and Euro Area is expected to be 1.8% and 1.6% respectively, whereas Japanese economy is expected to contract by 0.9% in 2011 as reported by the IMF. Among emerging market countries, the fastest growing region is expected to be Asian region with its 7.9% growth whereas the slowest growing region is expected to be the Middle East, and North Africa region with its 3.1% growth rate.

IMF forecasts that the consumer price inflation in advanced countries to reach 2.7%, and in developing countries to reach to 7.2% in 2011. Middle East and North Africa region is expected to have the highest inflation rate among developing countries according to the data in Table 2.1.

In 2011, the growth rate of the world trade volume is expected to slow down to 6.9%. The export of developing countries is expected to increase by 9%, while export of advanced countries is expected to rise by 5.5% . In addition the increase in the imports of developing countries is expected to be 11.3% whereas the growth rate of the imports of advanced countries is expected to be 4.8%.

Table 2.1. Summary Data About World Economy

	2009	2010	2011
	Annual Growth Rate (%)		
World Output	-0.7	5.2	3.8
Advanced Economies	-3.7	3.2	1.6
-United States	3.5	3.0	1.8
-Euro Area	-4.3	1.9	1.6
-Japan	-6.3	4.4	-0.9
Developing Countries	2.8	7.3	6.2
-Central and Eastern Europe	-3.6	4.5	5.1
-Asia	7.2	9.5	7.9
-Middle East and North Africa	2.6	4.3	3.1
-Sub-Saharan Africa	2.8	5.3	4.9
-Western Hemisphere	-1.7	6.1	4.6
	World Output (Billion US\$)		
According to the Exchange Rate	57,722	62,911	70,012
According to the Purchasing Power Parity	70,036	74,385	78,853
	Inflation (Consumer Prices, %)		
Advanced Economies	0.1	1.6	2.7
-United States	-0.3	1.6	3.0
-Euro Area	0.3	1.6	2.5
-Japan	-1.4	-0.7	-0.4
Developing Countries	5.2	6.1	7.2
-Central and Eastern Europe	4.7	5.3	5.2
-Asia	3.1	5.7	7.0
-Middle East and North Africa	6.6	6.8	9.9
-Sub-Saharan Africa	10.6	7.5	8.4
-Western Hemisphere	6.0	6.0	6.7
	World Trade Volume (%)		
World Trade Volume (Goods and Services)	-10.7	12.7	6.9
-Exports			
-Advanced Economies	-11.9	12.2	5.5
-Developing Countries	-7.7	13.8	9.0
-Imports			
-Advanced Economies	-12.4	11.5	4.8
-Developing Countries	-8.0	15.0	11.3
Total World Exports (Billion US\$)	15,798	18,760	22,248
	Current Account (Billion US\$)		
Advanced Economies	-71.4	-91.0	-131.0
-United States	-376.6	-470.9	-467.6
-Euro Area	13.4	34.8	16.8
-Japan	141.8	195.9	147.0
Developing Countries	287.8	422.3	592.3
-Central and Eastern Europe	-50.0	-80.5	-119.4
-Asia	291.4	313.2	363.1
-Middle East and North Africa	49.9	183.5	306.9
-Sub-Saharan Africa	-20.7	-12.2	6.9
-Western Hemisphere	-24.2	-56.9	-78.7
	Capital Flows (Billion US\$)		
Developing Countries	267.4	482.3	574.7
-Foreign Direct Investment	310.6	324.8	429.3
-Portfolio Investment	98.8	197.5	127.1

WEO Update January 2012

Source: IMF World Economic Outlook, September 2011,

2.1. ADVANCED ECONOMIES

The world economic growth in advanced countries slowed down in 2011 compared to previous year. The economic growth rate of US which was 3% in 2010 is expected to slip to 1.8% in 2011. Japanese economy which grew 4.4% in 2010 is expected to contract 0.9% in 2011 as a result of the earthquake.

Despite the debt crisis in Europe, German economy continued to perform well. Despite a mild slowdown compared to previous year, with its 3% growth rate Germany still leads the Europe's economy. Despite the fact that the economic growth rate is expected to accelerate mildly to 1.6% in France, the performance is still half of German economic growth. Nevertheless France's economic performance is better than Italy where the growth rate is expected to slow down to 0.4% in 2011. The economies of Greece and Portugal are expected to contract in 2011 as a result of debt crisis and austerity measures taken. Although it is not a Euro Area country, United Kingdom is anticipated to exhibit weak economic performance with a 0.9% growth in 2011.

The rise in inflation was another characterizing feature of the world economy in 2011. The consumer inflation rate which was 1.6% in 2010 is expected to increase to 2.7% in 2011 in advanced countries. The consumer inflation in emerging markets is expected to increase to 7.2% from 6.1% in 2011.

The most significant factor in 2011 was the European debt crisis. On the other hand the earthquake in Japan and the social unrest in Middle East and North African countries and the civil war in Libya also affected the world economy in the first half of 2011. The earthquake in Japan and the consequent tsunami which affected Japanese industry unfavorably, caused disruptions in the global supply chains, especially in the automotive and electronics industries. The so called "Arab Spring" and civil war in Libya led to higher oil prices which was a dent on global growth. In the second half of the year European debt crisis and the debt limit gridlock in US Congress and resultant deadlock in the government were influential. Although Republicans and Democrats reached a consensus with regard to the debt limit, Standard&Poor's lowered the rating of US. As the debt crisis showed signs of spreading to bigger countries like Italy, global investors shunned risk. This trend affected especially the European and emerging market economies adversely. Financial markets and European Union increased the pressure on Greece and Italy to such high levels that elected governments were replaced by technocratic ones.

The monetary policies of major central banks of the world again shaped the economic and financial landscape in 2011.

The change at the top of European Central Bank (ECB) was a turning point in the course of the European debt crisis. Previous ECB President Trichet was seen as a more conservative policy maker. Indeed ECB under the leadership of Trichet raised interest rates twice in April and July by 25 basis points in the midst of European debt crisis. The new ECB President Draghi on the other hand, showed that he could increase liquidity like US Federal Reserve (FED), though using different instruments. The first thing Draghi did was to lower policy interest rates in November and December. ECB also bought massively government bonds of Italy and other countries in the secondary markets to prevent interest rates passing critical thresholds. Nevertheless ECB's lending three year loans to banks was a critical milestone in controlling the crisis. Global markets relieved as 523 banks borrowed a total of 481.19 billion Euros from ECB.

FED purchased Treasuries totaling US\$ 600 billion as part of its second quantitative easing program (QE2) in the first half of the year. FED did not change its FED Funds target rate and held it between 0% and 0.25%. In August FED announced that if the current economic conditions continue, it would keep the policy interest rate at its current exceptionally low levels until mid-2013. At its September meeting FED announced "operation twist" involving selling short term Treasury securities and buying long term Treasury securities. The amount of "operation twist" was announced at US\$ 400 billion and the operation will continue until the end of June 2012. At the same meeting FED also declared that it will reinvest principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities to support the mortgage market.

In US economy the conditions in labor market strengthened, whereas consumer inflation increased. After starting with monthly increases in non-farm payroll of around 200,000 in the first quarter of the year, the rate of increase slowed down, but it again gained momentum starting from September. Non-farm payrolls increased by 1.8 million in 2011. As a result of considerable decline especially in the last quarter of the year, the unemployment rate declined from 9.1% to 8.5% in 2011.

The US headline consumer inflation was on the increase except in the last two months of the year. As a result consumer inflation increased to 3% in 2011 which was %1.7 at the beginning of the year. Producer inflation followed a similar path: headline producer inflation started the year at 3.7% and reached 4.8% at the end of the year.

At the end of 2011 the US manufacturing purchasing managers' index pointed to 29th straight month of growth, but the index

slowed down after Japan's earthquake in March. Although the manufacturing index increased in the last two months of the year, it declined 8% compared to previous year. The US non-manufacturing index followed a similar path but the decline in the index started in February, after following a horizontal path, ended the year 7% lower compared to previous year.

Although the housing prices rose somewhat (according to Case-Shiller index) after falling at the first quarter, prices fell again at the last quarter; as a result housing prices fell 2.7% yearly as of November.

2.2. DEVELOPING COUNTRIES

The economic growth in emerging market countries slowed down in 2011. The economic growth rate which was 7.3% in 2010 is expected to fall to 6.2% in 2011. Even the economic growth rate of developing Asia, which is the fastest growing region, is expected to slow down to 7.9% from 9.5% in 2011.

In 2011 the economic growth rate in China is expected to slow down to 9.2% from 10.4%, in India it is expected to slow down to 7.4% from 9.9%. On the other hand, highest slowdown in the BRIC universe is expected to be in Brazil. The economic growth rate of Brazil which was 7.5% in 2010 is expected to slow down to 2.9% in 2011. On the other hand, the economic growth in oil exporting Russia is expected to increase slightly to 4.1% in 2011.

Emerging market countries followed tightening economic policies to contain inflation in the first half of the year. Nevertheless as the global economic growth prospects weakened, the policy focus turned to supporting the economic growth.

The People's Bank of China increased its interest rates by 75 basis points in total during February, April and July meetings. Central Bank of Brazil also raised interest rates a total of 175 basis points during its January, March, April and July meetings. Nevertheless as expectations regarding global growth downgraded, Central Bank of Brazil slashed the policy rates 50 basis points each during August, October and November meetings.

European debt crisis affected emerging markets remarkably, especially during Fall. As investors became more risk averse, they sold emerging market assets. As a result, emerging market bond and equity prices fell and emerging market currencies depreciated. Many emerging market central banks intervened in the currency markets to contain the currency depreciation.

2.3. FINANCIAL MARKETS

Although "Arab Spring", Japan's earthquake and following nuclear catastrophe, and the debt limit gridlock in US Congress and resultant credit downgrade by the S&P were important factors throughout the year, European debt crisis was the single most prevalent factor in financial markets, especially in the second half of 2011.

European debt crisis intensified in 2011. The VIX index reached 48 in August when the volatility was highest in the markets, but ended the year at 20. As the European debt crisis spread from Greece to Portugal, Spain and even to Italy, investors fled risky assets especially in the second half of the year. Credit rating agencies cut ratings of Greece and other Euro Area countries. Portugal had to resort to EU-IMF package as a result of worsening political and economic situation.

2011 witnessed many EU summits. During July summit, a new plan for Greece was announced. But as things get worse, in the October summit voluntary 50% haircut by private investors on Greece's debt and measures that strengthen European Financial Stability Fund by leverage was announced. The October summit lifted hopes in the financial markets for a while. But as the Greek Prime Minister called referendum in order to get an endorsement of the voters for the austerity plan, financial markets again rattled in November.

A clearing house raised margin requirements for Italian government bonds which caused a dramatic increase in the yields of these bonds. Increase in the yields of French government bonds and poor subscription to a German government bond auction, gave the impression that the problems were spreading to even core Euro countries.

The contagion of EU debt crisis also led to a loss of confidence in European banks. In addition there were speculations about the health of some French banks. The difficulties of European banks of finding Dollar funding reminded the first phases of 2008 crisis. On November, led by FED, The Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank and the Swiss National Bank, lowered the pricing on the existing temporary US Dollar liquidity swap arrangements by 50 basis points. The coordinated action by the world's largest central banks succeeded in calming the markets. A last summit on December envisaged more fiscal and economic coordination throughout EU. Although the markets were not satisfied by the results of this last summit, as a result of ECB's 3 year liquidity injection to banks at the end of year, the markets closed the year on a positive note.

As investors fled from risky assets to safe harbors, US Dollar, Japanese Yen and Swiss Franc were the largest beneficiaries of this trend. Although the long term problems of US Dollar persisted, as a result of Europe's debt crisis US Dollar rose against Euro and other currencies in 2011.

Although the US Dollar index lost value at the beginning of the year, it increased at the end of the year. Euro gained against US Dollar in the first half of 2011 as ECB hiked interest rates and reached 1.48 level against the US Dollar. Nevertheless Euro started to depreciate against despite a short rise in October and at the end of the year slipped below 1.30 level. European debt crisis as well as looser monetary policies adapted after Mario Draghi became the President of ECB were the factors behind Euro's depreciation. In 2011 US Dollar gained 3.2% against Euro. Although Japanese yen lost value after the earthquake on March, Yen was one of the rare currencies that strengthened against the US Dollar during rest of the year. Japanese Yen strengthened 5.2% against US Dollar in 2011. Bank of Japan also intervened in foreign exchange markets to curb the appreciation of Yen.

Swiss Franc strengthened during most of 2011 as investors dampened risky assets. Nevertheless in September as the Swiss National Bank, worried about strength of the currency, announced that it would set a floor for Euro at 1.20 Swiss Francs. As a result Swiss Franc lost value in the rest of the year. In 2011 Swiss Franc lost 0.43% against US Dollar. Emerging market currencies also depreciated significantly against US Dollar, especially starting from August. In 2011 the depreciation of Turkish Lira, South African Rand, Hungarian Forint, Indian Rupee and Brazilian Real against the US Dollar were 22.6%, 22.2%, 18.6%, 17.1% and 12.3% respectively. On the other hand depreciation of Russian Ruble and South Korean Won against US Dollar were more limited.

The investors' move to safe harbor investments as a result of European debt crisis especially in the second half of 2011, pulled the yields of US and German Treasury bond lower considerably. The declining trend in the yields of US Treasury bonds continued even after the credit rating downgrade by S&P at the beginning of August. The yield of 10 year US Treasury bonds which was 3% at the beginning of the year dropped to lower than 2% by the end of the year.

Despite the fact that the epicenter of the debt crisis was Europe, investors continued to treat German Treasury bonds as a safe harbor investment. In this regard, although the yield of 10 year Bunds reached 3.5% on April, the yield slipped below 2% at the end of the year. Although the yields of Japanese 10 year Treasury bonds increased in the first quarter of 2011, it dropped below 1% at the end of the year.

Emerging market bond yields increased, as the European debt crisis led to flight away from risky assets. Emerging Markets Bond Index (EMBI) spreads increased 129 basis points and reached 377 at the end of 2011. Turkey's EMBI spread which had been below the general EMBI spread for a long while, increased 200 basis points in 2011 and closed the year higher than the general spread.

The bond yields of Greece, Portugal and Italy, where the crisis centered, reached new highs. The high yield that was unsustainable reached in bond auctions in Italy pinpointed to the depth of the crisis.

In 2011, 10 year Treasury bond yields of Greece, Portugal and Italy increased by 2000, 670 and 200 basis points respectively. Although the 10 year Treasury bond yields of Spain and Ireland increased during the year, they were lower at the end of 2011 compared to the end of 2010. European Central Bank bought the government bonds from the markets and prevented the yields reaching much higher levels.

In money markets three month US Dollar LIBOR rates increased especially starting from August and finished the year 28 basis points higher compared to the end of previous year. The three month Euro LIBOR rates increased throughout the year and dropped back in the last quarter, but finished the year 40 basis higher compared to where it had started the year. Japanese three month LIBOR rate displayed a horizontal trend.

Although commodity prices had been on the rise in the first half of 2011, as a result of European debt crisis and as the global economic growth expectations receded in the second half of the year, the prices declined in the second half. Gold prices were on the rise throughout 2011 and after S&P lowered the credit rating of United States of America (USA), prices reached close to 1,900 US Dollars level. But after the correction, partly as a result of increase in initial margins in some exchanges, gold prices dropped to 1500s. Nevertheless gold finished 2011 with 10% gain. Brent oil prices reached to 127 US Dollars at the end of April as a result of "Arab Spring" and civil war in Libya. Although many other commodities fell during the year, Brent oil finished the year at 110 US Dollars level, 16% higher compared to the end of previous year.

2.4. STOCK EXCHANGES

After strong bounce back in 2009 and 2010 from the 2008 crisis lows, in 2011 stocks around the world fell. European debt crisis played an important role in the poor performance of stocks. Stock markets suffered starting from Summer as a result of European debt crisis and credit rating downgrade following the debt limit gridlock in USA. Starting from August

many stock markets entered into a downtrend. Nevertheless stocks in US rose again after the lows at the beginning of Fall. In this regard in 2011 US stocks performed better than the rest of the world. In 2011 Dow Jones Industrials Index rose 5.5% whereas S&P 500 finished the year close to where it had started.

European stocks had the worst performances among the advanced countries as the debt problem in Greece became a Europe wide problem and as it spread to Spain, Portugal and even Italy. In 2011 stocks dropped 24%, 16.95% and 14.69% in Italy (FTSE Italia MIB Storico index), France (CAC 40 index) and Germany (DAX index) respectively. The stocks fell 51.9% in Greece where the crisis felt most.

Stock markets in emerging markets also had poor performances in 2011 as the world economic growth showed signs of stalling and as investors flocked out of emerging markets. Also as the US Dollar gained value against emerging market currencies, US Dollar returns of emerging market stocks were even worse.

In 2011 BSE30 index in India fell 24.6%, Shanghai index in China dropped 21.7% and Bovespa Index in Brazil fell 18.1% in 2011. In Turkey ISE-100 index closed the year with a 22% decline.

According to the data from the World Federation of Stock Exchanges (WFE), highest returning stock markets among a few which had risen in 2011 were Philippines' Philippine Exchange (%4.1), Indonesia's Indonesia Exchange (3.2%) and Iceland's Nasdaq OMX Nordic Iceland Exchange (2%) respectively. In 2011 the highest declining stock markets were Greek Cypriot State's Cyprus Exchange (-72%), Greece's Athens Exchange (-51.9%) and Egypt's Egyptian Exchange (-49.3%).

When the performances of the stock markets in Table 2.2 are scrutinized, the stock markets worldwide dropped 16.5% on average. The biggest decrease was in Europe, North Africa, and Middle East (-18.7%) followed by respectively Asia Pacific (-14.8%), and Americas (-11.9%).

Table 2.2. Performance of World Stock Markets (%)

Region	Stock Exchange	Index	2011
	Bermuda - Bermuda SE	BSX Index	-8.6
	Brazil - BM&FBOVESPA	Ibovespa	-18.1
	Argentina - Buenos Aires SE	Composite	-23.3
	Colombia-Colombia SE	IGBC	-18.3
Americas	Peru - Lima SE	IGBVL	-16.7
	Mexico- Mexican Exchange	IPC CompMx	-2.7
	USA- NASDAQ OMX	Composite	-1.8
	USA - NYSE Euronext	Composite	-6.1
	Chile - Santiago SE	IGPA	-12.4
	Canada - TSX Group	S&P/TSX Composite	-11.1
	Americas Average		-11.9
	Australia - Australian SE	All Ordinary Price	-15.2
	India - Bombay SE	BSE 500	-27.4
	Malaysia - Bursa Malaysia	FBM Emas Index	1.1
	Sri Lanka - Colombo SE	CSE All Share	-8.5
	China - Hong Kong Exchanges	S&P/HKEX LargeCap Index	-18.8
	Indonesia - Indonesia SE	JSX Composite Index	3.2
	South Korea - Korea Exchange	KOSPI	-11.0
	India - National Stock Exchange India	S&P CNX 500	-27.2
Asia-	Japan - Osaka SE	300 Common	-24.1
Pacific	Philippines - Philippine SE	PSE Index (PSEi)	4.1
	China - Shanghai SE	SSE Composite Index	-21.7
	China - Shenzhen SE	SZSE Composite Index	-32.9

Region	Stock Exchange	Index	2011
	Singapore - Singapore Exchange	Straits Times Index	-17.0
	Taiwan - Taiwan SE Corp.	TAIEX	-21.2
	Thailand- Thailand Stock Exchange	SET Index	-0.7
	Japan-Tokyo SE	TOPIX	-18.9
	Asia-Pacific Average		-14.8
	Jordan - Amman SE	ASE Index	-15.9
	Greece - Athens Exchange	General Price	-51.9
	Spain - BME Spanish Exchanges Barcelona	BCN Global-100 Index	-13.6
	Spain -BME Spanish Exchanges Bilbao	Indice Bolsa Bilbao 2000	-15.4
	Spain -BME Spanish Exchanges Madrid	IGBM Index	-14.6
	Spain -BME Spanish Exchanges Valencia	IGBV Index	-9.1
	İtalya - Borsa Italiana	FTSE Italia MIB Storico	-24.0
	Hungary - Budapest SE	BUMIX	-13.5
	Morocco-Casablanca SE	MASI Float	-12.9
Europe	Greek Cypriot State - Cyprus SE	CSE General Index	-72.0
Africa	Germany - Deutsche Börse	CDAX Price	-17.4
Middle	Egypt - Egyptian Exchange	EGX 30 Index	-49.3
East	Ireland - Irish SE	ISEQ Overall	0.6
	Turkey - Istanbul SE	ISE 100 Index	-22.3
	South Africa - Johannesburg SE	FTSE/JSE All Share	-0.4
	United Kingdom - London SE	FTSE 100	-10.2
	Luxembourg - Luxembourg SE	Lux General Price	-33.0
	Malta - Malta SE	MSE Share Index	-18.2
	Mauritius- Mauritius SE	SEMDEX	-4.0
	Russia-MICEX	MICEX Index	-16.9
	Denmark-NASDAQ OMX Nordic Copenhagen	OMXC	-17.7
	Finland-NASDAQ OMX Nordic Helsinki	OMXH	-30.1
	Iceland-NASDAQ OMX Nordic Iceland	OMXIPI	2.0
	Sweden-NASDAQ OMX Nordic Stockholm	OMXS	-16.7
	Netherlands - NYSE Euronext Amsterdam	AAX	-12.4
	Belgium - NYSE Euronext Brussels	General Price	-12.4
	Portugal - NYSE Euronext Lisbon	BVL General	-20.4
	France - NYSE Euronext Paris	SBF 250	-16.3
	Norway- Oslo Børs	OSEBXP	-13.4
	Saudi Arabia- Saudi Stock Market	TASI	-3.1
	Switzerland - SIX Swiss Exchange	SMI	-7.8
	Israel - Tel Aviv SE	General	-22.1
	Poland - Warsaw SE	WIG Total Return	-20.8
	Austria - Wiener Börse	SE Price Index	-30.8
	Europe, Africa, Middle East Average		-18.7
World	World Average		-16.5

Source: World Federation of Exchanges



The Bosphorus Bridge - Istanbul

3. TURKISH ECONOMY

In 2011, despite the uncertainty driven global environment and a deepening public debt crisis in the Euro Area economies, growth rate of the Turkish economy exceeded expectations. This growth had its dynamics mostly from an ever rising current account deficit, which exceeded 10 % of the estimated GDP for 2011. Main items causing the high trade deficit, which in turn resulted in the current account deficit, have been the rising imports of intermediary goods and energy resources. In the public finance area, 2011 has been a strong year. The budget deficit decreased to 1.36% of the estimated GDP. Turkish lira depreciated more than expected in 2011, and in line with this development, inflation, both in terms of consumer and producer prices, also escalated to two digit numbers. Two main developments that characterized the Turkish economy in 2011 can be summed up as the higher than expected growth and the depreciation of the Turkish Lira.

As in the previous year, unemployment rate decreased slightly beyond expectations, in conformity with the high GDP growth. With an increased employment especially in the agricultural and construction sectors, unemployment rate dropped to 9.8% in 2011, from %11.9 in 2010. After reaching 50.3% in 2009 and dropping to 45.7% in 2010, ratio of public debt to GDP declined further to 42.6% in 2011, keeping its downward trend. Along with the expansion in both exports and imports, trade deficit soared and resulted in a high current account deficit. Consequently, despite some positive developments in certain macroeconomic indicators, such as unemployment rate and public finance figures, high current account deficit remained to be the major risk factor in the economy.

Current account deficit, after dropping to US\$ 14 billion in 2009, and climbing to US\$ 46.6 billion in 2010, reached the substantially high level of US\$ 77.1 billion in 2011. This deficit level amounts to more than 10% of the estimated GDP for 2011. Trade deficit amounted to US\$ 89.4 billion in 2011 with a 58.5% surge from the previous year, as a result of the 29.5% increase in imports, together with an only 19.2% rise in exports.

Total capital inflow into the country reached US\$ 64.6 billion, excluding IMF credits and change in reserves. Direct foreign investment, while continuing to have a small share in total inflows, climbed to US\$ 13.4 billion, with a 77% increase from the previous year. Nevertheless, main items of the capital inflow remained to be portfolio investments and bank deposits with 22.1 billion and US\$ 27.3 billion respectively. In 2011, banks continued to be net credit users as in 2010, and the private sector became a net credit user of US\$ 7.1 billion, after being a net credit payer in 2010.

Following the 6.4% inflation of 2010, which was lower than the expected rate, consumer prices in 2011 rose by more than 4 points from the previous year to 10.5%, and vastly exceeded the target level of 5.5%. Turkish Lira's depreciation in the course of the year and its reflection in core goods prices were the major factors causing this surge in consumer prices.

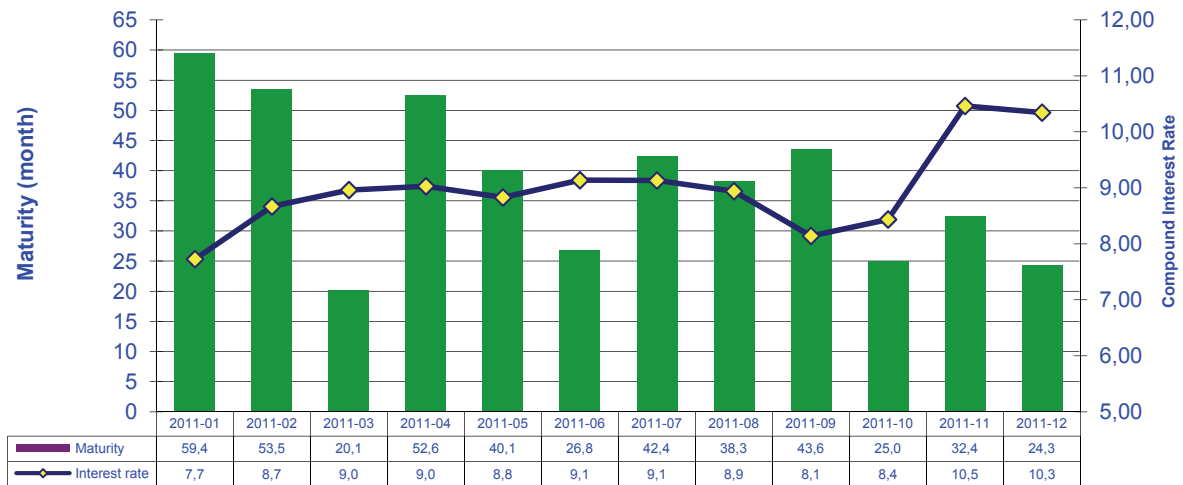
Central government budget expenditures and income reached TL 313.3 billion and TL 295.9 billion, respectively. Accordingly, the budget deficit in 2011 dropped to TL 17.4 billion from TL 39.6 billion in 2010, with a 43.9% decrease from the previous

year and remaining at 52% of its target level of TL 33.5 billion. Budget expenditures and incomes in 2011 were realized as 100.2% and 106% of their target levels respectively. While non-interest expenditures reached TL 271.1 billion with a realization ratio of 102.3% in 2011, interest expenses reached only TL 42.2 billion remaining at 88.9% of their target level.

Following high growth rates in the first two quarters of 2011 with 11.6% and 8.8% respectively, Turkish economy continued the trend also in the third quarter, with an 8.2% growth. Yearly growth rate for 2011 is estimated as 7.5%.

In the first nine months of 2011, all sectors had positive growth, with the highest growth rate of %14.1 being in the fishing industry. This was followed by wholesale and retail trade which grew at 13.6%, financial intermediaries (13.1%), construction (12.7%), and transportation, storage and communications sectors (11.6%). Indirectly measured financial intermediation services grew at 16.2%, while taxes and subsidies had a growth of 12.9%.

Graph 3.1. Monthly Average Domestic Borrowing Cost and Maturity of Domestic Borrowing



Source: UT

In 2011 current TL value of domestic debt increased by 4.5% and reached TL 368.8 billion, while its Dolar value decreased to US\$ 220.8 billion by a 4.5% decline. Monthly average domestic borrowing costs started the year at 7.7% in January and followed a rising trend throughout the year. Following a course around 8% and 9% until October, the rate climbed to 10.5% in November and closed the year with 10.3% in December.

As of November 2011, total deposits reached TL 616.1 billion with a 13.4% increase from the previous year end. For the same period, total credits rose by 30.7% and reached TL 621.3 billion. The share of foreign exchange deposits in total deposits went up to 30.2% in 2011, from 28.3% in 2010.

Graph 3.2. TL/USD Rate Monthly Average and Standard Deviation



Source: CBRT

Table 3.1. Main Economic Indicators

Indicators	Unit	2009	2010	2011
GDP				
-TL	TL Million	952,559	1,103,750	1,281,454*
- \$	\$ Billion	616.7	734.9	766.4*
- Growth	%	-4.8	9.0	7.5*
- Industrial Production Index (Yearly Average)		102.9	116.4	126.8
- Unemployment	%	14.0	11.9	9.8
Public Sector Borrowing Requirement/GNP	%	5.12	2.29	1.0*
Central Government Budget				
- Expenditures	TL Million	267,275	293,628	313,302
- Non-Interest Expenditures	TL Million	214,074	245,332	271,090
Personnel and SS Premiums	TL Million	55,930	73,361	85,751
Goods and Service purchases	TL Million	29,594	28,823	32,448
Current Transfers	TL Million	91,761	101,891	110,075
Capital Expenditures	TL Million	19,847	25,907	30,697
Capital Transfers	TL Million	4,313	6,736	6,737
Credits Extended	TL Million	5,421	8,613	5,381
- Interest Expenditures	TL Million	53,200	48,296	42,212
- Income	TL Million	215,060	254,029	295,862
- Tax income	TL Million	172,416	210,532	253,765
- Non-tax income	TL Million	42,644	43,497	42,097
- Budget Balance (Deficit)	TL Million	-52,214	-39,600	-17,439
- Primary Balance	TL Million	986	8,697	24,773
Prices				
- WPI (Year-end)	%	5.9	8.9	13.3
- CPI (Year-end)	%	6.5	6.4	10.5
- FX (Year-end-TL/\$)		1.4873	1.5376	1.8889
Debt Stock				
- Domestic Debt Stock	TL Million	330,005	352,841	368,778
- Domestic Debt Stock	\$ Billion	213.6	235.2	220.8

Indicators	Unit	2009	2010	2011
- Domestic Debt Stock / GDP	%	34.6	32.0	28,8
- External Debt Stock	\$ Billion	268.8	290.4	309.6
- External Debt Stock / GDP	%	43.6	39.5	40,4
- Public Sector External Debt Stock	\$ Billion	96.8	100.8	105.8
- Debt of Central Bank	\$ Billion	13.3	11.8	10.7
- Public Sector External Debt Stock / GDP	%	15.7	13.7	13.8
-Total Public Sector Debt Stock	\$ Billion	310.4	336.0	326.6
-Total Public Sector Debt Stock / GDP	%	50,3	45.7	42.6
-Average Maturity of Domestic Debt Stock	Month	24.4	31.0	31.2
Foreign Trade				
- Imports	\$ Billion	134.5	177.3	213.0
- Exports	\$ Billion	109.7	120.9	130.3
- Foreign Trade Balance	\$ Billion	-24.9	-56.4	82.7
- Current Account Balance	\$ Billion	-14.0	-48.6	70.2
Monetary Indicators (3)				
- Emission	TL Million	35,643	43,670	54,788
- M1	TL Million	107,051	133,885	136,237
- M2	TL Million	494,024	587,815	655,523
- Total Deposits	TL Million	454,469	543,270	616,080**
- TL Deposits	TL Million	308,769	389,656	429,805**
- Foreign Exchange Deposits	TL Million	145,700	153,613	186,275**
- Foreign Exchange Deposits/Total Deposits	%	32.1	28,3	30.2**
- Credit Stock	TL Million	332,399	475,109	621,347**
- Total Credits/Deposits	%	73.1	87.5	100.9**
- Deposit Banks Credits	TL Million	297,317	429,166	563,127**
- Deposit Banks Credits/Deposits	%	65.4	79.0	91.4**
-Central Bank International Currency Reserves	\$ Billion	70.7	80.7	78.3

* Estimate (Source: Development Ministry)

** As of November

Source: Turkish Statistical Institute, Development Ministry, CBRT, UT, Finance Ministry



4. TURKISH CAPITAL MARKETS

At present, Turkish capital markets have the ability to compete at international level in terms of instruments, institutions and legal infrastructure and have the privilege to be listed among major financial markets in the world. Some of Turkish capital markets indicators for 2011 are given in Table 4.1.

Table 4.1. Capital Market Indicators

		2011
NUMBER OF CORPORATIONS REGISTERED BY THE CMB		628
NUMBER OF CORPORATIONS TRADED ON ISE		373
NUMBER OF CORPORATIONS NOT TRADED ON ISE		255
MARKET CAPITALIZATION	(TL Million)	381,152
	(\$ Million)	201,924
NUMBER OF INVESTORS ON THE ISE		1,097,786
NUMBER OF INVESTORS OF MUTUAL FUNDS		3,544,284
NUMBER OF INTERMEDIARY INSTITUTIONS		140
-Banks		40
-Brokerage Houses		100
NUMBER OF MUTUAL FUNDS		647
-Number of Domestic Mutual Funds		592
-Portfolio Values	(TL Million)	30.21
	(\$ Million)	16.01
-Number of Foreign Mutual Funds		55
-Portfolio Values	(TL Million)	53
	(\$ Million)	28
NUMBER OF PENSION FUNDS		165
-Portfolio Values	(TL Million)	14,000
	(\$ Million)	7,416
NUMBER OF INVESTMENT TRUSTS*		26
-Portfolio Values	(TL Million)	686,69
	(\$ Million)	363
NUMBER OF REAL ESTATE INVESTMENT TRUSTS*		23
-Portfolio Values	(TL Million)	18,742
	(\$ Million)	9,930
NUMBER OF VENTURE CAPITAL INVESTMENT TRUSTS		4
-Portfolio Values	(TL Million)	598
	(\$ Million)	317
NUMBER OF PORTFOLIO MANAGEMENT COMPANIES		21
-Values of portfolios under management	(TL Million)	47.9
	(\$ Million)	25.4
NUMBER OF INDEPENDENT AUDITING FIRMS		92
NUMBER OF REAL ESTATE APPRAISAL COMPANIES		113
NUMBER OF RATING INSTITUTIONS		9
* Data for publicly-held REITs. Source:CMB		

4.1. OUTSTANDING SECURITIES

Table 4.2. Outstanding Securities

Year	PUBLIC SECTOR				PRIVATE SECTOR				TOTAL			
	Million TL	Million \$	Share in Total (%)	Ratio to GDP (%) *	Million TL	Million \$	Share in Total (%)	Ratio to GDP (%) *	Million TL	Million \$	% Change in \$ values	Ratio to GDP (%) *
2002	150,939	92,345	92.0	39.7	13,177	8,062	8.0	3.5	164,115	100,407	8.3	43.1
2003	196,004	140,421	91.6	46.1	18,008	12,901	8.4	4.2	214,012	153,322	52.7	50.3
2004	227,415	169,447	90.0	43.1	25,186	18,766	10.0	4.8	252,601	188,214	22.8	47.9
2005	248,773	180,531	88.8	37.3	31,916	22,673	11.2	4.7	280,017	203,205	8.0	42.0
2006	255,240	177,497	86.1	33.5	41,058	28,552	13.9	5.4	296,299	206,049	1.4	38.9
2007	255,310	220,227	83.0	33.4	52,225	45,049	17.0	6.8	307,535	265,276	28.7	40.2
2008	274,827	181,700	81.1	24.5	63,990	42,048	18.9	5.7	338,817	223,748	-15.6	45.7
2009	330,005	213,648	82.4	34.6	70,686	45,763	17.6	7.4	400,691	259,411	15.9	42.0
2010	352,841	235,171	80.3	32.0	86,634	57,742	19.7	7.8	439,475	292,913	12.9	39.8
2011	368,778	220,825	78.0	28.8	103,898	62,214	22.0	8.1	472,676	283,039	-3.4	36.9

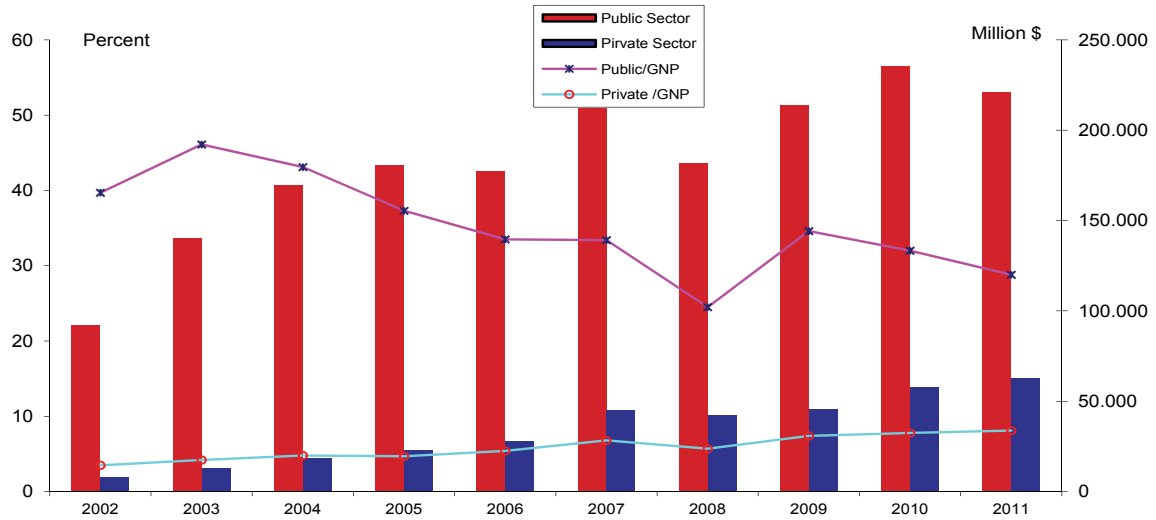
* Ratios to GDP (1998 based series) are based on US Dollar values.

Source: CMB, UT

Rising public deficits and their mode of financing had resulted in an expansion of public debt in Turkey and consequently in a rapid increase in outstanding government securities. While their level showed some fluctuations during certain periods, government securities had always had the dominant share in the securities markets. While the level of outstanding government securities had been US\$ 92.3 billion in 2002, it grew to US\$ 220.2 billion in 2007. In 2011 the level of outstanding government securities descended to US\$ 220.8 billion from US\$ 235.2 billion in 2010. Outstanding private sector securities, on the other hand, had been US\$ 8.1 billion in 2002, their size grew to US\$ 45.1 billion in 2007 and after reaching US\$ 57.7 billion in 2010, increased further to US\$ 62.2 billion in 2011.

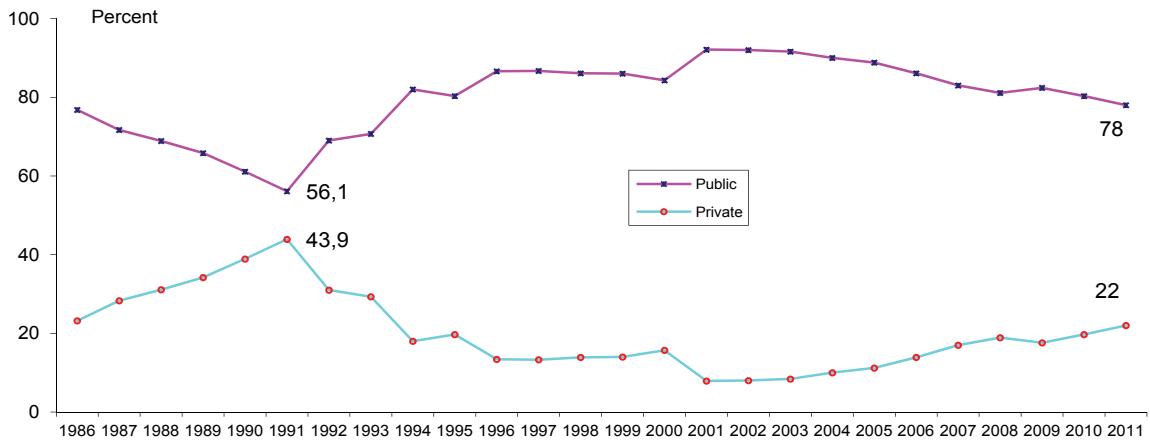
Starting in early 1990's, there had been a "crowding out" of private sector securities in the Turkish securities markets, and the dominance of government securities resulted in funds flowing to the public sector. During 1990's, share of private securities in total securities outstanding had plummeted from around 40% and fell as low as to nearly 8% in 2001. In the following period, with the implementation of the new economic program and the resulting financial discipline, private sector securities started to improve. Following 2002, share of outstanding private sector securities in total had a continuously rising trend until 2008, when it reached 18.9%. In the following year, this share dropped slightly to 17.6%, but picked up again immediately and climbed to 19.7% and 22% in 2010 and 2011, respectively.

Graph 4.1. Outstanding Securities



Source: CMB, UT

Graph 4.2. Share of Public And Private Sector Securities In Total



Source: CMB, UT

4.2. SECURITY ISSUES REGISTERED WITH THE CMB

The number of corporations registered with the CMB as of the end of 2011 is 628, of which 373 are listed on the Istanbul Stock Exchange (ISE). The CMB registered the issue and sale of stocks belonging to 86 corporations (including the shares of 12 investment trusts, 12 real estate investment trusts and 3 venture capital investment trusts) having the market value of TL 4.3 billion (US\$ 2.6 billion) in 2011.

Due to the economic crisis, stock issues shown a pause during the 2001-2003 period, and again increased considerably and amounted to TL 4.0 billion (US\$ 3.0 billion) in 2005; TL 10.9

billion (US\$ 7.7 billion) in 2006; TL 7.8 billion (US\$ 6.8 billion) in 2007, TL 11.7 billion (US\$ 7.7 billion) in 2008; TL 4.4 billion (US\$ 2.9 billion) in 2009, TL 11.4 billion (US\$ 7.6 billion) in 2010 and TL 4.3 billion (US\$ 2.6 billion) in 2011 (Table 4.3; Table 4.4). Despite the dominance of the government in the financial markets, the funds having been transferred to the private sector via stock issues have accumulated to as much as US\$ 64.8 billion since 1986.

Table 4.3. Securities Issues Registered with The CMB (TL Thousand)

Years	Stocks*	Mutual Funds Part. Cert. **	Asset Backed Sec.	Pension Funds Shares *	Bank Bills & Bank Guaranteed Bills	Other	Total
2002	1,597,317	2,405,346	0	0	83,614	107,041	4,193,318
2003	1,749,597	6,078,693	0	40,000	0	13,437	7,881,727
2004	3,826,540	6,572,431	0	297,920	0	0	10,696,891
2005	3,991,870	2,390,989	0	929,187	0	13,000	7,065,859
2006	10,880,574	3,356,209	0	5,900,000	0	150,000	17,058,317
2007	7,863,767	1,848,305	0	450,000	0	380,210	10,542,282
2008	11,696,190	2,370,162	0	12,639,377	0	643,956	27,349,685
2009	4,453,087	23,205,100	0	14,400,000	100,000	240,400	42,398,587
2010	11,409,613	10,753,000	0	15,150,000	2,300,000	3,333,240 ***	42,945,853
2011	4,348,514	25,753,175	389,458	14,338,891	68,111,100	28,969,000***	141,910,138

* Market value consists of capital increases in cash.

** Par value until 1998, market value for 1998 and afterwards.

*** Information related to bonds, commercial papers and warrant.

Source: CMB

Table 4.4. Securities Issues Registered with the CMB (\$ Million)

Years	Stocks*	Mutual Funds Part. Cert. **	Asset Backed Sec.	Pension Funds Shares *	Bank Bills & Bank Guaranteed Bills	Other	Total
2002	1,061	1,597	0	0	56	71	2,785
2003	1,172	4,071	0	27	0	9	5,279
2004	2,690	4,621	0	209	0	0	7,520
2005	2,977	1,783	0	693	0	9	5,269
2006	7,704	2,388	0	4,155	0	106	12,205
2007	6,783	1,593	0	388	0	328	9,092
2008	7,686	1,557	0	8,306	0	423	17,972
2009***	2,968	15,470	0	9,600	65	155	28,258
2010	7,610	7,172	0	10,105	1,534	2,223	28,643
2011	2,656	13,643	210	7,596	40,644	16,871	81,620

* Market value consists of capital increases in cash.

** Par value until 1998, market value for 1998 and afterwards

*** Total value of all capital increases TL 9.1 billion

Source: CMB

4.3. ISTANBUL STOCK EXCHANGE

Origins of organized securities markets in Turkey date back to the second half of 19th century. The first securities market was established during the Ottoman Empire period in 1866 following the Crimean War under the name of "Dersaadet Tahvilat Borsası (Istanbul Bond Exchange)" which had been regarded as an opportunity by many European investors who expected high returns on the shattered Ottoman economy. Following the foundation of the Republic, "Securities and Foreign Exchange Law No. 1447" launched in 1929 provided a basis for an organized Stock Exchange under the name of "Istanbul Securities and Foreign Exchange Bourse".

This new stock exchange had grown in a short period of time and had contributed considerably to the financing of enterprises throughout the country. However, both the 1929 crisis and the outbreak of the Second World War had severely hampered the Turkish business environment, which was still at infant stage, and had overshadowed the success of the stock exchange. The following years, which witnessed a period of rapidly growing industry, had also recorded increasing number of companies that offered their shares to the public. These shares faced strong demand partly from institutional investors and mainly from individual investors.

In the first half of 1980s, the Turkish securities markets underwent serious developments in terms of setting up both

the legal and institutional framework suitable for sound capital movements. The CML was enacted in 1981 and the Decree by Law No.91 establishing the basic principles concerning the foundation and operations of securities exchanges was launched in October 1983. Then in 1984, the Regulation concerning the foundation and operations of the securities exchanges was published in the Official Gazette. Following the adoption of related regulations launched in the subsequent period, the ISE was officially established in December 1985 and started its operations on January 3, 1986. Currently the equities market, bonds and bills market, foreign securities market and newly established emerging companies market are operated in the ISE.

4.3.1. ISE Equities Market National-100 Index, Trading Volume and Number of Shares Traded

ISE Equities Market National-100 Index

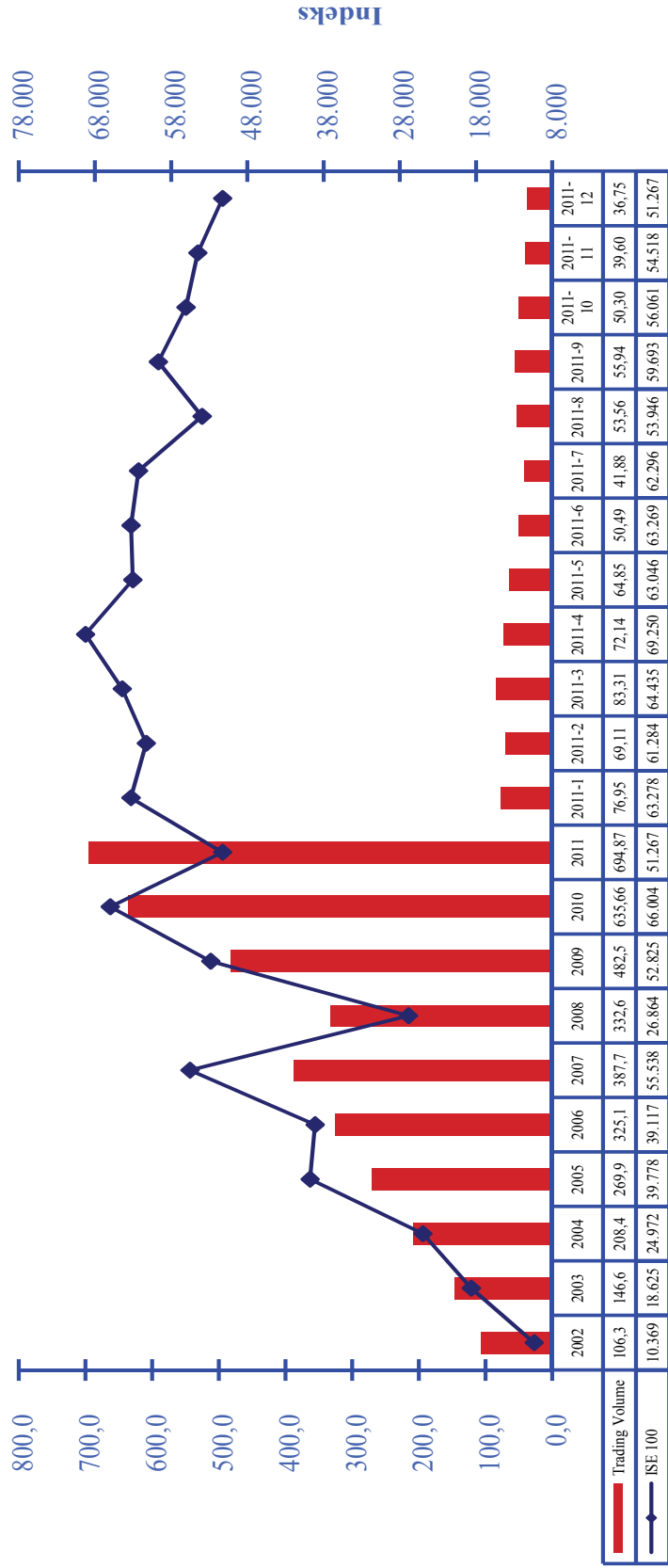
In a general pattern of cyclical fluctuations, market indices both in terms of Turkish Lira and US Dollar followed a downward trend from April 2000 to the end of 2002 and then increased evidently from the beginning of 2003. The upwards trend continued between 2004 and 2006. It was seen that the stock exchange started to rise significantly in 2007. The ISE 100-Index was at the level of 41,000 points in the beginning of 2007 and it reached the level of 55,000 points at the end of the year. Unfortunately, as the financial crises of 2008 spread from the developed world to the emerging economies, the ISE-100 Index closed the year 2008 at the level of 26,000 points from its highest level of 48,000 in the same year. The index started 2009 at the level of 25,934 reaching 52,825 points by the end of the year and continued its upwards trend in 2010 and closed the year at the level of 66,004 points.

After a volatile first quarter in 2011, the ISE-100 Index reached 69,250 points in April 2011 and as a result of the global financial problems – especially Euro Zone related ones – started a downward trend. As a result of the the high current account deficit together with the expected negative effects of the measures to be taken to control the deficit on economic growth, the Index closed 2011 at the level of 51,267 points. Consequently, in 2011, ISE -100 Index decreased by 22% in TL terms and 37% in US Dollar terms as compared to the previous year. (Graph: 4.3). In 2011, Industrials Index decreased by 8% (25% in US Dollar terms), Financial Index by 28% (42% in US Dollar terms) and Services Index by 21% (35% in US Dollar terms).

ISE Trading Volume and Number of Shares Traded

While November 2000 and February 2001 crises led to a decrease, the trading volume reached to TL 146.6 billion (US\$ 100.2 billion) in 2003, and TL 208.4 billion (US\$ 147.8 billion) in 2004. In 2005 the total trading volume in the ISE equities market was TL 269.9 billion (US\$201.8 billion), in 2006 the total trading volume in the ISE equities market was TL 325.1 billion (US\$229.6) and in 2007 total trading volume was TL 387.7 billion (US\$ 300.8 billion), in 2008, it was 332.6 billion (US\$ 261.3 billion), and it reached TL 482.5 billion (US\$316,3 billion) and TL 635.9 billion (US\$ 425.7 billion) in 2009 and 2010 respectively. In 2011, total trading volume has been TL 694.8 billion (US\$ 423.6 billion). This figure indicates an increase of 9.3% in TL terms while 0.5% decrease in Dollar terms over the previous year.

Graph 4.3. ISE-100 Index and Trading Volume



SOURCE: ISE

Table 4.5. Main Indicators of the ISE Equities Market

Year	No. Of Working Days	Trading Volume		Daily Avg. Trading Volume (Million TL)	ISE Index * (1986-01=100)
		(Million TL)	(Million \$)		
2002	252	106,302	70,756	422	10,369
2003	246	146,645	100,165	596	18,625
2004	249	208,423	147,755	837	24,971
2005**	254	269,931	201,763	1,063	39,777
2006	250	325,131	229,642	1,301	39,117
2007	252	387,777	300,842	1,539	55,538
2008	251	332,605	261,274	1,325	26,864
2009	252	482,534	316,326	1,915	52,825
2010	250	635,664	425,747	2,543	66,004
2011	253	694,876	423,584	2,380	51,267

* For the period after Jan 1991, composite index based on closing prices.
** From January 14, 2005 onwards, Exchange Traded Funds (ETFs) started to be traded on National Market.
Source: ISE

When 2011 is considered as a whole, it is seen that monthly average trading volume of US\$ 57.8 billion decreases to US\$ 35-40 billion in November and December. The highest monthly trading volume was reached in March with US\$ 83.3 billion while the lowest monthly trading volume was US\$ 36.7 billion in December.

Main Indicators for Corporations with Shares Listed on the ISE

The number of corporations whose shares are traded on the ISE equities market was 80 by the end of 1986, the year in which the ISE was established. By the end of 2011, there are 237 corporations traded on the National Market, 61

corporations on the Second National Market, 64 corporations on the collective products market and 11 corporations on the Watch List Market, making a total number of 373. As a result of the Initial Public Offering (IPO) Campaign run by the CMB, the number of new IPOs reached 25 with total nominal issue of TL 248,057,442 in 2011.

Market capitalization, which was only TL 0.7 million (US\$ 938 million) by the end of 1986, reached TL 381,152 million (US\$ 201.9 billion) at the end of 2011. For 2011 price/earnings ratio and turnover ratio realized as 11.9 and 115.8% respectively (Table: 4.6).

Table 4.6. Main Indicators for Corporations With Shares Listed on the ISE

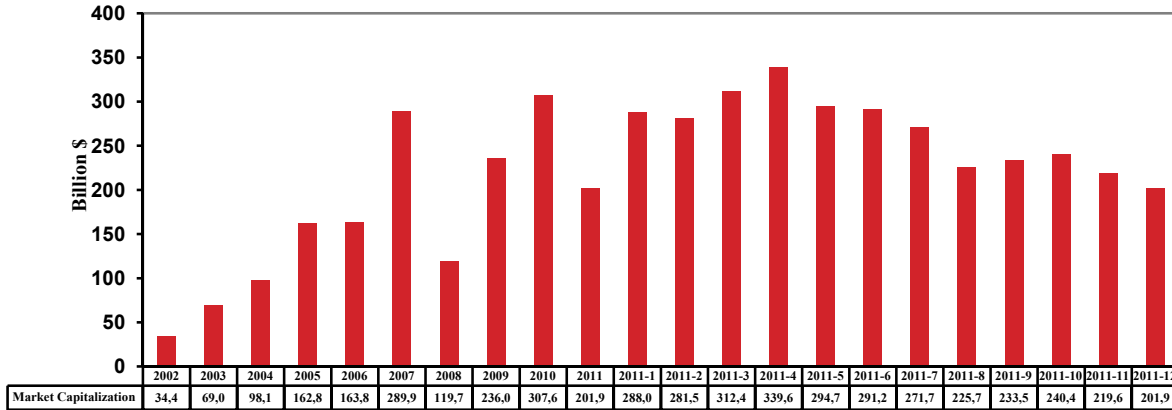
Year	No. of Corporations*	Total Nominal Capital ** (Thousand TL)	Corporations with Shares Traded on the ISE		Price/ Earnings Ratio (%)	Turnover Ratio (%)***
			Market Capitalization (Million TL)	(Million \$)		
2002	288	13,176,817	56,370	34,402	26.9	180.7
2003	285	18,008,193	96,073	69,003	12.3	192.4
2004	297	25,186,443	132,556	98,073	13.3	211.9
2005	306	31,916,222	218,318	162,814	19.4	168.5
2006	322	40,925,551	230,038	163,775	14.9	141.3
2007	327	51,584,747	335,948	289,986	11.9	129.7
2008	326	62,069,556	182,025	119,698	5.8	135.1
2009	325	70,060,813	350,761	235,996	16.8	178.7
2010	350	81,945,001	472,553	307,551	13.3	150.6
2011	373	88,335,600	381,152	201,924	11.9	115.8

* Total number of companies and ETFs traded at national, Second National, Watch List and Collective Products Markets.
** Total Nominal Capital includes the most recent capital increases, for which the additional listing procedures are not complete.
*** Monthly moving average of (Trading Volume/Market capitalization)
Source: ISE

Total market capitalization has shown a fluctuating trend over the years connected with price movements. Total market capitalization which was US\$ 34.4 billion in 2002, then with increases reached US\$ 289.9 billion by the end of 2007 but then, decreased to US\$ 119.7 billion in 2008 due to global

financial crises. Compensating for the losses in 2008 the market capitalization increased to US\$ 236 in 2009 and reached US\$ 307.5 billion by the end of 2010 but closed 2011 at the level of US\$ 201.9 billion (Graph:4.4).

Graph 4.4. Market Capitalization (Billion \$)

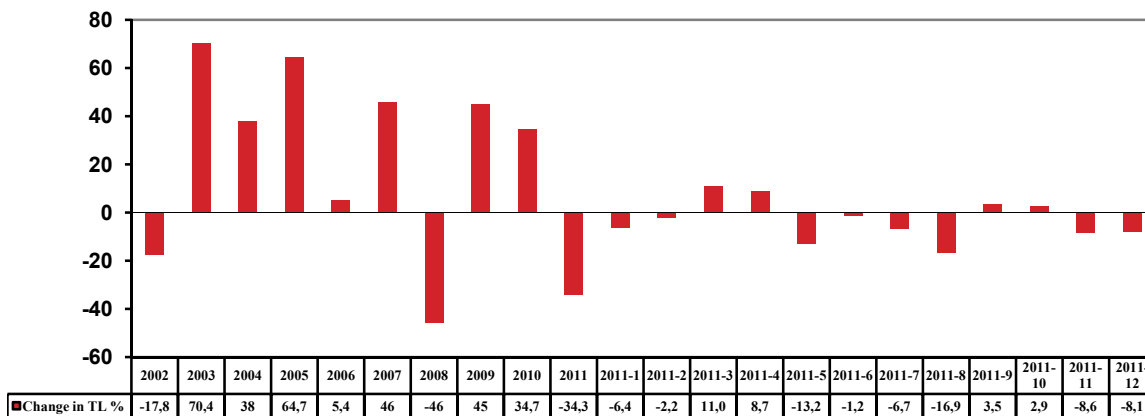


Source: ISE

The ISE Market Capitalization closed the year 2002 with 27.9% annual loss at the level of US\$ 34.4 billion. Following the year 2002, market capitalization increased by 100.6%, 42.1%, 66%, 0.6% and 77% in between 2003, 2004, 2005, 2006 and 2007. Along with the global financial crises ISE Market Capitalization decreased by 59% in 2008 but recovered by 97% in 2009 and by 30.3% in 2010. The ISE Market Capitalization closed the year 2011 with a loss of 34.5% in US Dollar terms.

Market capitalization in TL terms displayed a 17.8% annual decrease in 2002 then increased by 70.4%, 38%, 64.7%, 5.4% and 46% respectively in 2003, 2004, 2005, 2006, 2007 and in 2008 market capitalization decreased by 46% relative to the previous year, increased by 45% in 2009, and 34.7% in 2010. Market capitalization closed the year 2011 with a 19.3% annual decrease in TL terms (Graph: 4.5).

Graph 4.5. Percentage Change in Market Capitalization



Source: ISE

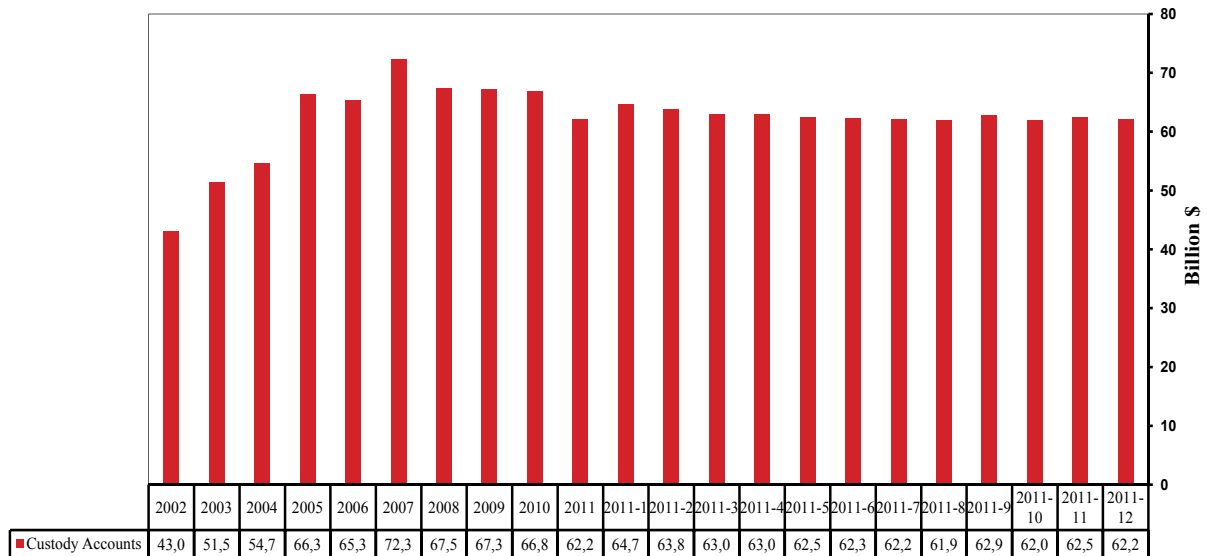
4.3.2. Equities Traded by Foreign Investors

Foreigners' transactions in stocks fell considerably in 2001 due to financial crises of November 2000 and February 2001, in 2002 followed a similar trend and increased as from 2003. In 2005, the total trading volume by foreigners was US\$ 81.1 billion which meant an increase of 117% compared to 2004. Analysis of net foreign purchases and sales showed that foreigners sold US\$ 15 million in 2002, purchased US\$ 1,010 million in 2003, purchased US\$ 1,430 million in 2004, purchased US\$ 4,086 million in 2005, purchased US\$ 1,145 million in 2006. Foreigners purchased US\$ 74,332 million, sold US\$ 69,800 million and became net buyers of US\$ 4,532 million during the period of January-December 2007. In 2008 foreigners purchased US\$ 69,568 million and sold US\$ 72,557 million which makes a net sell of US\$ 2,988 million. In 2009 foreigners purchased US\$ 46,246 million and sold US\$ 43,991 million whereas the net purchase was US\$ 2,255 million. Foreign investors' purchases totaled to US\$ 67,638 million, while their sales were US\$ 65,535 million, which means a US\$ 2,102 million net purchase in 2010. When we look at year 2011, foreign investors' purchases totaled to US\$ 65,058 million, while their

sales were US\$ 67,068 million, resulting a US\$ 2,100 million net sale (Table: 4.7).

As the accounts of foreigners and residents (figures are obtained from the Central Registry Agency after the dematerialization process started on 25.11.2006 while they are obtained from ISE Settlement and Custody Bank Inc. before this date) are concerned, the ratio of equities owned by foreign customers to total equities in custody was 51.5% in 2003 and increased to 54.7% in 2004. With an upward trend this ratio was 66.3% by the end of 2005. The ratio of equities owned by foreign customers to total equities in custody was 65.3% by the end of 2006 and 72.3% by the end of 2007. This ratio decreased to 67.46% in 2008 and it increased to 67.29% in 2009 and decreased to 66.83% in 2010. When we check for foreign investors custody accounts, we see a decrease to 62.2% in 2011 (Table: 4.7; Graph: 4.6).

Graph 4.6. Securities Held in Custody For Foreigners



Source: CRA

Table 4.7. Securities Balance of Foreigners and Trading Volume

	Foreigners' Securities in Custody (Million \$)	Ratio of Foreigners' to Total Securities in Custody (%)	Purchases (Million \$)	Sales (Million \$)
2002	3,450	43.00	6,427	6,442
2003	8,690	51.50	9,173	8,163
2004	15,283	54.70	19,399	17,969
2005	33,812	66.30	42,594	38,508
2006	49,313	65.30	44,833	43,688
2007	70,213	72.30	74,332	69,800
2008	42,152	67.46	69,568	72,557
2009	56,246	67.29	46,246	43,991
2010	71,267	66.83	67,638	65,535
2011	45,919	62.16	65,058	67,068
January	64,723	64.74	6,541	7,293
February	62,268	63.83	6,294	7,042
March	67,422	63.01	7,506	7,396
April	74,256	62.99	6,514	6,057
May	64,555	62.53	6,003	6,595
June	63,807	62.29	5,796	5,831
July	60,697	62.20	4,654	4,517
August	49,851	61.91	4,968	5,519
September	52,646	62.87	5,493	4,843
October	53,668	62.00	4,685	5,286
November	49,585	62.49	3,931	4,088
December	45,919	62.16	2,673	2,601

Source: Takasbank, CRA, ISE

4.3.3. Bonds and Bills Market Transactions

In the Bonds and Bills Market of the ISE, total transaction volume, involving outright and repo/reverse repo transactions increased and amounted to TL 1,254 billion (US\$ 846 billion) in 2003. The increase in the trading volume that began in

2003 continued afterwards and in 2011 it has reached to TL 4,122 billion (US\$ 2,449 billion). The 2011 figures indicate an increase of 19.2% in TL terms and 6.2% in US Dollar terms over the previous year (Table: 4.8).

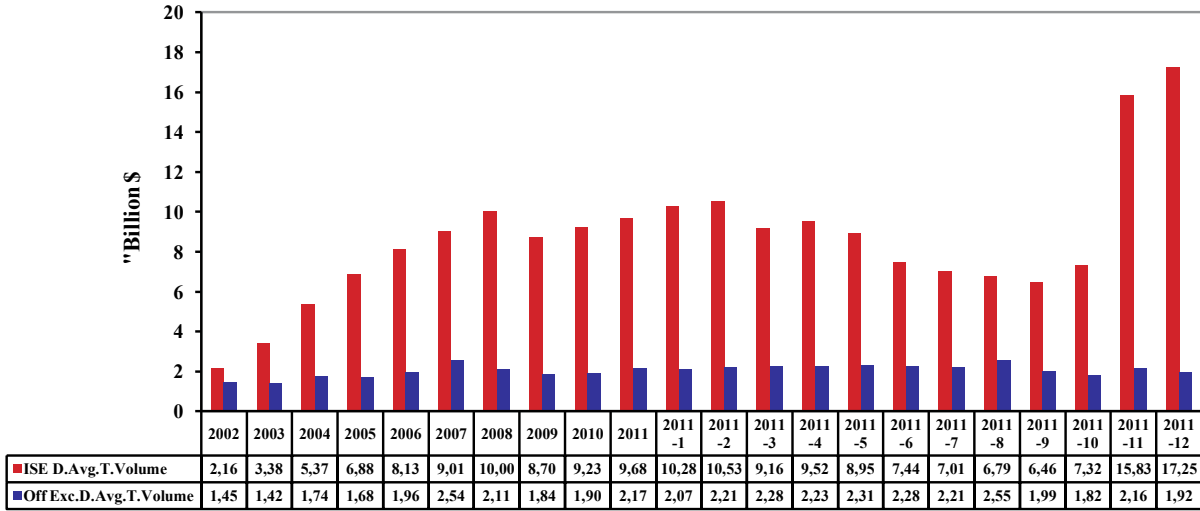
Table 4.8. Trading Volume for the ISE Bonds and Bills Market

	2003	2004	2005	2006	2007	2008	2009	2010	2011
ISE BONDS and BILLS MARKET									
Outright Purchases and Sales Market									
Billion TL	213	373	481	382	364	301	417	446	478
Billion \$	144	263	359	270	279	239	270	298	291
Repo-Reverse Repo Market									
Billion TL	1,041	1,551	1,860	2,539	2,571	2,935	2,983	3,012	2,903
Billion \$	702	1,090	1,387	1,770	1,993	2,274	1,929	2,010	1,744
Offerings Market for Qualified Investors									
Billion TL	-	-	-	-	-	-	-	-	279
Billion \$	-	-	-	-	-	-	-	-	151
Interbank Repo-Reverse Repo Market									
Billion TL	-	-	-	-	-	-	-	-	732
Billion \$	-	-	-	-	-	-	-	-	408
Repo Market for Specified Securities									
Billion TL	-	-	-	-	-	-	-	-	8
Billion \$	-	-	-	-	-	-	-	-	5
Total									
Billion TL	1,254	1,924	2,340	2,921	2,935	3,236	3,400	3,459	4,122
Billion \$	846	1,353	1,747	2,040	2,272	2,513	2,199	2,307	2,449
Daily Average									
Billion TL	5.0	7.6	9.2	11.6	11.7	12.9	13.0	13.8	16.3
Billion \$	3.4	5.4	6.9	8.1	9.0	10.0	8.7	9.2	9.7
Source: ISE									

Daily average trading volume rose in US Dollar terms by 5.4% in 2011, and averaged US\$ 9.7 billion. On a monthly basis, daily average trading volume showed fluctuations in a range between US\$ 11.5 and 32 billion over the months (Graph: 4.7). It increased to 3 US\$ 2.07 billion at the end of the year. With respect to the breakdown of transactions, repo transactions constituted 70% in US Dollar terms of all transactions. The interbank repo market has started displaying an important increase in terms of volume traded.

In 2011, the volume of trades executed off the exchange and registered to the exchange was TL 391,173 million (US\$ 234.2 billion) for outright transactions and TL 524,497 million (US\$ 316 billion) for repo transactions. Daily average volume of the off-the- exchange transactions fluctuated over the months, and reached its highest in December and was at its lowest annual level in July (Graph: 4.7).

Graph 4.7. Bonds and Bills Daily Average Trading Volume on Exchange and Off-the Exchange



Source: ISE

4.4. COLLECTIVE INVESTMENT SCHEMES

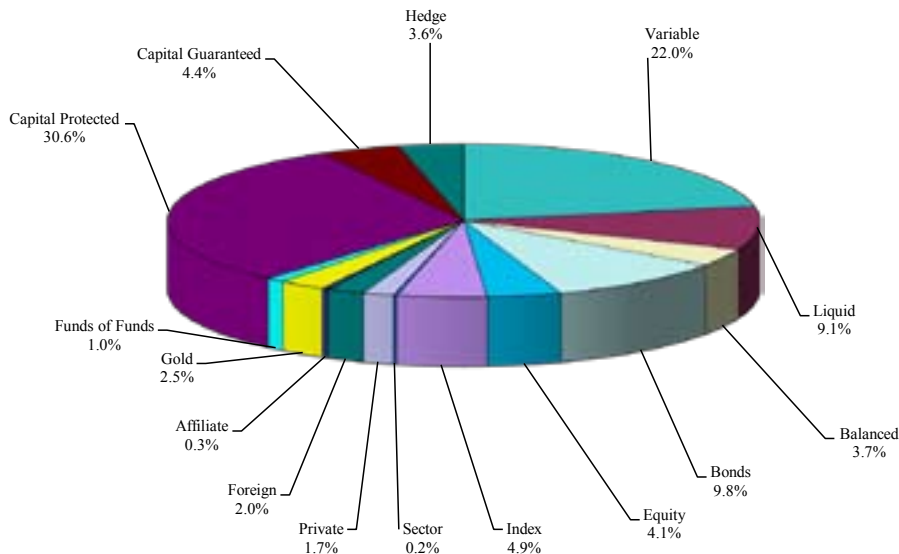
4.4.1. Mutual Funds

Two different types of mutual funds, Type A and Type B, exist in Turkish capital markets. Type A mutual funds are required to invest at least 25% of their assets in equities that are issued by Turkish companies, whereas mutual funds that have no such obligation are classified as Type B. These two main groups of funds are subdivided into categories of mutual funds which are classified according to the financial instruments that comprise the fund portfolio. These are Notes and Bonds, Short-Term

Notes and Bonds, Equity, Sector, Affiliate Companies, Group, Foreign Securities, Gold, Precious Metals, Variable, Balanced/Mixed, Liquid, Index and Exchange Traded Funds, Funds of Funds, Capital Guaranteed, Capital Protected Funds, Hedge Funds and Private Funds.

There are 592 mutual funds in Turkey as of 2011-end. Among the mutual funds, capital protected (181), variable (130), notes and bonds funds (58) and liquid funds (54) are the most pervasive kinds such that 71.5% of total mutual funds are formed by these four kinds of funds (Graph: 4.8).

Graph 4.8. Numerical Distribution of A and B Type Mutual Funds

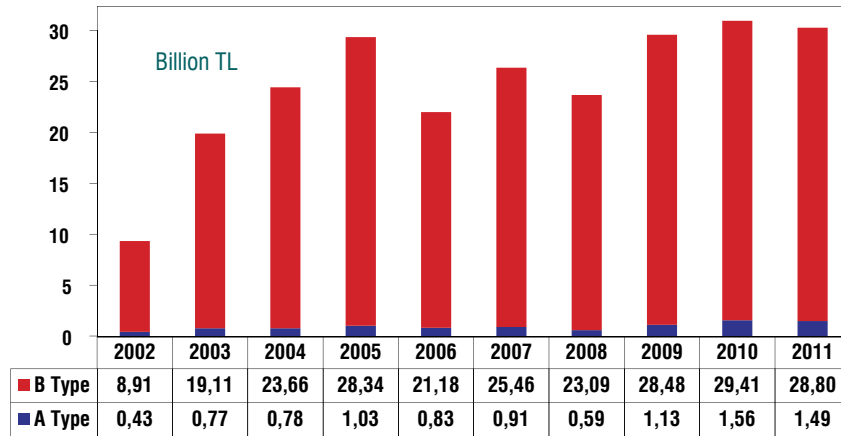


Source: CMB

In 2011, total portfolio value of mutual funds, the first of which was established in 1987, decreased by 2.26% from TL 30.9 billion (US\$ 20.1 billion) to TL 30.2 billion (US\$16 billion) compared to the previous year. Besides, there are 55 foreign mutual funds whose total value of participation certificates in circulation in Turkey is US\$ 28 million as of 2011 December-end.

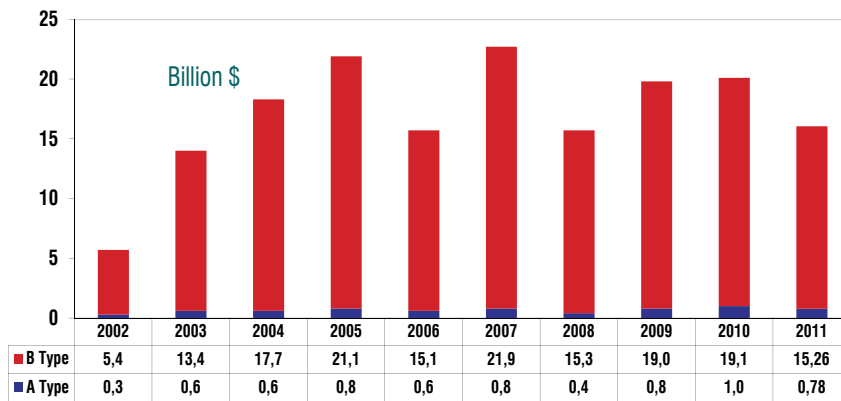
In 2011, the portfolio value of A-Type funds decreased by 0.075% compared to the last year's figure, from TL 1.6 million (US\$ 1.020 million) to TL 1.49 billion (US\$ 0.79 million) while the portfolio value of B-Type mutual funds decreased by 2.04% from TL 29.4 billion (US\$ 19.1 billion) to TL 28.8 billion (US\$ 15.2 billion) (Graph: 4.9; Graph: 4.10).

Graph 4.9. A and B Type Mutual Funds' Portfolio Value in TL Terms



Source: CMB

Graph 4.10. A and B Type Mutual Funds' Portfolio Value in US Dollar Terms



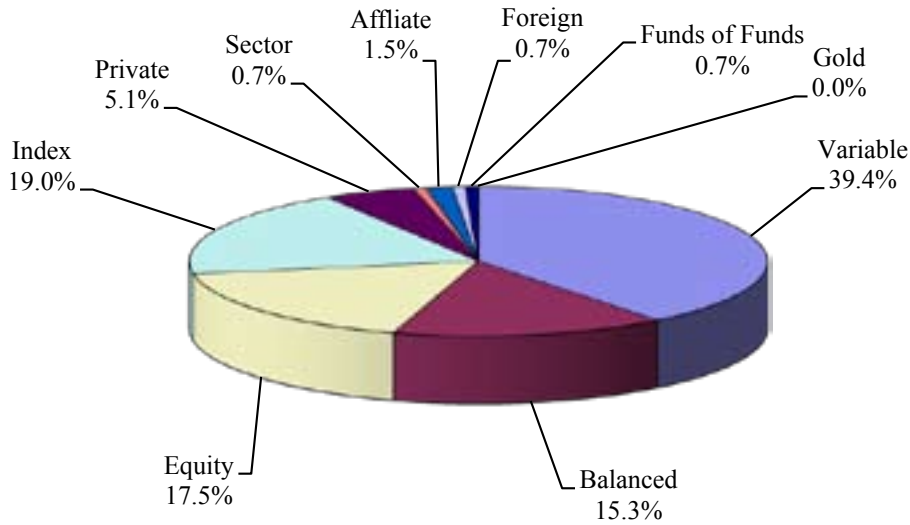
Source: CMB

A- Type Mutual Funds

As of the end of 2011 in Turkish capital markets, there are 138 A-Type funds with the total fund value of TL 1.48 billion. Regarding the A-Type funds as numerical distribution, variable funds takes the first place with 39.42 %, the second place

is index funds with 18.98%, third place is equity funds with 17.50% (Graph 4.11). The share of equities in the portfolio composition of A-Type funds, reached to 64.07 % in 2011 (Table 4.9).

Graph 4.11. Kinds of A-Type Mutual Funds



Source: CMB

Table 4.9. Portfolio Composition of A Type Mutual Funds (%)

Years	Public Debt	Foreign Securities	Reverse Repo	Corporate Bonds	Equities	ISE Money Market	Other	Total Value	
								(Million TL)	(Million \$)
2002	13.11	0.07	32.37	0.00	54.46	0.00	0.00	435	265
2003	17.57	0.12	18.36	0.00	63.95	0.00	0.00	744	552
2004	20.44	0.39	10.87	0.00	68.78	0.51	0.00	780	583
2005	15.83	0.54	12.29	0.00	70.44	0.88	0.02	1,033	770
2006	17.88	0.70	15.53	0.00	64.76	0.85	0.28	832	591
2007	16.03	0.27	14.96	0.55	68.16	0.28	0.30	919	793
2008	28.18	0.17	13.44	0.00	58.03	0.14	0.04	595	393
2009	19.75	0.09	16.24	0.00	63.74	0.14	0.03	1,125	750
2010	20.73	0.12	13.03	0.00	65.37	0.25	0.49	1,561	1,020
2011	16.66	0.10	15.97	0.00	64.07	0.66	2.54	1,476	782

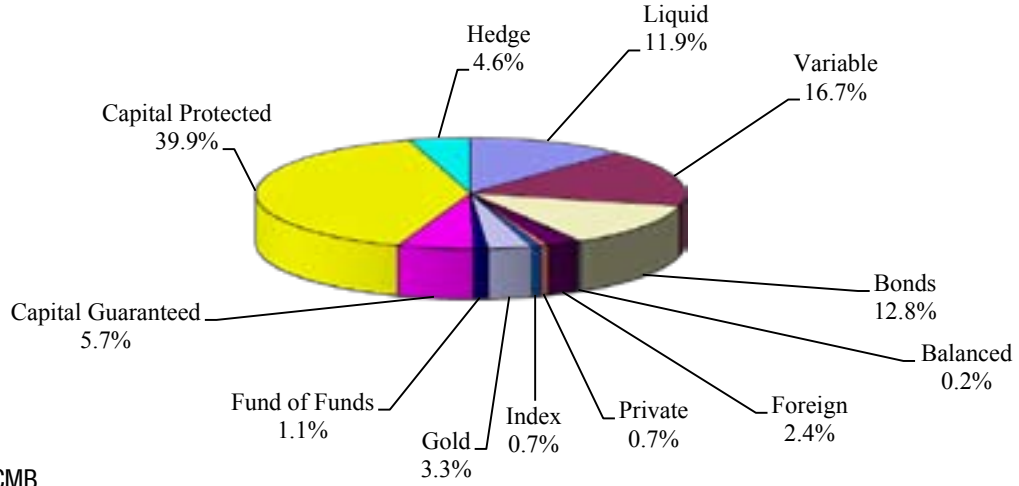
Source: CMB

B Type Mutual Funds

As of the end of 2011, in the Turkish capital markets, there are 454 B-Type funds with the total fund value of TL 28.74 billion. Regarding numerical distribution, among B-Type funds the most

pervasive kind is capital protected funds with 39.87% share, second place is variable funds with 16.74% share, followed by notes and bonds with 12.78% share (Graph: 4.12).

Graph 4.12. Kinds of B-Type Mutual Funds



Source: CMB

The portfolios of B-Type funds have heavily consisted of reverse-repo and government securities in recent years. As of the end of 2011, the share of government bonds and T-Bills in the portfolio has been 23.72% while the share of reverse repo has been 48.25% (Table 4.10).

When the portfolio composition of both types of funds are considered together, it is seen that, as of the end of 2011, 46.69% of the portfolios consisted of reverse repo, 23.38% consisted of government bonds and T-Bills and 3.59% consisted of equities (Table 4.11).

Table 4.10. Portfolio Composition of B-Type Mutual Funds (%)

Years	Public Debt	Foreign Securities	Reverse Repo	Corporate Bonds	Equities	ISE Money Market	Other	Total Value (Million TL)	(Million \$)
2002	51.04	0.10	48.81	0.00	0.03	0.00	0.02	8,912	5,426
2003	68.90	0.09	30.97	0.00	0.04	0.00	0.00	19,114	13,442
2004	68.71	0.00	28.32	0.00	0.06	2.91	0.00	23,663	17,726
2005	72.26	0.01	26.53	0.00	0.05	1.15	0.00	28,340	21,120
2006	39.07	0.06	59.18	0.00	0.26	1.41	0.01	21,180	15,068
2007	38.69	0.05	57.78	0.08	0.16	3.07	0.25	25,461	21,963
2008	43.84	0.04	51.17	0.00	0.08	4.41	0.46	23,151	15,213
2009	32.59	0.12	60.22	0.00	0.37	5.27	1.43	28,480	18,986
2010	29.14	0.39	55.61	0.00	0.74	8.38	5.74	29,336	19,092
2011	23.72	0.39	48.25	0.00	0.51	9.58	17.56	28,743	15,227

Source:CMB

Table 4.11. Portfolio Composition of A And B- Type Mutual Funds (%)

Years	Public Debt	Foreign Securities	Reverse Repo	Corporate Bonds	Equities	ISE Money Market	Other	Total Value (Million TL)	Total Value (Million \$)
2002	49.28	0.10	48.04	0.00	2.56	0.00	0.02	9,347	5,691
2003	66.98	0.09	30.50	0.00	2.43	0.00	0.00	19,858	13,995
2004	67.17	0.02	27.77	0.00	2.22	2.83	0.00	24,444	18,309
2005	70.27	0.03	26.03	0.00	2.52	1.14	0.00	29,374	22,892
2006	38.27	0.09	57.53	0.00	2.70	1.39	0.02	22,011	15,659
2007	37.90	0.05	56.29	0.00	2.53	2.97	0.25	26,381	22,756
2008	43.46	0.04	50.24	0.00	1.51	4.30	0.45	23,746	15,603
2009	32.11	0.12	58.59	0.00	2.72	5.08	1.38	29,605	19,736
2010	28.74	0.37	53.59	0.00	3.80	7.99	5.49	30,897	20,109
2011	23.38	0.37	46.69	0.00	3.59	9.14	16.83	30,219	16,009

Source:CMB

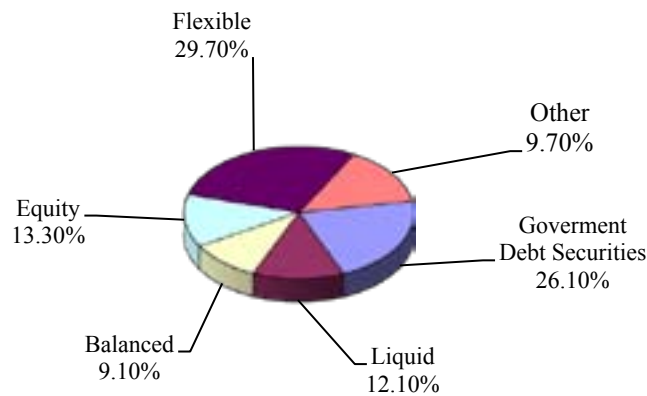
Foreign Mutual Funds

As of 2011 December-end, the number of foreign mutual funds whose participation certificates are registered with the Board is 55. Among these funds, US\$ based funds have a net asset value of US\$ 193.8 billion; Euro based funds have a net asset value of Euro 73.3 billion. On the other hand, the total value of participation certificates in circulation in Turkey is approximately US\$ 28 million.

Pension Funds

Individual Retirement Savings and Investment System was put into place in 2003. As of the end of 2011, the number of pension funds offered to public is 165. The total value of these funds is TL 14 billion . Regarding numerical distribution, among the pension funds the most pervasive kind, with 29.70% share, is the flexible funds followed by the funds investing in government debt instruments, equity funds and liquid funds (Graph:4.13).

Graph 4.13. Numerical Distribution of Kinds of Pension Mutual Funds



Source: CMB

Exchange Traded Funds

The regulation regarding Exchange Traded Funds dated to 2004. As the end of 2011, twelve exchange traded funds have been sold to public and put into ISE Fund Market. The total

value of these funds is TL 287 million , and eight of them are based on various stock exchange indexes, two of them are based on gold index and two of them are based on notes and bonds indexes (Table 4.12).

Table 4.12. Current State of Exchange Traded Funds

	Founder	Name of the Fund	Total Value (TL)
1	BİZİM MENKUL DEĞERLER A.Ş.	DOW JONES DJİM TÜRKİYE A TİPİ	2,001,596.14
2	FİNANSBANK A.Ş.	DOW JONES İSTANBUL 20 A TİPİ	25,078,689.97
3	FİNANSBANK A.Ş.	MALİ SEKTÖR DIŞI NFİST İST. 20 A TİPİ	1,102,938.95
4	FİNANSBANK A.Ş.	BANKALAR A TİPİ BYF	1,388,366.60
5	FİNANSBANK A.Ş.	İSTANBUL GOLD B TİPİ ALTIN	154,658,205.43
6	FİNANSBANK A.Ş.	FTSE İSTANBUL BONO FBİST B TİPİ	49,494,824.98
7	İŞ YATIRIM MENKUL DEĞERLER A.Ş.	İBOXX TÜRKİYE GÖSTERGE TAHVİL B TİPİ	9,505,735.67
8	İŞ YATIRIM MENKUL DEĞERLER A.Ş.	DOW JONES TÜRKİYE EŞİT AĞIR. 15 A	8,620,717.89
9	FİNANSBANK A.Ş.	İMKB 30 A TİPİ	4,475,535.52
10	GARANTİ BANKASI A.Ş.	MSCİ A TİPİ	3,622,411.83
11	FİNANSBANK A.Ş.	GT-30 A TİPİ	3,415,620.15
12	KUVEYT TÜRK KATILIM BANKASI A.Ş.	B TİPİ ALTIN	23,517,953.23
Total:			286,882,596.36

Source: CMB, ISE

According to the regulation, an exchange traded fund is an asset established for managing a portfolio with principles of risk diversification and fiduciary ownership, whose shares are traded on the stock exchange, whereby authorized participants directly participate in the creation and redemption process.

Funds of Funds

Funds of Funds are investment funds that use an investment strategy of holding a portfolio of other investment funds in order to benefit returns from various management strategies of funds. As of 2011-end total value of funds of funds is amounted to 21 million TL (Table:4.13).

Table 4.13. Current State of Funds of Funds

	Founder	Name of Fund	Total Value (Thousand TL)	Date of public offering
1	FİNANSBANK A.Ş.	SENTEZ A TİPİ FON SEPETİ FONU	4,552	01/28/2008
2	FİNANSBANK A.Ş.	SENTEZ B TİPİ FON SEPETİ FONU	2,470	01/28/2008
3	YAPI ve KREDİ BANKASI A.Ş.	B TİPİ DÜNYA FONLARI FON SEPETİ FONU	4,946	12/12/2007
4	T. İŞ BANKASI A.Ş.	B TİPİ GLOBAL EMTİA FON SEPETİ FONU	4,551	08/11/2011
5	AKBANK T.A.Ş.	B TİPİ BİRLEŞİK EMTİA FON SEPETİ FONU	4,638	05/23/2011
TOTAL:			21,157	

Source:CMB

Guaranteed Funds

Guaranteed Funds are structured to secure the whole or a part of the initial capital of an investment returned or generate a certain amount of return at a certain maturity date or dates based on an appropriate investment strategy and the guarantee of a guarantor in accordance with the principles of prospectus. By the end of 2011 there are 26 guaranteed funds performing in the Turkish capital markets with a total value of TL 770 million .

Protected Funds

Protected funds are structured in an appropriate investment strategy with best effort to have the whole or a part of the initial capital of an investment returned or generate a certain amount of return at a certain maturity date or dates to the investor in accordance with the principles of prospectus. The first establishment and public offering of protected fund were realized in 2008. By the end of 2011, the total value of 181 protected funds is TL 2,796 million.

Hedge Funds

Hedge Funds are launched only for qualified investors. These funds were introduced to Turkish capital markets in 2008. By

the end of 2011, the total value of 21 hedge Funds is TL 168 million.

4.4.2. Investment Trusts

Three types of investment trusts operate in Turkey: Securities Investment Trusts, Real Estate Investment Trusts and Venture Capital Investment Trusts.

Securities Investment Trusts

There are two types of securities investment trust which are A-Type and B-Type.

By the end of 2011 the total value of 26 investment trusts is TL 687 million. The portfolios of these companies are composed of corporate securities (30%), government bonds and T-Bills (40.05%) reverse repos (10.80%) and the rest are foreign securities and some other investment instruments.

As of the end of 2011, there are 26 A-Type and B-Type investment trusts with TL 454 million paid in capital, TL 480 million market capitalization and TL 687 million net asset value (Table 4.14).

Table 4.14. Current State of A-Type and B- Type Investment Trusts

	A and B Type Investment Trusts	Date of Establishment	Registered Capital (TL)	Paid in Capital (TL)	Net Asset Value * (TL)	Market Value (TL)
1	AK	09/18/1998	40,000,000	18,000,000	39,035,772	21,960,000.00
2	ALTERNATİF	09/14/1995	50,000,000	22,268,013	41,423,919.37	20,709,252.09
3	ATA	03/20/1997	50,000,000	7,946,201	9,910,373.85	10,012,213.26
4	ATLANTİS	08/19/1994	20,000,000	6,000,000	5,345,526.25	4,560,000.00
5	ATLAS	10/22/1993	10,000,000	3,432,000	2,784,906.88	4,804,800.00
6	COSMOS	05/17/1995	10,000,000	6,000,000	5,509,438.41	4,560,000.00
7	DENİZ	05/05/1995	25,000,000	14,985,000	27,042,396.25	23,226,750.00
8	ECZACIBAŞI	06/15/1998	25,000,000	21,000,000	34,324,329.87	19,740,000.00
9	EURO	03/03/2006	20,000,000	13,410,000	20,208,683	25,210,800.00
10	EURO KAPİTAL	03/11/2011	50,000,000	20,000,000	20,471,335.48	39,400,000.00
11	EURO TREND	03/14/2006	50,000,000	13,176,430	17,799,840.36	11,463,494.10
12	FİNANS	11/17/1995	50,000,000	18,000,000	18,407,203.70	15,120,000.00
13	GARANTİ	07/09/1996	100,000,000	30,000,000	30,309,747.77	17,700,000.00
14	GEDİK	03/12/1998	10,000,000	7,623,000	9,713,092.56	8,613,990.00
15	İNFO	09/22/2003	10,000,000	6,750,000	7,608,591.50	9,045,000.00
16	İNFOTREND	12/23/2004	15,000,000	10,000,000	11,069,626	14,500,000.00
17	İŞ	08/16/1995	135,000,000	134,662,500	223,276,745.75	123,889,500.00
18	MARBAŞ	09/29/2006	20,000,000	5,000,000	5,872,138	6,350,000.00

	A and B Type Investment Trusts	Date of Establishment	Registered Capital (TL)	Paid in Capital (TL)	Net Asset Value * (TL)	Market Value (TL)
19	MUSTAFA YILMAZ	08/05/1994	10,000,000	5,000,000	1,873,211.96	2,850,000.00
20	OYAK	04/25/2007	50,000,000	11,500,000	9,791,478.56	7,935,000.00
21	TACİRLER	02/14/2006	20,000,000	5,000,000	5,235,594.86	5,000,000.00
22	TAÇ	08/22/1994	20,000,000	3,600,000	7,277,502.55	6,156,000.00
23	TAKSİM	02/16/2006	5,000,000	2,700,000	2,466,711.06	2,700,000.00
24	TSKB	11/10/2000	100,000,000	29,067,736	38,651,110.94	20,928,769.92
25	VAKIF	06/13/1991	15,000,000	7,500,000	13,940,327.09	7,350,000.00
26	YAPI KREDİ	10/02/1995	50,000,000	31,425,000	77,342,020	45,880,500.00
	TOPLAM		960,000,000	454,045,880	686,691,624.02	479,666,069.37

* Net Assets=Portfolio Value+Liquid Assets+Accounts Receivable-Accounts Payable

Source: CMB

Real Estate Investment Trusts

There are 23 real estate investment trusts in Turkey which have a market capitalization of TL 10,713 million (US\$ 5,675 million). The portfolio of these real estate investment trusts

whose shares are listed on the ISE is composed of real estates, real estate based projects and capital market instruments based on real estates. Detailed information on real estate investment trusts is given in Table 4.15.

Table 4.15. The Current State of Real Estate Investment Trusts

	Real Estate Investment Trusts	Date of Estab.	Registered Capital (TL)	Paid in Capital (TL)	Market Value (TL)
1	AKFEN	08/25/2006	1,000,000,000	184,000,000	270,480,000
2	AKMERKEZ	02/15/2005	37,264,000	37,264,000	629,761,600
3	ALARKO	07/31/1996	20,000,000	10,650,794	172,010,323
4	ATAKULE	08/21/2000	200,000,000	84,000,000	80,640,000
5	AVRASYA	10/14/2010	480,000,000	72,000,000	72,000,000
6	EGS	10/01/1997	75,000,000	50,000,000	16,500,000
7	EMLAK	10/17/2003	4,000,000,000	2,500,000,000	4,875,000,000
8	DOĞUŞ-GE	07/25/1997	500,000,000	93,780,000	170,679,600
9	İDEALİST	11/28/2007	200,000,000	10,000,000	34,700,000
10	İŞ	08/06/1999	2,000,000,000	600,000,000	600,000,000
11	KİLER	03/10/2008	1,400,000,000	87,500,000	240,625,000
12	MARTI	05/22/2006	200,000,000	110,000,000	64,900,000
13	NUROL	12/23/1997	40,000,000	10,000,000	61,600,000
14	ÖZDERİCİ	08/06/1999	100,000,000	100,000,000	91,000,000
15	PERA	09/03/1997	250,000,000	96,000,000	55,680,000
16	REYSAŞ	09/03/2008	500,000,000	170,000,000	130,900,000
17	SAF	09/06/2006	2,000,000,000	886,601,669	1,179,180,220
18	SİNPAŞ	11/26/1996	1,000,000,000	600,000,000	594,000,000
19	TORUNLAR	01/21/2008	1,000,000,000	224,000,000	889,280,000
20	TSKB	02/03/2006	200,000,000	150,000,000	134,400,000
21	VAKIF	12/24/1996	100,000,000	22,000,000	51,260,000
22	YEŞİL	06/03/2005	400,000,000	235,115,706	244,520,334
23	YAPI KREDİ KORAY	04/24/2007	100,000,000	40,000,000	54,400,000
	TOTAL		15,802,264,000	6,372,912,169	10,713,517,077

Source:CMB, ISE

Venture Capital Investment Trusts

As of the end of 2011, there are 4 publicly held venture capital investment trusts in Turkey whose total net asset value is TL 598 million (US\$ 306 million) and market capitalization is TL 724 million (US\$ 384 million). Detailed information on

publicly held venture capital investment trusts is given in Table 4.16.

Table 4.16. Current State of Venture Capital Investment Trusts

Venture Capital Investment Trusts	Date of Estab.	Registered Capital (TL)	Paid in Capital (TL)	Net Asset Value* (TL)	Market Value (TL)
1 EGELİ & CO TARIM	09/06/2011	200,000,000	22,000,000	19,955,871	20,900,000
2 GÖZDE	28/07/2011	1,000,000,000	134,473,492	327,994,697	529,825,558
3 İŞ	31/10/2000	200,000,000	50,400,000	181,661,518	97,272,000
4 RHEA	18/04/1996	360,000,000	41,550,000	68,404,160	76,452,000
TOTAL		1,760,000,000	248,423,492	598,016,246	724,449,558
* Net Assets=Portfolio Value+Liquid Assets+Accounts Receivable-Accounts Payable					
Source: CMB					

4.5. PORTFOLIO MANAGEMENT COMPANIES

As of the end of 2011, there are 31 portfolio management companies operating in Turkey. The total value of portfolios managed by these companies is TL 47,927 million. 2% of the portfolios managed belong to individuals, 89% belong to

institutional investors and 9% belong to corporations (Table 4.17). In terms of TL, the portfolio value increased to TL 47,927 in 2011 from TL 45.855 million in 2010, with a rate of 4.5%.

Table 4.17. Current State of Portfolio Management Companies

	Portfolio Management Companies	Number of Clients				Assets Under Management (TL Million)			
		Indiv.	Inst.	Corpo.	Total	Indiv.	Inst.	Corpo.	Total
1	AK	13	58	14	85	103.6	6,952.1	1,330.0	8,385.7
2	ASHMORE	0	7	0	7	0	256.0	0	256.0
3	ATA	0	10	0	0	0	72.5	0	72.5
4	ARMA	36	1	2	39	16.7	20.3	3.2	40.2
5	DENİZ	0	27	0	27	0	714.4	0	714.4
6	ECZACIBAŞI-UBP	0	13	0	13	0	176.1	0	176.1
7	EGELİ & CO	6	2	2	10	4.8	21.8	0.4	27.0
8	ERGO	130	12	76	218	10.5	102.3	393.0	505.8
9	EURO	0	3	0	3	0	58.5	0	58.5
10	FİNANS	67	36	4	107	58.1	1,204.9	15.8	1,278.9
11	FOKUS	18	0	3	21	87.2	0	32.7	120.0
12	GARANTİ	20	43	18	81	107.0	6,706.7	311.0	7,124.7
13	GEDİK	0	9	0	9	0	27.1	0	27.1
14	GLOBAL	49	9	2	60	9.0	29.5	888.1	39.3
15	HALK	1	2	0	3	0	662.6	0	662.6
16	HSBC	0	42	0	42	0	2,469.3	0.0	2,469.3
17	ING	32	23	3	58	12.2	1,562.8	0.1	1,575.1
18	İSTANBUL	5	1	2	8	10.5	15.6	1.6	27.8
19	İŞ	8	52	26	86	28.0	9,146.2	1,384.5	10,558.7

	Portfolio Management Companies	Number of Clients				Assets Under Management (TL Million)			
		Indiv.	Inst.	Corpo.	Total	Indiv.	Inst.	Corpo.	Total
20	LİBERA	30	3	2	35	17.4	18.5	3.0	38.9
21	LOGOS	5	1	0	6	31.2	4.0	0	35.1
22	OSMANLI	7	5	3	15	16.9	103.0	17.9	137.8
23	POLSAN	0	4	1	5	0	3.0	46.2	49.2
24	RHEA	8	1	4	13	8.9	62.6	314.9	386.4
25	STANDARD ÜNLÜ	0	3	0	3	0	8.9	0.0	8.9
26	SARDES	5	0	1	0	1.2	0	2.9	4.1
27	TEB	343	55	11	409	84.9	1,922.0	152.6	2,159.5
28	UNICORN	1	3	1	5	0.4	4.4	2.3	7.0
29	VAKIF	0	13	0	13	0	870.8	0	870.8
30	YAPI KREDİ	263	53	19	335	360.8	7,378.5	291.9	8,031.2
31	ZİRAAT	0	29	0	29	0	2,078.9	0	2,078.9
	Total (TL)	1,047	520	194	1,761	969.3	42,653.1	4,304.9	47,927.3
	(US\$)					512.9	22,597.6	2,280.3	25,391.9

Source: CMB

4.6. FUTURES AND OPTIONS EXCHANGE INC.

Turkish Derivatives Exchange (TurkDex Inc.) was established, in accordance with the Article 40 of the CML, by the decision of the Council of Ministers No. 2001/3025 published in the Official Gazette No. 24558 dated September 10, 2001, upon the suggestion of the related minister, based on the decision of the CMB No. 9/1101 dated August 17, 2001.

The exchange is established with the purpose of forming and developing the markets in which futures and options contracts and the capital market instruments composed of all kinds of derivative instruments are traded, and ensuring the functioning of these markets under conditions of free competition with security and stability, within the framework of principles of honesty and transparency and organized in the form of joint stock corporation in parallel to developments in the world. The exchange became a legal entity on July 4, 2002 when its Articles of Association was registered at the Turkish Trade Registry. The principles of trading, membership, settlement and operation are stated in the Regulation for Futures and Options Exchanges, published in the Official Gazette Nr. 25415 dated March 27, 2004.

Authorization for starting its operations was given to the Exchange on March 5, 2004. Following the necessary works

conducted by the CMB with the Exchange, the Exchange had become operational as of February 4, 2005.

The basic content of designed future contracts was approved by the CMB. Accordingly, it was decided that futures contracts based on Aegean Standard 1 Base Quality Cotton, Anatolian Red Hard Base Quality Wheat, Turkish Lira/ US Dollar parity, Turkish Lira/ Euro parity, treasury bills having 91 and 365 days term, ISE 30 and ISE 100 Indexes* would be traded on the Exchange. In addition to the future contracts mentioned above, future contracts based on gold and Benchmark Treasuries were approved to trade on the Exchange in 2006.

Trading session, which was between 10:00-15:00 initially, upon requests from the market participants, was extended and currently a single trading session is held between 9:15-17:35. The transactions executed on the exchange are settled by the ISE Settlement and Custody Bank Inc.

In its commencement year, 2005, a trade volume of TL 3 billion was realized on the Exchange (including position closures**). In 2011, like in 2006-2009 period equity index futures constituted a large share in terms of total trading volume (Table: 4.18).

* As a difference with other futures contracts, ISE 100 Index Futures was opened for trade later, in November 2005.

** It refers to open positions which are closed by the exchange system on maturity date of the concerned contracts since they are still not closed by the market participants.

Table 4.18. Trading Volume of Turkish Derivatives Exchange

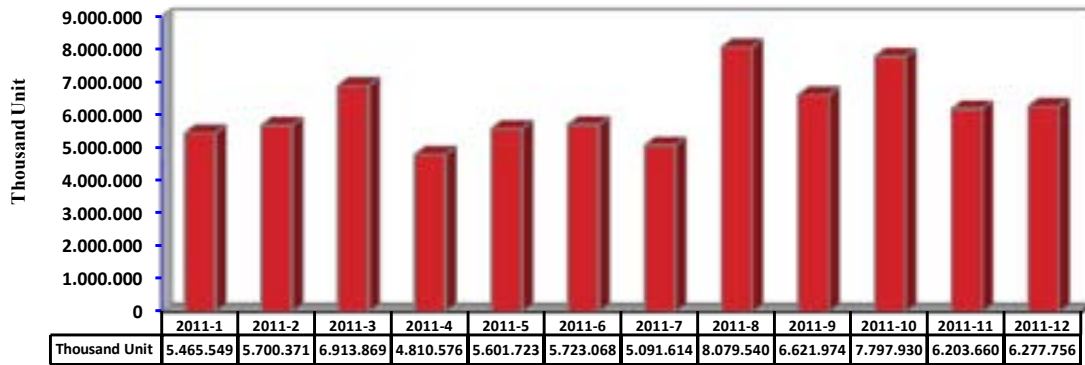
Contract	Number of Contracts Traded	Volume (TL)	Open Position
Index Futures	54,627,364	402,063,106,490	150,152
Interest Rate Futures	313	2,729,885	-
Currency Futures	18,898,683	34,452,547,933	108,517
Commodity (Inc.Gold) Futures	147,492	871,713,745	2,352
Energy (Electricity) Futures	32	3,253,884	13
Total	74,287,630	439,799,289,264	266,101

Source: TURKDEX

In 2011, trading volume was TL 439.8 billion with a total number of 74,287,630 contracts. These figures indicate an increase of 1.6% and 16.2% for trade volume and unit volume respectively as compared to 2010.

The number of contracts traded fluctuated within the year. The number of contracts traded, which was 5,465,549 units in January, reached to 8,079,540 units in August but decreased again to 5,805,235 units in December (Graph: 4.14).

Graph 4.14. Number of Contracts Traded (Unit)

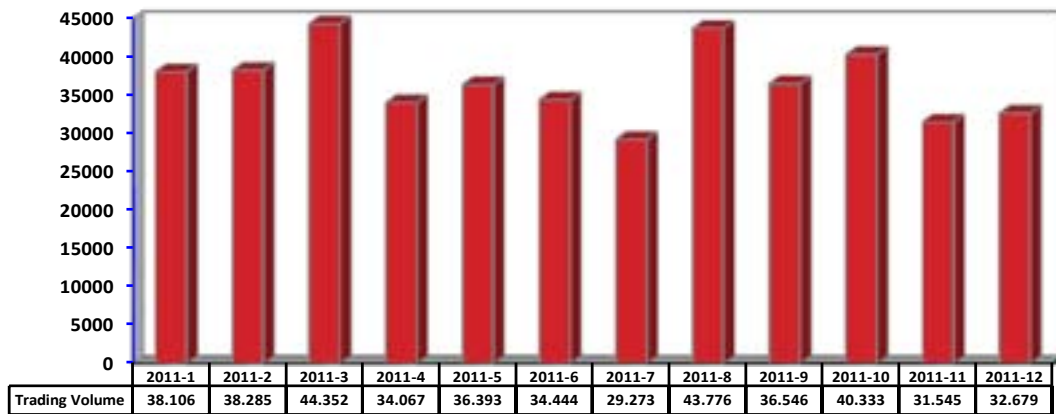


Source: TURKDEX

In 2011 there were fluctuations in the trading volume as well. Trading volume which was TL 38,106 million in the first month of

the year, increased to TL 44,352 million in May and decreased to TL 32,679 million at the end of the year (Graph: 4.15).

Graph 4.15. Trading Volume (TL)

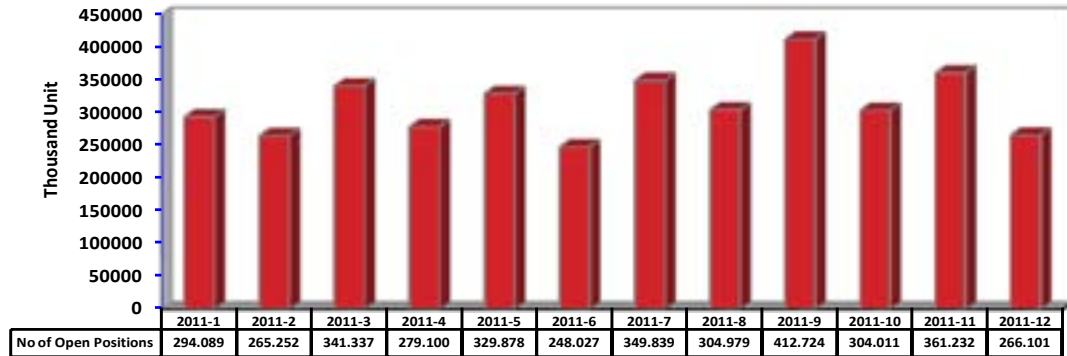


Source: TURKDEX

There have been fluctuations with regard to the number of open positions held by the end of the months. The number of open positions which was 294,089 units by the end of the first month of

the year reached to 412,724 units in September then decreased to 266,101 units by the end of the year (Graph: 4.16).

Graph 4.16. Changes in the Total Number of Open Positions



Kaynak: VOB

4.7. CENTRAL REGISTRY INC. AND INVESTOR PROTECTION FUND

Article 10/A of CML (as amended by Law No: 4487 of December, 15 1999) Central Registry Agency (CRA), which is a legal entity under private law, shall keep the states that the capital markets instruments and rights related to them in dematerialized form. According to Regulation on the Principles for Establishment, Operation and Supervision of the Central Registry Agency, which was promulgated on June 21, 2001 by the decision of the Council of Ministers, the CRA was established as a joint-stock corporation. In this regard, the CRA was established in form of joint-stock corporation and its Articles of Association was published on the Turkish Trade Registry Gazette on September 26, 2001. Its shareholders are Takasbank, ISE, TSPAKB and Istanbul Gold Exchange (IGE).

Within the framework of CML and the related regulations, the CRA is empowered to keep the records, with respect to issuers, intermediaries and owners, of capital markets instruments and the related rights in book entry form, to monitor the consistency of these records and to represent and manage the Investors Protection Fund. Until the end of 2002, various projects for establishing the technical and legal infrastructure have been carried out. The Communiqué on the Principles of Holding Records for Dematerialized Securities became effective on December 22, 2002 in order to determine the main features of the dematerialized system.

Accordingly, works for dematerialization process have been initiated. Within the context of dematerializing stocks and mutual fund participation certificates, in order for the members to make preparations and to inform the customers about the transition to dematerialized system, the principles with respect to membership were approved by the CMB on July 22, 2004 and parallel to

this, some amendments were made to the above mentioned Regulation and the Communiqué for the CRA.

In this context, as necessary works completed, for the stocks of the corporations traded on the ISE, the dematerialized system within the CRA became effective as of November 28, 2005. According to data provided by the CRA, as of year end 2011, stocks with a market value of TL 426,109 million and nominal value of 7 TL 50,582 million are kept within the CRA and the number of accounts opened was 36,425,825 and the number of accounts with security balance was 4,485,103 (figures also contain non-public shares).

Article 46/A of CML (as amended by Law No:4487 of December 15, 1999) prescribes the establishment of Investors Protection Fund with the objective of meeting the liquidation expenses and carrying out the functions provided for in Article 46/B in accordance with the principles envisaged in CML, with respect to intermediary firms which are subject to gradual liquidation or bankruptcy as per the CMB and resolution reserving the provisions of the Bank Law with respect to those banks in the scope of paragraph (a) of Article 50 of the CML whose operations are stopped by the decision of the relevant authority, to compensate the cash payment and stock delivery obligations for their customers arising from stock transactions due to capital market operations and transactions in which they engaged. The Investors Protection Fund became operational with the establishment of the CRA, which is assigned by CML to represent and manage the Fund.

As the initial asset of the Investors Protection Fund, TL 10 million was granted by the ISE in 2001. Other sources of the Fund are annual dues to be paid by the intermediary institutions, half of the administrative pecuniary fines imposed by the CMB, the ISE and TSPAKB, temporary dues for which the amount is to be

determined by the CMB and also the yield of the Fund assets invested. The Fund's assets are invested in government bonds, T-Bills, deposits or reverse repos. The total value of the Fund's assets reached TL 222,152,355 by the end of 2011.

The cash payments arising from stock transactions for their customers due to capital market operations and transactions of intermediary institutions for which a gradual liquidation or bankruptcy decision is taken, are made by the Fund within a limited amount, determined by the CML and increased by revaluation rate each year. The maximum amount for each customer to be paid from the Fund's assets is TL 63,701 for the year 2011.

4.8. ISTANBUL GOLD EXCHANGE

IGE, established on July 26, 1995, currently involves two markets, namely the Precious Metals Market and the Precious Metals Lending Market.

In 2011, the trading amount realized as 26,061 in TL/KGr. transactions indicates a 515.5% increase in TL terms. At the same time, trade volume in \$/Ons transactions increased by 81.7% over 2010. Trading amount increased by 894% to TL 2,527 million in TL/KGr. Trading volume in terms of \$/Ons was US\$ 10.429 billion and represents a 138% increase compared with the previous year.

Table 4.19. Istanbul Gold Exchange

Year	Amount of Transactions (Kg)			Trading Volume	
	TL/KGr	\$/Ounce	Total	TL/Gr (Million TL)	\$/Ounce (Million \$)
2002	47,837	95,149	142,986	749	942
2003	77,643	155,016	232,659	1,320	1,782
2004	58,839	221,425	280,264	1,068	2,909
2005	19,907	306,145	326,052	369	4,344
2006	7,875	224,421	232,296	227	4,409
2007	36,131	292,251	328,382	1,015	6,507
2008	4,567	332,462	337,029	165	9,300
2009	5,130	221,464	226,594	257	6,814
2010	4,234	110,470	114,704	254	4,382
2011	26,061	200,696	226,757	2,527	10,429

Source: IGE

4.9. THE ISE SETTLEMENT AND CUSTODY BANK INC.

ISE Settlement and Custody Bank Inc., namely Takasbank, is one of the most crucial institutions for the Turkish financial markets. It is an investment bank providing clearing, settlement and/or custody* services for the ISE markets (Stock Market, Bond and Bills Market), TurkDex Inc and for the portfolio assets of mutual funds and investment trusts. In addition to these services, Takasbank provides the ISE members with a range of banking services such as credit services for cash

within Takasbank Money Market (TMM) and credit services for securities, including Securities Purchasing Loans (SPL) and Securities Lending/Borrowing Facility (SLBO).

Total number of institutions benefiting from the services provided by Takasbank is 915. 2 million stock certificates with a total nominal value of TL 0,91 billion have been deposited in non-fungible custody. Some figures reflecting the scale and size of Takasbank's activities are given in Table: 4.20.

* For the stocks traded on the ISE, dematerialized system became operational within the CRA as of November 28, 2005 and the records of stocks held in fungible custody at Takasbank before are now held in dematerialized form at the CRA.

Table 4.20. Takasbank Statistics (2011)

Number of Institutions Benefiting From Services	1,526
Stocks Deposited in Fungible Custody (Nominal Billion TL)*	31.4
Stocks Deposited in Fungible Custody (Million Unit)	28.3
Mutual Fund Shares Deposited in Custody (Billion Unit)	413.3
Portfolio Values of Mutual Funds and Investment Companies (Billion TL)	30.1
Portfolio Values of Pension Mutual Funds (Billion TL)	14.3
Mutual Fund Participation Certificates (Million Unit)	8.8
Stocks Deposited in Non-Fungible Custody (Nominal Billion TL)	0.78
Stocks Deposited in Non-Fungible Custody (Million Unit)	2
Number of Institutions Using Stock Market Settlement System	
- Intermediary Firms	91
- Banks	56
- Mutual Funds/Investment Trusts	600
- Pension Funds	165
- Portfolio Management Companies	34
Securities Settlement (Billion TL)	163.16
Cash Settlement (Billion TL)	50.56
Settlement of Bonds&Bills (Billion TL)	2,550.3
Cash Settlement (Billion TL)	761.5
Coupon Payments for Government Securities (Billion TL)	1.8
Redemption Payments (Billion TL)	20.6
Electronic Fund Transfer (EFT)	
- Incoming (Billion TL)	1.402
- Outgoing (Billion TL)	1.377
Takasbank Securities Lending Market Trading Volume (2011- Million TL)	2.691,61
Takasbank Securities Lending Market Trading Volume (2011- Million Unit)	562,979,879
Takasbank Securities Lending Market Daily Average Trading Volume (Million TL)	10.63
Takasbank Securities Lending Market Daily Average Trading Volume (Million Unit)	2,225,217
Takasbank Money Market Daily Average Trading Volume (Million TL)	383,38
Takasbank Money Market Trading Volume (Billion TL)	96,99

* Material securities kept in dematerialized form in CRA .

Since dematerialized system became operational for the stocks traded on ISE as of November 28, 2005, data for the stocks and number of accounts at Takasbank's custody system are as of this date.

Source: Takasbank

4.10. THE ASSOCIATION OF CAPITAL MARKET INTERMEDIARY INSTITUTIONS OF TURKEY

The Association of Capital Market Intermediary Institutions of Turkey (Association) is a self-regulatory organization having attributed of a civil institution possessing a legal entity. The Association has been established according to the amendments in the article 40/B and 40/C of the CML, which are added to CML numbered 2499 with the law dated 15.12.1999 and numbered 4487. The Status of the Association became

effective by the publication on the Official Gazette numbered 24315, on February 11, 2001.

The aim of the Association is to ensure the functions given by the law and the status by developing the capital market and intermediary activities, making the members of the association work in corporation and in care and discipline as required by capital market, protecting the economic benefits of the members, preventing unfair competition, illuminating the members on professional issues. According to the article 40/B

of the CML, the Association has been charged and authorized to make investigations to provide the development of the capital markets and intermediation activities, to create professional rules for making Association members work in care and discipline as capital market require, to prevent unfair competition, to take necessary actions in these subjects, to make regulations in subjects released by the law or determined by the CMB, to carry out supervising, to cooperate with member institutions in related matters in order to give disciplinary punishments as foreseen in Associations' status, to inform the members by monitoring the professional developments, administrative and legal regulations.

The Association, which is a self-regulatory institution, carried out every kind of education and surveillance activity for the investors and social stakeholders in year 2011 extensively, also it organized educational activities for helping the staff of

intermediary institutions for preparing licensing examinations. In addition to these activities it took a major role to transmit the opinions and suggestions of intermediary institutions to the CMB about many subjects regulated by the CMB.

4.11. INTERMEDIARY INSTITUTIONS

In total, there are 140 intermediary institutions, 100 of which are brokerage houses (operations of 11 of them are temporarily suspended) and 40 are banks, operating in Turkey by the end of 2011.

In 2011, 2 brokerage houses, operations of which were temporarily suspended, have been granted operating permission again. At the end of 2011, 11 brokerage houses are still temporarily closed. The information about the licenses of the brokerage houses, investment banks and commercial banks as of the end of 2011 is given below (Table: 4.21).

Table 4.21. Licenses of Intermediary Institutions

Type of License	Brokerage Houses	Investment Banks	Commercial Banks
Intermediation of Sale and Purchase of Capital Market Instruments	101	10 (off-the-exchange)	30 (off-the-exchange)
Public Offering	55	5	-
Portfolio Management	50	5	-
Investment Consultancy	57	1	-
Repurchase and Reverse Repurchase Transactions	53	10	30
Margin Trading, Short Selling, and Lending and Borrowing of Securities	96	-	-
Intermediation of Purchase and Sale of Derivative Instruments (TDE)	81	2	16

Source: CMB

The brokerage houses are operating countrywide by 156 branches, 74 liaison offices and 34 agencies established with banks as of the end of 2011.

Breakdowns of secondary market trading activities by the intermediary institutions are given below (including off-the-exchange trading activities).

Table 4.22. Transactions of Intermediary Institutions

	2009		2010		2011	
	Billion TL	Billion \$	Billion TL	Billion \$	Billion TL	Billion \$
In Equity Market						
-Brokerage Houses	482	316	635	425	694	423
In Bonds and Bills Market (Including Repos and Reverse Repos)						
-Brokerage Houses	1.182	764	1.123	722	1.116	617
-Banks	6.445	4.166	5.486	3.527	6.943	3.676
Total Transaction Volume	8.109	5.246	7.186	4.637	8,753	4,716

The transactions have been recorded for both parties above and transactions of Central Bank and Takasbank are excluded.

Source: ISE

Haydarpaşa Train Station - Istanbul



5. ACTIVITIES OF THE CMB IN 2011

Although the developments for Turkish capital markets date back to the Ottoman Empire, an efficiently functioning and healthy capital market could only be established in 1980s.

The CMB launched new instruments and institutions with the aim of regulating, supervising and developing of capital markets, based on the CML, which became effective in 1981. At first, the regulation of primary markets was focused, while the establishment of secondary markets was also carried out. In this regard, "Istanbul Securities and Foreign Exchange Bourse" was reopened under the name of "Istanbul Stock Exchange" at the end of 1985.

Turkish capital markets developed rapidly under the regulations made at the beginning of 1980s and therefore the indicators of both primary and secondary markets improved substantially.

The CMB attributed great importance to improve communication with investors, issuers and other institutions in 2008 too. In this context, a system has been established for receiving and evaluating the complaints and proposals of the related parties, and it has been benefited greatly from this system on making regulations. There has been close cooperation with the ISE, the IGE and the TSPAKB.

Besides, investors and other stakeholders have been given the opportunity to submit their requests of information and complaints through the CMB's web site around the clock.

The Executive Board held 44 meetings and made 1,191 decisions on various subjects under its competence in 2011.

5.1. REGULATION

One of the primary functions of the CMB is making regulations. The CMB, within the framework of authority delegated by the CML, has made many regulations during 2011 concerning the capital markets institutions, instruments, markets and investor protection. These regulations are summarized below:

5.1.1. Regulations

- By the amendment to the Istanbul Stock Exchange Stock Market Regulation; the one week period about the announcement of the application lodged by the issuing company or the intermediary for a public offering through the Exchange's Primary Market has been revised as two days (Official Gazette dated 29 January 2011, Nr. 27830).
- By the amendments to the Istanbul Stock Exchange Organization, Function and Operation Principles Regulation, changes have been made in the organization and departmental structure of the ISE (Official Gazette dated 30 January 2011, Nr. 27831 and dated 19 August 2011, Nr. 28030).
- By the amendment to the Istanbul Stock Exchange Regulation; the definition of Public Disclosure Platform (PDP) has been revised, the place of the arrangement of the rules applied for the market for the buy and sell of debt securities and repos and reverse repos for securities has been defined, and arrangements regarding the time for the members executing the purchase and sale commitments and also for default have been made. (Official Gazette dated 19 August 2011, Nr. 28030).
- By the amendment to the Istanbul Stock Exchange Stock Market Regulation; principles regarding transmitting of the Exchange orders have been amended. (Official Gazette dated 19 August 2011, Nr. 28030).
- By the amendment to the Istanbul Stock Exchange Emerging Companies Market Regulation; the date for the beginning of shares trading, principles for the determination of price tickssteps and the principles for the realization of buy/sell transactions has been revised. (Official Gazette dated 19 August 2011, Nr. 28030).
- By the amendment to the Istanbul Stock Exchange Listing Regulation; the principles for the applications for the listing and trading of debt securities and the disclosures about abdication of sales and the principles about the trading ban and removal of markets have been redefined. (Official Gazette dated 19 August 2011, Nr. 28030).
- By the amendment to the Istanbul Stock Exchange Stock Market Regulation, the rules regarding the order entry

types via the order routing system have been revised (Official Gazette dated 19 August 2011, Nr. 28030).

5.1.2. Communiqués

- Communiqué Serial:V, Nr. 120 Amending the Communiqué on Principles Regarding the Use of Collaterals Deposited by the Intermediary Institutions has introduced new collateral requirements for those intermediary institutions that do not meet capital adequacy requirements (Official Gazette dated 22 January 2011 , Nr. 27823).
- Communiqué Amending the Communiqué on Principles Regarding Licensing and Registration for the Professionals Engaged in Capital Market Activities (Serial:VIII, No:74), the issues concerning the allowing the assistant personnel to work without license, the obligation to obtain a license to be able to be appointed for qualified positions, the renewal of licenses, and the persons who attended at least one of the examinations held in 2010 but didn't deserve a license, are regulated (Official Gazette dated 29 January 2011 , Nr. 27830).
- By the Communiqué Amending the Communiqué on the Principles Regarding the Registration of Bonds with the Board (Serial: II, No: 27); debt securities' commencement date procedure has been changed and the day the debt securities are credited to the investors' accounts has been determined as commencement date, issuers are obliged to take necessary measures to ensure that the investors who bid for debt instruments shall not bear a loss during the period between the day they bid and the term commencement day and to disclose these measures in the prospectus and regarding the sale of publicly offered bills application determined as "term-dependent discount rates to be applied in the sale of bills sold on the discount basis through public offering shall be calculated on a yearly basis and shall be announced by the issuer at the sale venue within the sale period" has been abrogated (Official Gazette dated 8 March 2011, Nr. 27868).
- Communiqué Serial: XI, Nr. 31 Amending the Communiqué on Principles Regarding Financial Reporting in Capital Markets has exempted the companies traded at İSE Emerging Companies Market from preparing interim financial reports for first and third quarters (first three and nine months) and interim reports. This exemption also applies for the corporations whose capital market instruments are traded at an exchange if the trading of mentioned capital market instruments are suspended for more than 30 days (Official Gazette dated 9 March 2011, Nr. 27869)

- By the Communiqué Amending the Communiqué on Principles Regarding the Requirements for the Exemption of Issuers and Expulsion From Board Registration (Serial: IV, No: 50), the opportunity to not distribute dividends for the companies whose shares are traded on the Emerging Companies Market has been provided, in the case that capital market instruments sale value is under TL 170.000 the scope of exemption for preparing prospectus has increased to TL 3.000.000 issuers which are not under the registration of Board and only exempt from preparing of prospectus because of the issue of debt securities, are exempted from the obligation of independent audit of annual and interim reporting and also notice of these reports to Board and the Exchange (Official Gazette dated 16 March 2011, Nr. 27876)
- By the Communiqué Amending the Communiqué on the Principles to be Observed by the Companies subject to the CML (Serial: IV, No: 51); shareholder relations unit that is obligatory for the companies whose shares are being traded on the Stock Exchange and personnel of shareholders relations unit and personnel providing coordination in corporate governance practices are not mandatory for companies traded at the Emerging Companies Market (Official Gazette dated 16 March 2011 , Nr. 27876)
- By the Communiqué Amending the Communiqué on Sending Information, Documents and Statements to Public Disclosure Platform by Electronic Signature (Serial: VIII, No: 75); it is provided that every kind of information, documents and reports of mutual funds are signed in electronic environment and disclosed to public on Public Information Platform. In this manner, besides making public disclosure more efficiently, reducing the cost of announcement for mutual funds and also creating a system to reach mutual funds' periodic reports from a central system are aimed (Official Gazette dated 01 April 2011 , Nr. 27892)
- By the Communiqué Amending the Communiqué on the Principles Regarding Mutual Funds (Serial: VII, No: 40), as an alternative instrument to liquid funds, short term bonds and bills funds has been introduced. With the same communiqué , implementation of the management fee ratio limit planned to end at 30 June , 2011 has been extended to 31 December , 2011 and different from other mutual funds the upper limit of management fee ratio of liquid funds is determined as ten to one hundred thousand between the publication date of the communiqué and 30 June , 2011 and as seventy five to one million between 1 July , 2011 and 31 December , 2011. The other amendments with this communiqué can be counted as follows: cash collaterals reserved in the ISE Settlement and Custody Bank Inc. stemming from futures transactions occurred in TurkDex shall be included in mutual funds portfolios; the information, documents and reports of mutual funds are allowed to be signed electronically and announced to the public via PDP (Official Gazette dated 1 April 1, 2011 , Nr. 27892).
- By the Communiqué Serial: V, Nr. 121 Amending the Communiqué on Principles Regarding the Intermediary Activities and Intermediary Institutions has introduced new rules regarding the derivatives trading in foreign markets (Official Gazette dated 6 May 2011, Nr. 27926).
- By the Communiqué Amending the Communiqué on the Principles Regarding Registration with Board and Sale of Shares (Serial: I, No: 43) the issue of conversion of shares listed on ECM to those traded in the Exchange shall be allowed and otherwise not, shares can be created as traded or non-traded in the sale of shares of companies which will be traded on ECM through reserved capital contribution has been arranged. For the reserved sales, the application regarding selling of shares after three working days as of the public announcement is put into effect and the 2 days period determined for the announcement of draft prospectus is extended to 5 days period (Official Gazette dated 10 June 2011, Nr. 27960)
- By the Communiqué Amending the Communiqué on Principles Regarding Financial Reporting Standards of Intermediary Institutions (Serial: XI, No: 32), new accounting rules have been introduced regarding warrants trading (Official Gazette dated 13 July 2011, Nr. 27993).
- By the Communiqué Amending the Communiqué on the Principles to be Observed by Companies Subject to the Capital Market Law (Serial: IV, No: 52); the obligation of valuation for the frequent and continuous transactions which listed companies made with their related parties has been abrogated and instead of that practice of preparation of a report by board of directors and announcement of it to investors has been settled in the case of the value of the transaction reaches to the %10 or more of total assets, and the threshold, based on the preparation of expert Corporation report, of %10 has been decreased to %5 for one time transactions between related parties. It is accepted that the personnel employed in the corporations of which market value is under TL 50.000.000 having Capital Markets Operations Basic Level License is enough, full time employment obligation for securities investment trusts has been abrogated and exemption has been given

to the corporations listed in the ISE Watch List Market (Official Gazette dated 20 July 2011, Nr. 28000)

- By the Communiqué Amending the Communiqué on Principles Regarding Asset Covered Bonds (Serial:III, No:46), factoring companies are assumed as issuer, it has become possible to issue asset covered bonds backed by factoring receivables, in the case of default it has become obligatory to accumulate the cash gathered from collateral assets under an independent association on behalf of investors, with the condition of prerequisites are fulfilled, the opportunity to use the cash coming from the renewal of collateral assets has provided, minimum collateral ratios are differentiated by the sort of collateral assets and in the cases like the bankruptcy of the issuers, the opportunity of management and settlement of collateral assets executed by Investors Protection Fund (Official Gazette dated 20 July 2011, Nr. 28000)
- By the Communiqué Amending the Communiqué on Principles Regarding Real Estate Investment Companies (Serial: VI, No: 29), the practice of companies using portfolio tables to give information on their portfolios has been amended such that the information is to be shared with the investors using financial reports that are generated in accordance with Serial: XI, No:29 “Communiqué on Principles of Financial Reporting in Capital Markets”. The new practice would let the investors to decide whether to invest after analyzing every asset in the portfolio in more detail using financial reports and business report of the board (Official Gazette dated 28 July 2011, Nr.28008).
- By the Communiqué Amending the Communiqué on Principles Regarding Portfolio Management Activities and Institutions Authorized to Provide Portfolio Management Services (Serial: V, No: 122), portfolio management companies are allowed to be an intermediary in purchase and sale of mutual fund shares and rules and principles associated with this intermediation is determined. The aim of the regulation is to widen distribution channels of mutual funds and make the mutual fund market a more competitive one (Official Gazette dated 28 July ,2011, Nr:28008).
- “Communiqué on the Principles Regarding Securities Investment Trusts” (Serial: VI, No: 30) published in the Official Gazette dated 31 July 1992 numbered 21301 is overruled by the “Communiqué on the Principles Regarding Securities Investment Trusts” (Serial: VI, No:30) and the principles regarding establishing, public offering, managing, portfolio limits and public disclosure of the investment trusts are regulated again for meeting the needs occurred in emerging markets, improving the capacity of the corporate governance compliance, managing and improving the portfolios professionally. Among the new implementations introduced by the Communiqué include, increasing the minimum paid-in capital by trusts from TL 4.360.000 to TL 20.000.000 , overruling the principles that allow gradual establishment and harmonizing the principles of immediate establishment and properties of partners/managers with those of other investment trusts, the obligation of the leader entrepreneurship of at least one partner , forbidding new issuance of any privileged securities, creation of extra privileged securities for investment trusts issued privileged securities before the publication of the Communiqué , the obligation of the payment of at least 20% of net profits available for distribution in cash as the first dividend, harmonizing the types and valuation process of the assets included in the portfolio of trusts with those of the mutual funds, the obligation to prepare and undergo independent audit interim period and the end of year performance presentation reports, setting an upper limit at fees and commissions paid for portfolio management, investment consultancy and services such as accounting, operations and risk management systems, setting a common rule for repurchasing the trust's own shares and procedures for leaving securities investment trust status (The Official Gazette dated 5 August 2011, Nr. 28016)
- Communiqué Serial:V, Nr. 125 on Principles Regarding the Forex Trading Operations has introduced the rules on forex trading and related licensing requirements (Official Gazette dated 27 August 2011, Nr. 28038).
- Communiqué Serial:V, Nr. 123 Amending the Communiqué on Principles Regarding the Intermediary Activities and Intermediary Institutions has introduced the rules on how banks can engage in forex trading as agents of intermediary institutions (Official Gazette dated 27 August 2011, Nr. 28038).
- Communiqué Serial:V, Nr. 126 Amending the Communiqué on Futures Trading Intermediary Institutions has introduced the rules on how these institutions can engage in forex trading as introducing brokers (Official Gazette dated 27 August 2011, Nr. 28038).
- By the Communiqué Serial:V, No: 124 Amending the Communiqué on the Capital Adequacy Requirements of Intermediary Institutions, new rules have been introduced regarding capital adequacy requirements and risk calculations for intermediaries that engage in forex trading (Official Gazette dated 27 August 2011, Nr. 28038).
- By the Communiqué Serial: V, No: 127 Amending the

Communiqué on Principles Regarding the Intermediary Activities and Intermediary Institutions the rules on know your customer have been amended (Official Gazette dated 12 September 2011, Nr. 28052).

- By the Communiqué Amending the Communiqué on Principles Regarding Financial Reporting Standards of Intermediary Institutions (Serial: XI, No: 33), financial reporting standards for intermediary institutions regarding forex trading have been introduced (Official Gazette dated 9 October 2011, Nr.28079).
- By the Communiqué Amending the Communiqué on Principles Regarding Portfolio Management Activities and Institutions Authorized to Provide Portfolio Management Services (Serial: V, No: 128), in order to diversify portfolios, savings accounts in the participation banks are included in the assets that a portfolio management company can invest. Besides, experience requirement for shareholders of portfolio management companies is revised (Official Gazette dated 9 October 2011, Nr.28079).
- By the Communiqué Amending the Communiqué on the Principles Regarding Securities Investment Trusts (Serial: VI, No: 31), besides portfolio management companies the trusts are allowed to outsource the portfolio management and investment consultancy services also from intermediary institutions having portfolio management or investment consultancy authorization certificate from the Board and in order to minimize possible conflicts of interest it has been required to separate the institutions providing portfolio management/investment consultancy activities and the intermediary services. In addition, the implementation of setting an upper limit at fees and commissions was clarified and it is stated clearly that the limitation includes only the commissions and fees paid for outsourced services (The Official Gazette dated 9 October 2011, Nr. 28079.)
- By the Communiqué on Determination and Implementation of Corporate Governance Principles (Serial: IV, No:54), the Corporate Governance Principles published firstly in 2003 have converted to an arrangement qualified as a communiqué and by taking into consideration the international developments some amendments have been made. The most important change by the communiqué is going further from "Apply or Explain Approach" embraced by the Board and in order to inform effectively and provide an effective and fair representation of investors in the corporations management, some principles become obligatory. In this framework first of all, in order to ease the healthy decision making by investors ,detailed provisions are foreseen regarding the timing of announcement and content of general shareholders meetings, and for the effective and fair representation of investors in the corporations management and effective work of board of directors far from the potential conflict of interests independent board of directors has become an obligation (Official Gazette dated 11 October 2011, Nr. 28081).
- By the Communiqué Amending the Communiqué on the Principles Regarding Mutual Funds (Serial:VII, No:41), amendment regarding the limits on management fees has been made, the limit of management fees in 2012 is set to be as three to one hundred thousand per day for liquid funds; six to one hundred thousand per day for short term bonds and bills funds, index funds and guaranteed and protected funds and ten to one hundred thousand per day for the other mutual funds (Official Gazette dated 01 November 2011, Nr. 28102).
- By the Communiqué Amending the Communiqué on Principles Regarding the Requirements for the Exemption of Issuers and Expelation From Board Registration (Serial: IV, No:55); it has become possible to exempt from the obligation of independent auditing of the interim financial tables during the application and also to the time of redemption of capital market instrument by the will of non-public companies which will issue capital market instruments other than shares, with the conditions of existence of an credit rating note about the issuer or the capital market instrument, credit rating notes are updated at least once a year and disclosure of credit rating note to public in the case of existence of a publicly offered capital market instrument (Official Gazette dated 01 November 2011, Nr. 28102).
- By the Communiqué Amending the Communiqué on Principles Regarding the Transactions of Mergers (Serial:I, No:44), it was aimed to overcome the problems encountered in practice, simplify the procedures, fulfill the need for a more base and omnibus arrangement in the division transactions of publicly held corporations. By the arrangements in that scope, the obligation of applying to Board in all kind of division transactions of publicly held corporations was issued, the opportunity of full division was provided for publicly held corporations, the requirement of being a newly published company for the companies to which the assets will be set over after the division is abolished, preparing of report by the companies which are defined by the Board is obliged to determine the value of the acquiring company's shares which will be given to shareholders in the case of the publicly held companies are setting over party of the division transaction and in the

case of publicly held companies are the acquiring party of the division transaction the value of assets subject to division transaction, and also some facilities have been provided in the case of the acquiring party fulfill defined requirements in the affiliate model partial divisions transactions (Official Gazette dated 04 November 2011, Nr. 28105).

- By the Communiqué Regarding Determination and Implementation of Principles of Corporate Governance (Serial:IV, No:56) the Communiqué Serial: IV, No:54 has been abrogated and the scope determined before for the publicly-held corporations in the ISE 30 Index except the banks has been enlarged to cover all publicly-held corporations whose shares traded on ISE except those traded on the Emerging Companies Market and Watchlist Companies Market. The significant changes brought with the Communiqué are as follows; classification of Stock Exchange companies into three groups according to their systemic importance and determination of requirements in different level for the companies in different groups, bringing innovations regarding to the settlement of board of directors and bringing new provisions for the benefit of investors especially in the subjects like qualifications, election process, settlement and duties and liabilities of independent members of Board of Directors (Official Gazette dated 30 December 2011, Nr. 28158).
- By the Communiqué amending the Communiqué on the Principles Regarding Mutual Funds (Serial:VII, No:42) the lower limit of monthly weighted average maturity of short term bonds and bills funds has been decreased from 45 days to 25 days and as a new mutual fund type common stocks intensified funds have been introduced (Official Gazette dated 31 December 2011, Nr. 28159).

5.1.3. Rulemaking Decisions of the Board

- Decision which states that, instead of Weekly Bulletin, the public disclosures of material events of non-listed companies shall be published on CMB's web-site under "Companies" section, momentarily and by specifying the relevant company, subject and the date to enable subsequent search (Board Decision dated 06 January 2011, Nr. 1/32).
- Decision about the approval of updates regarding the existing prospectus formats of shares, debt securities and intermediary institutions' warrants, book shelf registration prospectus and share details memo formats, the notice text format prepared for share issuances granted exemption from prospectus issue obligation according to Communiqué Serial: IV, No: 39 and prospectus and circular formats regarding share issuances in Emerging Companies Market

(Board Decision dated 17 February 2011 , Nr. 5/136).

- Decision about tracking insider lists electronically on the Central Registry Agency System (Board Decision dated 08 April 2011, Nr. 11/366).
- Decision about unique Central Registry Agency number usage for all capital markets transactions (Board Decision dated 08 April 2011, Nr. 11/366).
- Decision which states that the 84 publicly held non-listed companies' shares shall be traded on a Market of Platform, principles of which will be determined by ISE (Board Decision dated 03 June 2011, Nr. 17/519).
- Decision determining the minimum requirements of the report to be prepared by the cover monitor for asset covered bonds issuances according to the Communiqué Serial: III, No:38 (Board Decision dated 30 June 2011, Nr. 20/614).
- Decision about the cancellation of the Board Decisions, dated January 17, 2008, Nr. 2/70 and dated February 8, 2008, Nr. 4/154 regarding the portfolio table regulation and the issues related with the affiliates of real estate investment trusts (Decision of the Board, dated 14 July , 2011, Nr. 22/697).
- Board Decision concerning a notification to independent audit companies to pay careful attention regarding implementation of auditor independence and audit quality regulations set by Serial: X, No: 22 (Board Decision dated 14 July 2011, Nr. 22/703).
- Decision abolishing the Board Decision dated 01 September 2011 and Nr. 27/748 regarding the share buybacks of investment companies and intermediary institutions and defining the new share buyback principles in parallel with new TCC Nr. 6102 for all ISE companies (Board Decision dated 11 August 2011, Nr. 26/767).
- Decision which states that, due to stay of execution of relevant clause in Communiqué Serial: IV, No:44 "In addition, regardless of the abovementioned rate, obtaining the preferred shares which entitle the holder to appointing the simple majority of the members of the board of directors, or nominating such members in the general assembly shall also refer to obtaining the control of management", obtaining deferred ordinary shares shall also be taken into account in determining the control of management in addition to preferred shares, until the case is adjudicated or a new regulation is made by the Board (Board Decision dated 25 August 2011, Nr. 28/812).
- Decision about transferring the authority to organize license

renewal courses which is one of the authorities given to the Association of Capital Market Intermediary Institutions of Turkey in 2001, to the Capital Markets Licensing, Registration and Education Corporation effective from 1 November, 2011 (Board Decision dated 14 October 2011, Nr. 34/963).

- Decision about transaction prohibition rules for warrant transactions (Board Decision dated 14 October 2011, Nr. 34/967).
- Decision about the dematerialization of asset backed securities and asset covered bonds registered with the Board and sold in Turkey, according to the Communiqués Serial: III, No:35 and Serial: III, No:38 (Board Decision dated 03 November 2011, Nr. 37/990).
- Decision regarding disclosure of Annual public report including information about the results of audit inspections performed the last year in line with EU 8th Directive (Board Decision dated 24 November 2011, Nr. 39/1061).
- Decision about the re-assessment of the status(situation) of 84 publicly held non-listed companies whose shares shall be traded on a Market of Platform, principles of which will be determined by ISE according the Board Decision dated 03 June 2011 and Nr. 17/519 (Board Decision dated 25 November 2011, Nr. 39/1066).
- Decision stating that other than inflation adjustment, it is not possible for companies whose shares are registered with the Board, to add the funds to the capital which are accrued by evaluating the tangible fixed assets via court expert or real estate appraisal companies authorized by the Board (Board Decision dated 16 December 2011, Nr. 42/1122).
- Decision about "The Criteria Regarding the Classification of the Mutual Funds" prepared by Turkish Institutional Investment Managers' Association and approved by the Board (Decision of the Board dated 29 December 2011, Nr. 44/1174).

5.2. ONGOING REGULATORY AND OTHER ACTIVITIES

- Studies on draft of the new Capital Markets Law,
- Work being conducted with regard to the Project entitled "Strengthening the Capital Markets Board", which has been approved by the European Commission, includes finalization of documents for the procurement process in relation to the components "Drafting and Training in the Field of Accounting" and "Improving Administrative Capacity of CMB and Establishing Implementing Measures" and following the establishment of the Capital

Markets Licensing and Training Centre, preparation of documents for the procurement process of the component "Development of a Licensing and Training Centre".

- Studies related to organizing licensing examinations in collaboration with the Association of Capital Market Intermediary Institutions of Turkey (The newly established the Capital Markets Licensing, Registration and Education Corporation has not yet been fully organized and operational.),
- Studies on determining the principles of public disclosure of forward-looking information in order to increase the efficiency of public disclosure system which is a necessity to eliminate the information asymmetry among the investors and to create a transparent and reliable investment environment,
- Studies on developing non-interest financial instruments, in the context of Istanbul Financial Center Project,
- Studies on legislative changes to make the quotation of foreign companies easier, carried out in conjunction with the relevant public institutions,
- Studies in order to ensure issuance of TL based debt securities by foreign companies in local market and abroad, carried out in conjunction with investment banks and international institutions ,
- Studies for the establishment of a market in which only institutional investors will trade and foreign securities will be quoted directly,
- Studies on regulations for funding models needed by the municipal administrations carried out in conjunction with relevant public institutions, municipal administrations and other institution,
- Studies on reviewing corporate governance principles in accordance with the EU legislation, international developments and the demands of the market participants,
- Studies on funding the Small and Medium-Sized Enterprises by way of capital markets,
- Studies on forming guidance for applications in order to raise efficiency on companies applications and evaluation of those applications,
- Studies on regulation of providing exemptions for repurchasing plans and ensuring price stability for financial instruments,
- Studies on secondary legislation for Mortgage Finance

Companies related to "Housing Finance Law" which is widely known as "mortgage",

- Studies on the establishment of venture capital funds,
- Studies on the establishment of real estate investment funds,
- Studies on regulation for publicly held companies whose shares are not traded on the ISE but having enough size, to be traded on ISE.

5.3. REGISTRATION

According to the CML, capital market instruments to be issued or to be offered to the public are required to be registered with the CMB. In a registration system where public disclosure is essential, applications made for the issuance of capital market instruments are evaluated on the basis of whether or not prospectus and circular concerning the corporation and capital market instrument to be offered to the public contain necessary information prescribed by legislation. The

examination of application for issuance is implemented by taking the legal and financial aspects into consideration. In addition to that, an investigation is made at the company's main office and production facilities for all of the initial public offering applications and some of the other applications where it is deemed necessary.

In the event it is decided that the explanations are not sufficient and do not reflect the truth fairly such that an exploitation of the public may occur, the CMB may deny registration of the capital market instruments by stating the reason for such a denial. The registration of the capital market instruments by the CMB, however, is not an official assurance.

In that respect, in 2011, applications regarding the registration of stocks, debt securities, mutual fund participation certificates and pension funds participation certificates that are to be issued or to be offered to the public are reviewed by the CMB. In the table below, the figures are given regarding those applications and their results:

Table 5.1. Registration Applications and Realizations

Applications	Number of Applications	Finalized Registration
Stocks	152	118
Publicly-held Companies *	117	94
Real Estate Investment Trusts	19	10
Venture Capital Investment Trusts	4	4
Securities Investment Trusts	12	10
Mutual Fund Participation Certificates	53	45
Pension Funds	14	14
Commercial Papers	22	11
Bank Bills	10	99
Bonds **	29	26
Warrants	2	1
Total	262	214
* Including IPO applications.		
** For one application, examined issuance was canceled due to lack of demand.		
Source:CMB		

5.4. AUTHORIZATION

5.4.1. Authorization of Intermediary Institutions

In order to provide both the functioning of capital markets in stability, transparency, security and protection of rights and benefits of the investors, the necessary conditions that the intermediary institutions have to hold are determined by the CMB. In this context; operation of brokerage houses and banks, establishing field offices, changing of the structure of

the partnership, amendments to the article of incorporation of brokerage houses are subject to the permission of the CMB.

The information about the activities that can be performed with the permission of the CMB and the institutions enabled to perform these activities at present are presented below.

Table 5.2. Activities Subject to Authorization of the CMB and the Institutions that can Carry out these Activities

Type of Activity	Brokerage Houses	Non-depositing Banks (Investment Banks)	Commercial Banks
Intermediation for Trading Securities	√	√ Off-the-exchange	√ Off-the-exchange
Intermediation for Public Offering	√	√	
Repurchase and Reverse Repurchase of Securities (Repo-Reverse Repo)	√	√	√
Portfolio Management	√	√	
Investment Consultancy	√	√	
Margin Trading, Short Selling and Lending and Borrowing of Securities	√		
Intermediation for Sale and Purchase of Derivative Instruments	√	√	√
Source: CMB			

The applications to be authorized for the above mentioned activities are examined by the CMB experts and are submitted to the Executive Board in order to be decided.

The information about applications of intermediary institutions in 2011 is given in the table below.

Table 5.3. Applications of Intermediary Institutions

Type of the Application	Number of Applications	Number of Concluded Applications
Permission for Operation	16	16
Establishing Field Offices	29	24
Change in the Structure of the Partnership	47	42
Amendments to the Article of Incorporation of the Brokerage Houses	36	36
TOTAL	128	118
Source: CMB		

5.4.2. Authorization of Collective Investment Schemes

To provide more effective public disclosure and more transparent operation of the collective investment schemes, the CMB's permission is required for the following processes.

- Establishment, amendments to the bylaws, changes in the founders or type of fund as well as merger and termination of Mutual Funds.
- For investment trusts and real estate investment trusts, establishment, amendments to the article of association,

increases in the registered capital and obtaining portfolio management licenses.

- For portfolio management companies, establishment, obtaining the portfolio management license and the investment consultancy license.

The statistics regarding the applications of the collective investment schemes in 2011 are given in the table below.

Table 5.4. Applications of Collective Investment Schemes

Type of Application	MUTUAL FUNDS*		INVESTMENT TRUSTS**		REAL ESTATE INVESTMENT TRUSTS		PORTFOLIO MANAGEMENT COMPANIES		TOTAL	
	Number of Application	Applications Finalized	Number of Application	Applications Finalized	Number of Application	Applications Finalized	Number of Application	Applications Finalized	Number of Application	Applications Finalized
Establishment/Registration/Transformation	60	52	3	1	1	1	5	4	72	60
IPO/Increase in number of shares	114	102	-	-	7	6	-	-	121	109
Tender offer/exemptions/transfer of shares	-	-	4	2	3	2	2	2	9	6
Merger	1	1	-	-	1	1	-	-	2	2
Termination	31	22	-	-	-	-	-	-	31	22
Change in article of association/prospectus	122	112	8	7	2	1	-	-	132	120
Capital Increase	-	-	8	6	22	22	2	2	32	30
Registered Capital Increase	-	-	2	2	6	6	-	-	8	8
Other***	125	111	11	10	39	30	6	5	181	156
TOTAL	453	400	36	28	81	69	15	13	588	513
* Pension mutual funds are included. ** Venture capital investment trusts are included. *** Additional time request/opinion request etc.										
Source:CMB										

5.4.3. Authorization of Publicly-Held Companies

Both publicly-held companies whose shares are traded on the exchanges and other publicly held companies whose shares are not traded have to get the permission of the CMB with the aims of making the procedures of capital stock increases easier and protecting the shareholders of publicly held companies, for the transactions given below:

- Adopting the registered capital system and increasing the registered capital within that system,
- Mergers, acquisitions and divisions,
- Amendments to the articles of associations,

- Collecting proxies or acquiring shares by tender offers, applications for exemptions from mandatory tender offer obligation,
- Employee stock ownership plans of multinational companies regarding the employees of their subsidiaries located in Turkey,
- Paper imports for printing common stocks,
- Registration of the companies with the CMB,
- Deregistration of the companies ,

In that respect, the figures regarding such applications to the CMB for 2011 are given in the table below.

Table 5.5. Applications of Publicly-Held Companies

Subject	Number of Applications	Realizations
Adopting Registered Capital System and Increasing Registered Capital	47	41
Mergers, Acquisitions and Divisions	13	12
Tender Offers and Requests for Exemption from Mandatory Tender Offer Obligation	15	11
Amendments to the Articles of Association	162	154
Employee Stock Ownership Plans of Multinational Companies	22	21
Registration of Companies	0	0
Deregistration of Companies	22	14
Permissions for Paper Imports	1	1
Capital Decrease	6	6
Total	288	260
Source:CMB		

5.4.4. Authorization of Independent Auditing Firms

Independent auditing firms are responsible for examination of the issuers and capital market institutions' financial statements which are disclosed to the public or required by the CMB with respect to the compliance with generally accepted accounting principles, definitions, standards and principle of fairly reflection of the accuracy and reality of information, and preparation of audit reports.

Applications of firms, which demand for operating in independent auditing business in capital markets, are examined by the CMB and firms, which acquire the qualifications, are taken to the list of entitlement to provide such service. In 2010, 3 auditing firms' applications for authorization and 2 auditing firms' applications for unauthorization were approved. There are 93 auditing firms in the list by the end of 2011.

5.4.5. Authorization of Rating Agencies

According to Communiqué on Principles Regarding Ratings and Rating Agencies in Capital Markets (Serial: VIII, No: 51);

rating activities include credit rating and the rating of conformity to corporate governance principles. In this Communiqué credit rating is defined as an independent, unbiased and fair evaluation and classification of the creditworthiness of corporations and capital market institutions and the default risk as to the timely payment of interest and repayment of principal in accordance with the terms of obligations by the rating agencies, and rating of conformity to corporate governance principles is defined as an independent, unbiased and fair evaluation and classification of corporations' and capital market institutions' conformity to "Corporate Governance Principles" issued by the Board.

At the end of the 2011, 6 rating agencies settled in Turkey are recognized as credit rating agencies in capital markets and 4 rating agencies settled in Turkey are recognized as corporate governance rating agency in capital markets. Moreover 3 international credit rating agencies and an international rating agency doing ratings of conformity to corporate governance principles in capital markets are recognized by the Board.

5.5. SURVEILLANCE

In order to assure protection of investors, fair, effective and transparent operation of markets as well as to decrease systematic risk, surveillance of capital markets is performed:

- By taking prompt action to correct violations of laws and regulations detected via closely monitoring the publicly held corporations, capital market institutions, risks and transactions,
- By renewing the legislation in the light of enforcement problems and monitoring activities.

In this context, information regarding oversight and surveillance done by the CMB is given in the following sections.

5.5.1. Surveillance of Publicly-Held Companies

Review of Financial Statements

Publicly-held companies whose shares are listed on the exchange are obligated to disclose their quarterly financial statements, whereas other publicly held companies submit a copy of their annual financial statements to CMB besides their publicity obligations. In addition, annual and semi-annual financial statements of companies whose shares are traded on the ISE and annual statements of other publicly-held corporations are subject to independent auditing and independent auditing reports are also disclosed. On the other hand, companies whose shares are traded on Emerging Companies Market (ECM) are obliged to produce and publicize only the annual and semi-annual financial reports. Also, semi-annual financial statements do not need to be independently audited for the companies in ECM.

The Project on efficient supervision of listed companies and intermediary institutions aims to establish and make use of a risk based supervision system on the financial statements of listed companies that is in line with the EU Legislation. Besides, efforts on increasing the quality of financial statements by way of declaring the general facts determined in the supervision of financial statements continued. In case, review of financial statements is resulted with any adjustment in financial statements or administrative fine, the sanctions are announced by weekly bulletin of Board.

Oversight of Disclosure of Material Information

Material information is required to be disclosed to public in cases of significant developments and events that may affect decision-making process of investors and prices of capital market instruments. In this context, material information revealed by the corporations and/or issuers of securities and

the related news on media are monitored daily and penalties are given if it is considered necessary. On the other hand, the material information of other publicly-held companies is started to be disclosed on the CMB's web site, to ensure the investors be informed efficiently and more quickly.

Attendance at Shareholders' Meetings

Among oversight activities, in compliance with provisions of article 46/j of CML, capital market experts attended 2010 annual shareholders' meetings of 16 companies listed on the ISE as observer in 2011 to determine the potential problems and wrongful acts, and filed the observations made for each shareholders' meeting.

5.5.2. Surveillance of Collective Investment Schemes

The periodical tables and reports of the collective investment schemes are monitored continuously and in case of incompliance with the regulations, the necessary measures are taken and the required sanctions are imposed.

A system of the electronic monitoring of mutual funds' and investment trusts' portfolio structures has been developed. In 2001, the necessary technical adjustments have been made to receive the information at the date of transaction (T) which was previously received at the date of clearing (T+2). With this system, the information submitted to the CMB was also analyzed in 2010 and necessary measures were taken in case of incompliance to the regulations.

5.5.3. Oversight of Rating Agencies

The oversight of rating agencies is conducted by the CMB regarding recognition criteria, operational principles, organizational requirements, documentation and rating contracts in line with the new regulation on rating activity and rating agencies.

In 2011 6 quality control inspections over rating agencies was completed.

5.5.4. Oversight of Audit Firms

Regarding the audit activity in capital markets, recognition criteria, principles of operations, qualification requirements for auditors and audit contracts are overseen by the CMB. In order to enhance efficiency in auditing sector, quality control inspections are conducted within audit firms.

The project called the Remote Data Transfer System, which was started to improve the efficiency of oversight of auditing activities, was completed, so various reports can be generated electronically.

In 2011, 11 quality control inspections were completed.

5.5.5. Surveillance of Intermediary Institutions

Surveillance of Financial Structure

According to the Communiqué on Principles Regarding the Capital of Brokerage Houses and Capital Adequacy, brokerage houses are required to submit the capital adequacy statements and the data of their activities every 15 days to the CMB. In accordance with the Board decision, capital adequacy statements and the data of activities have been submitted weekly since 17/10/2008. For the surveillance of the brokerage houses' financial structures, the mentioned statements have been examined throughout the year 2010 and the necessary warnings have been made and actions have been taken for the purpose of ensuring compliance with capital adequacy requirements. Owing to these surveillance activities, brokerage houses have been ensured to have a strong capital structure by arranging their asset structures.

Monitoring

The fulfillment of the requirements which are stated in the relevant Communiqués for the partners and the employees of brokerage houses are monitored by the Association. Considering that the changes in the employees of the brokerage houses are submitted to the Association, the CMB works in coordination with the Association regarding this issue.

Changes in organization, location, technical equipment, accounting and record-keeping system of the brokerage houses and their field offices are reviewed by the Board in co-operation with TSPAKB.

Brokerage houses' and banks' registration requirements of their capital market activities licenses according to the current regulations are followed.

Throughout the year 2011, the CMB experts conducted on-site examinations at 24 intermediary institutions in accordance with surveillance and monitoring activities.

In 2011, The Financial Crime Investigation Board demanded supervision for 44 intermediary institutions and those supervisions have been completed within the year.

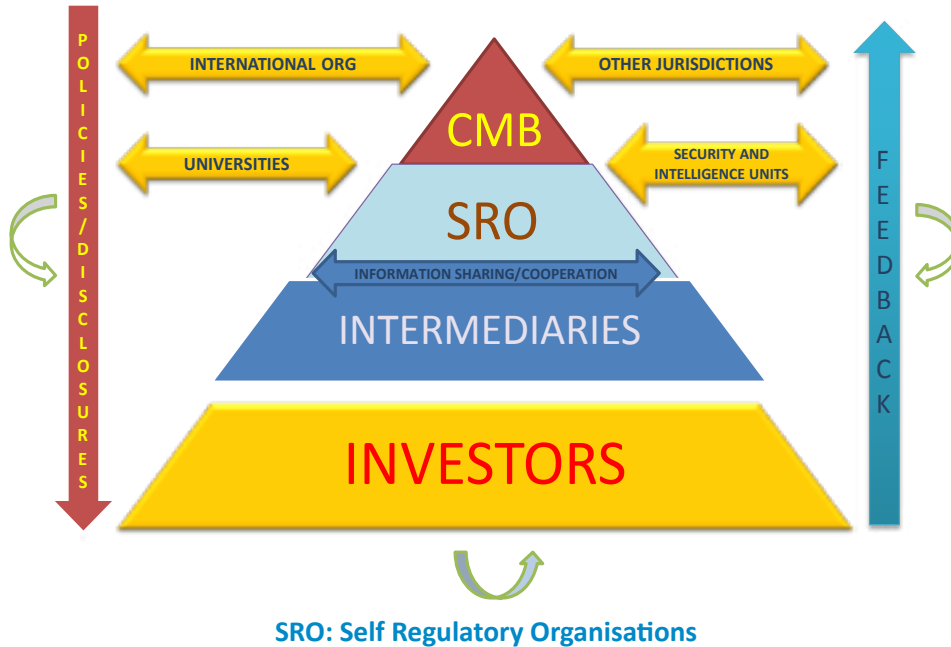
5.5.6. Market Surveillance

Market Surveillance activities have been made according to the Board decision of 04.04.2008. According to the decision, the Exchanges and other organized markets which are under regulation of the Board, it is essential that the Exchanges provide that the transactions are made in an open, regular and fair environment and provide market surveillance activities which consist of monitoring price and volume movements as well as transactions and orders and also which determine violations of their own internal regulations and CML Articles 47/A-1, 47/A-2 and 47/A-3. In this respect, it is decided that the front detections of the violations of the CML Articles 47/A-1, 47/A-2 and 47/A-3 are done by the Exchanges, and according to the detections if some results are achieved that there may exist market abuses in the transactions, the subject is sent to the attention of the Board, the efficiency and adequacy of the Exchanges' market surveillance systems are checked by the Board, the Exchanges and other organized markets send 6-month reports about their surveillance systems and surveillance activities in one month following the 6-month period, the notifications, complaints and applications about market surveillance activities and notes from other departments are sent to the related Exchanges and other organized markets and notifications about the results of these detections by the Exchanges are sent to the attention of the Board.

In order to increase efficiency and improve Market Surveillance activities, Department of Market Oversight and Enforcement was established through a formal circular that came in to effect in 30.12.2009. Department of Market Oversight and Enforcement is responsible for overseeing the secondary markets including the derivative markets.

In addition the Department of Market Oversight and Enforcement is responsible for enforcement of the market surveillance activities of Istanbul Stock Exchange, Turkish Derivatives Exchange, Takasbank-ISE Settlement and Custody Bank, Central Registry Agency and IGE. With the help of Surveillance Platform Alerts designed by Istanbul Stock Exchange and Turkish Derivatives Exchange, Department watches markets real-time and has on-time response capacity to suspicious trading alerts. The CMB's market oversight model is shown below as a diagram.

CMB'S MARKET OVERSIGHT MODEL



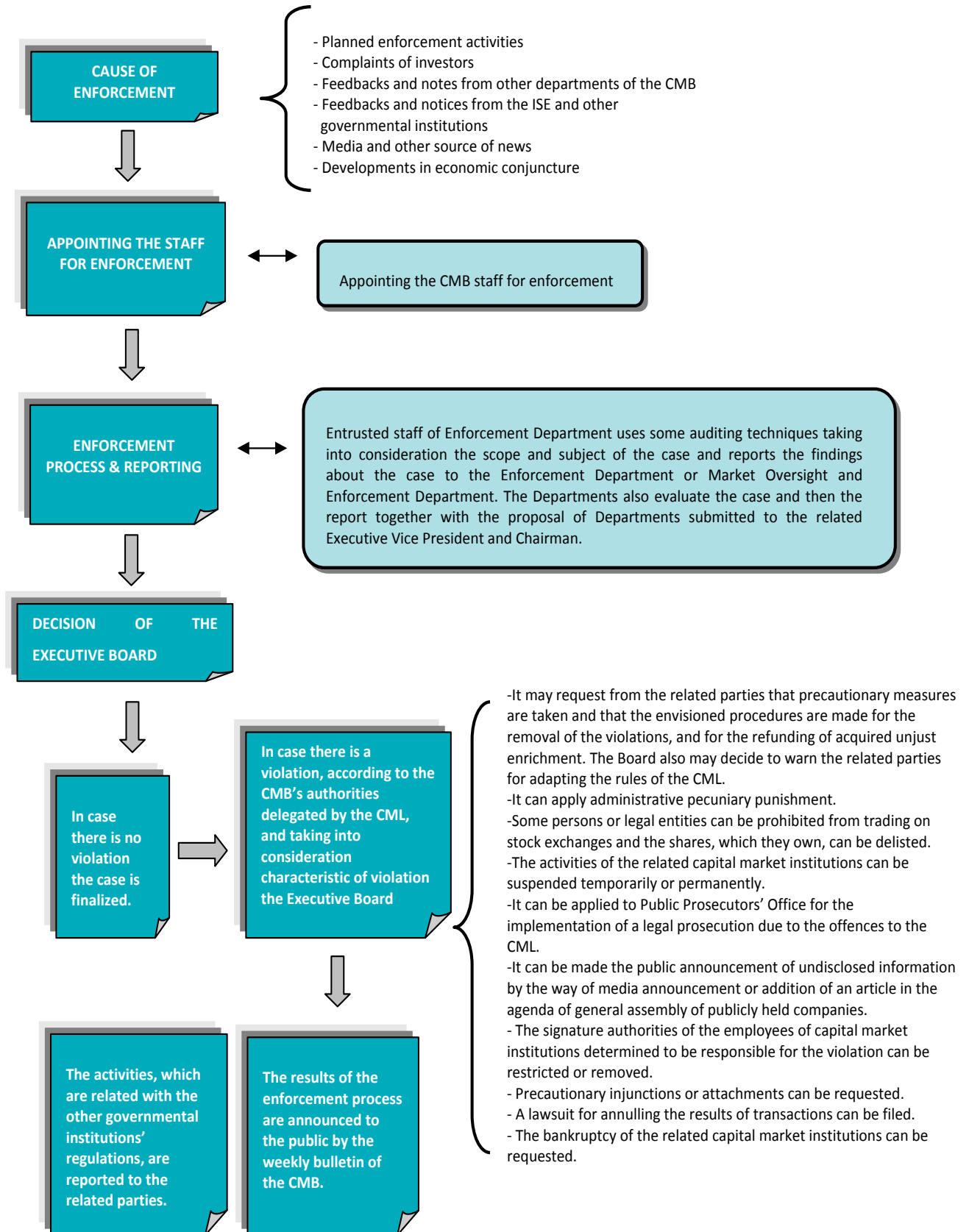
5.6. ENFORCEMENT

The objectives of the CMB's enforcement are to prevent violations, corruptions and other unlawful practices causing disadvantages for the interest of market participants and for the efficiency, integrity and reliability of capital markets and to apply the provisions of CML. With these objectives, operations of publicly held companies, brokerage houses, mutual funds, pension funds, investment companies, portfolio management companies, independent auditing firms, rating companies, exchanges and other organized markets and other institutions operate in capital markets (such as the Central Registry Agency, the ISE Settlement and Custody Bank Inc., the Association of Capital Market Intermediary Institutions of Turkey) are supervised according to Capital Market Law, communiqués and other regulations. Investigations based on all unlawful activities and transactions causing inefficient,

unfair and insecure functioning of the capital markets are basically made by Enforcement Department and Market Oversight and Enforcement Department. Other departments are also conducting investigations within their respective areas.

Subjects of enforcement activities are determined with yearly enforcement program, complaints of investors, feedbacks and notices from others departments of the CMB and other governmental institutions. Subsequently, assigned experts may make inquiries on records and entries as well as on-site investigation. Findings are reported to the Executive Board to give a verdict on whether the case involves any violation of legislation. The CMB's enforcement process is shown below as a diagram.

ENFORCEMENT PROCESS



In 2011, in order to assure effective, fair and reliable operation of markets, several investigations, surveillance and enforcement activities were done in accordance with major principles of CMB. The approach of the enforcement activities was principally constructive and curative; but if the case involved any violation of legislation, CMB applied to the related authorities immediately.

In this context while enforcement process executed, totally 2,599 particular documents are registered by the Enforcement Department and Market Oversight and Enforcement Department, 944 from outside the CMB and 1,655 from inside the CMB in 2011. Of the outside documents, 749 are related with complaints and denouncements.

On the other hand, the enforcement departments sent totally 3,370 papers to the other departments of the CMB, investors, capital market institutions, and other governmental organizations in 2011.

147 new investigations have been started related to 749 complaints and denouncements come directly to enforcement departments or the group of investor request and 15 cases informed by the ISE and the planned investigations within the enforcement program in 2011. As a result of current year new investigation and continued previous year investigation, totally

156 reports have been finalized and 31 proposals and short reports of enforcement results have been submitted to the Executive Board in 2011. In the distribution of the proposals and reports by subject, investigations of publicly held companies take first place with 32.6%, investigations of brokerage houses take second place with 25.7% and market abuse investigations take third place with 16%. (Table 5.6) Most of publicly held companies' supervisions are related with covered fund or profit transfers. In 2011 the enforcement departments began to use Computer Based Audit Program (CAP) in supervisions of publicly held companies.

On August 31, 2011 the foreign exchange market or as generally known in Turkey Forex, was regulated as a capital market activity. Unauthorized person and legal entities (who have not a permission issued by CMB) were investigated by CMB. In 2011 the enforcement departments investigated many unlicensed capital markets activities which took place on internet. Although quantity of completed investigations just 11 in 2011 (5.8% sounds relatively low), investigation unlicensed capital markets activities covers more than one cases.

Table 5.6. Subjects of Enforcement Activities

	2010				2011			
	Reports	Proposals and Short Reports	Total	%	Reports	Proposals and Short Reports	Total	%
Brokerage Houses	6	-	6	3.9	44	4	48	25,67
Unlicensed Capital Markets Activities	3	-	3	1.9	6	5	11	5,88
Publicly Held Companies	16	4	20	13.0	56	5	61	32,62
Unregistered Public Offerings	3	-	3	1.9	3	2	5	2,67
Insider Trading	11	1	12	7.8	5	6	11	5,88
Manipulation*	68	7	75	48.7	24	6	30	16,04
Capital Market Institutions	7	1	8	5.2	12	3	15	8,02
Other	6	21	27	17.6	6	0	6	3,21
TOTAL	120	34	154	100.0	156	31	187	100,00
* The periodic of legal prosecution and the act that was carried out may be different in Market Abuse or other criminal offenses. Source:CMB								

The number of manipulation cases informed by the ISE is 15 in 2011 and together with previous years denouncement the total number reaches 42.6 of which have been finalized in 2011.

Information about market manipulation cases, which started with the ISE denouncements, is given in Table 5.7 below.

Table 5.7. The Denunciations of the ISE about Market Abuses

	2010	2011
The number of cases continued from previous year	118	27
The number of cases denounced from the ISE in current year	33	15
TOTAL	151	42
The number of cases resulted in current year	124	6
The number of cases transferred to next year	27	36
Source:CMB		

As a result of enforcement activities, warning, administrative pecuniary punishment and legal prosecution can be applied. In addition to legal prosecution, one of the important sanctions about market manipulation is to prohibit the perpetrators of the market manipulation cases from trading on the stock exchanges and to remove their stocks from the CMB registration. However, this prohibition can be cancelled by the Central Registry Agency if trading prohibition time expires.

In 2011, as a result of enforcement activities, 1 person was prohibited from trading on stock exchanges.

Sanctions including the above-mentioned ones that were applied in 2011 are given in Table 5.8.

After investigations, in 181 cases it was decided to write legal warning to the legal entities or persons for conforming to the CML, in 51 cases the Executive Board solely decided to apply Public Prosecutors' Office to implement a legal prosecution for the violation of various provisions of the CML against related legal entities and/or persons, in 8 cases the Executive Board decided to apply Public Prosecutors' Office and to prohibit persons from trading on stock exchanges, in 69 cases it gave administrative pecuniary punishments.

Table 5.8. Sanctions as a Result of Enforcement Activities

	2010	2011
Legal Warning	260	181
Persons	235	80
Brokerage Houses	10	10
Companies	14	41
Independent Auditing Firms	0	14
Funds and Investment Trusts	0	26
Rating Agencies	0	0
Others	1	7
Legal Prosecution and Trading Prohibition	230	59
Legal Prosecution	125	51
Legal Prosecution and Repeated Trading Prohibition	83	0
Legal Prosecution and Trading Prohibition	22	8
Administrative Pecuniary Punishments	57	69
Persons	24	28
Brokerage Houses	8	21
Companies	17	18
Independent Auditing Firms	8	2
TOTAL	547	309
Source:CMB		

All departments of the CMB applied totally TL 6,995,756 administrative pecuniary punishments for 69 persons and entities in 2011 (Table 5.9).

Table 5.9. Administrative Pecuniary Punishments Causes and Amount

CAUSES AND PERSONS CONCERNED	2010		2011	
	NUMBER	AMOUNT (TL)	NUMBER	AMOUNT (TL)
Persons	24	1,457,070	28	2,531,416
Communiqué Serial: XI No:29 on Financial Reporting	-	-	13	892,460
Communiqué Serial:I No:40 on The Principles Regarding Registration With Board And Sale Of Shares	-	-	1	18,492
Communiqué Serial: IV, No: 27 on Dividends and Advance Dividends	-	-	5	120,190
Communiqué Serial: VIII No:34 on Principles Regarding Licensing and Registration	1	16,800	-	-
Communiqué Serial: VIII No:39 on Principles Regarding Public Disclosure of Material Events	16	667,950	-	-
Communiqué Serial: VIII No:54 on Principles Regarding Public Disclosure of Material Events	2	200,000	2	699,026
Unapplied Decisions of the Board	5	572,320	7	801,248
Brokerage Houses	8	136,250	21	1,826,622
Communiqué Serial: V, No:6 on Principles Regarding Record Keeping and Documentation in Intermediary Activities	2	33,970	2	228,928
Communiqué Serial: V, No:46 on Principles Regarding Intermediary Activities and Intermediary Institutions	5	85,480	2	228,928
Communiqué Serial:I No:40 on The Principles Regarding Registration With Board And Sale Of Shares	-	-	1	114,464
Communiqué Serial: V No:65 on Margin Trading, Short Sales	-	-	13	1,105,868
Communiqué Serial: V No:68 on Principles Regarding Internal Auditing Systems of Brokerage Houses	-	-	1	114,464
Communiqué Serial: VIII No:34 on Principles Regarding Licensing and Registration	1	16,800	-	-
Communiqué Serial: V, No: 51 On the Documents to be Prepared by Intermediary Institutions for Trading in Derivatives	-	-	1	16,800
Unapplied Decisions of the Board	-	-	1	17,170
Companies	17	584,934	18	2,602,056
Communiqué Serial: I No:26 on Registration of Common Stocks	2	22,816	-	-
Communiqué Serial: IV, No: 27 on Dividends and Advance Dividends	-	-	1	15,000
Communiqué Serial: IV No:41 on Associations of Corporations	1	131,634		
Communiqué Serial: VI No:6 on Principles Regarding Real Estate Investment Companies	3	67,940		
Communiqué Serial: VIII No:22 on Public Offering	1	11,836		
Communiqué Serial: VIII No:39 on Principles Regarding Public Disclosure of Material Events	4	45,632	1	71,836
Communiqué Serial: VIII No:54 on Principles Regarding Public Disclosure of Material Events	2	115,800	13	2,159,952
Communiqué Serial: XI No:29 on Financial Reporting	1	16,800	2	203,820
Contravention of Capital Markets Law	1	11,836	-	-
Contravention of Accounting Regulations	1	29,006	-	-
Unapplied Decisions of the Board	1	131,634	3	151,448
Independent Auditing Firms	8	153,420		35,662
Communiqué Serial: X No:22 on Independent Auditing	8	153,420		35,662
TOTAL	57	2,331,674	69	6,995,756

Source:CMB

One other task of Enforcement Department staff is to investigate some cases on behalf of the Financial Crimes Investigation Board (FCIB). In 2011, the FCIB demanded 44 new investigations from

the CMB, and 47 investigations were resulted and reported to the FCIB. At the end of 2011, the information about the investigations on behalf of the FCIB is given in Table 5.10 below.

Table 5.10. Enforcement Activities on Behalf of the FCIB

	2010	2011
The number of cases continued from previous year	15	4
The number of cases demanded in current year	11	44
TOTAL	26	48
The number of cases resulted in current year	22	47
The number of cases transferred to next year	4	1
Source:CMB		

Information Systems Auditing

Based on the Board decision intended for the auditing of the information systems of ISE, IGE, TURKDEX, TAKASBANK, CRA and the TSPAKB dated 14.12.2006 and No.52/1499, the follow

up audit of the information systems of ISE was performed and audit reports were presented to the Board in 2011. The Board decisions taken based on these reports were then sent to the related departments and institutions so as to inform them.

5.7. ACCOUNTING AND AUDITING STANDARDS

5.7.1. International Financial Reporting Standards

To comply with European Union regulations The Serial: XI, No: 29 Communiqué was issued in 2008. Through this legislation, listed companies, intermediary institutions and portfolio management companies are obliged to prepare their financial statements in accordance with International Financial Reporting Standards. So that, fully compliance with international regulations is established regarding financial reporting.

On the other hands, to ensure identical application in Turkish capital markets, financial statement formats and related explanations were published.

5.7.2. Auditing Standards

International Auditing and Assurance Standards Board (IAASB), which has been formed within International Federation of Accountants, publishes International Standards on Auditing (ISAs) that are currently applied by approximately 70 countries all over the world. Also there is a principle decision of European Union Commission on the application of ISAs, which was received favorably by the member countries, in order to harmonize national auditing standards of EU countries with the international standards.

In this context, the Communiqué Serial:X, No:22 on Independent Auditing in Capital Markets, which is competent with the ISAs, was published in Official Gazette on 12.06.2006 as being the

most comprehensive regulation on auditing in Turkey.

Although the Communiqué Serial:X, No:22 is competent with ISAs, because IAASB published new versions of ISAs, it needs to be updated accordingly. To do that, required work will be carried on in 2012.

5.8. CASES WRITTEN APPLICATIONS TO THE PUBLIC PROSECUTORS AND ADMINISTRATIVE MEASURES

In the article 49 of the CML, the implementation of a legal prosecution due to the offences identified in Article 47 of the CML is conditional upon the written application to be submitted to the Public Prosecutor's Office by the Board.

Also in the same article, it has been regulated that, Public Prosecutors who have been informed that the provisions of CML have been violated may request an investigation by informing the Board. By this legal prosecution system, violation of the CML has not been considered enough for the prosecution but the application of the CMB as the supervisory and regulatory authority has been regulated as a preliminary condition for prosecution.

After evaluating the findings which arise from Board's own investigation and audit within the concept of the integrity of the event, balance of interests, general meaning of the Law and public interest, the Board applies to the Prosecutor. This system, unique to the laws with technical issues such as the Banking Law, provides a system that on one hand the Board is entitled

to consider cases in a public interest oriented way, on the other hand judging process would be faster and more efficient by bringing the well examined and reported cases before the Public Prosecutors and thus by not occupying the Courts with unnecessary cases. In this framework, the commencement of a legal prosecution due to the offences identified in Article 47 of the CML is conditional upon the written application to be submitted to the Public Prosecutor's Office by the Board. Besides, Public Prosecutors who have been informed in any wise may request an investigation by informing the Board.

In the crimes committed in financial markets, usually there has been more than one connected actions that violate the Law. However, investigations for the actions identified in article 47 of the CML, have been carried on as mentioned above, and the offences which also violate the Turkish Penal Code and other laws, have been investigated according to the general rules or the provisions of the related specific laws.

On the other side, actions of annulment against administrative acts of the Board and full remedy actions with the allegation of damages caused by these kinds of acts or actions have been brought to courts. Furthermore, several compensation cases have been brought against the Board before the civil courts.

In order to protect the rights of investors, the Board has filed declaratory actions and implemented declaratory decisions.

According to the Article 46/I-(i) of the CML, the Board takes necessary measures to ensure the prevention of natural or legal persons that are determined by the Board to have directly or indirectly participated in acts enumerated in the provisions of subparagraph A of Article 47 of the CML from engaging temporarily or permanently in transactions on exchanges and other organized markets.

With the aim of ensuring the security and stability in the securities markets, pecuniary punishments have been imposed by the Board, concerning natural and legal persons who are determined to have acted in violation of the regulations, standards and forms or general and particular decisions made by the Board based on the CML.

5.8.1. Cases Against the Acts of the Board

Administrative Cases

As of the end of 2011, information about actions which have been commenced with the request of stay order and/or annulment or full remedy actions in last 3 years, has been given in the table below.

Table 5.11. Administrative Cases Against the Board Acts

Year	Number of Cases	Administrative Pecuniary Punishment	Transaction Prohibition	Imar Bank (full remedy actions)	The Others	Number of Adjudicated Cases	Number of Pending Cases
2009	184	8	56	22	98	129	55
2010	80	6	16	3	55	48	32
2011	38	1	0	0	37	6	32
TOTAL	302	15	72	25	190	183	119

Source:CMB

Table 5.12. Administrative Cases Which Have Been Adjudicated

Year	Adjudicated	Against CMB (definite)	Against CMB (indefinite)	In favor of CMB (definite)	In favor of CMB (indefinite)	Lack of Competence
2009	129	0	14	29	85	7
2010	48	1	1	5	47	5
2011	6	0	0	0	6	0
TOTAL	183	1	15	34	138	12

Source:CMB

Civil Cases

As of the end of 2011, information about cases commenced in the civil and commercial courts against the non-administrative

actions and acts of the Board in the last 3 years has been given in the table below.

Table 5.13. Civil Cases Against the Board

Year	Number of Cases	Number of Pending Cases	Number of Adjudicated Cases
2009	2	0	2
2010	5	4	1
2011	8	6	2
TOTAL	15	10	5

Source:CMB

5.8.2. Cases Commenced by the Board

Penal Actions/Written Applications to the Public Prosecutor

Following examination and auditing of the relevant departments of the Board, with the decision of the Executive Board, the number of applications which has been made to the Public Prosecutors by the Board, in the framework of the Article 49

of the CML and Article 279 of The Turkish Penal Code, against the natural and legal persons determined to have acted in violation of the regulations in 2011 is 21.

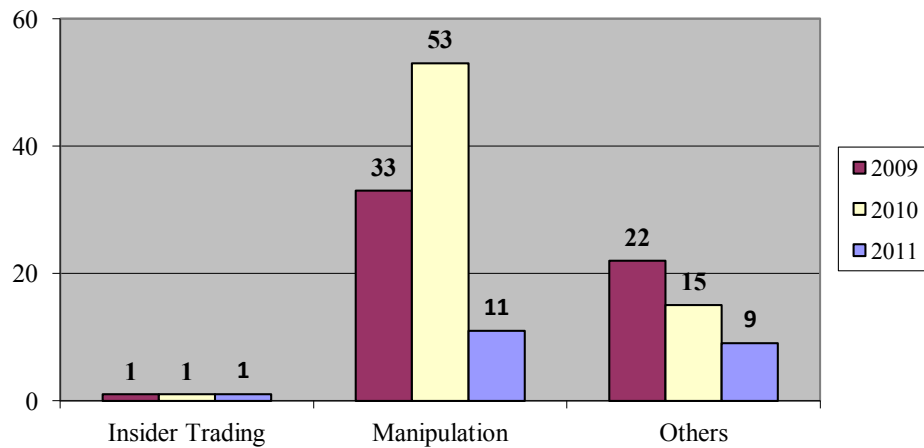
As of the end of 2011, information about the written applications to the Public Prosecutor and the cases commenced upon these written applications in which the Board has participated in as an intervener in last 3 years have been given in the table below.

Table 5.14. Written Applications by the Board to the Public Prosecutor and the Cases which have been Commenced

Year	Number of Written Applications	According to the Topics			According to the Judging Stage		
		Insider Trading	Manipulation	Others	Investigation by the Public Prosecutor	Pending Cases	Adjudicated Cases
2009	56	1	33	22	0	36	20
2010	69	1	53	15	8	48	13
2011	21	1	11	9	15	6	0
TOTAL	146	3	97	46	23	90	33

The Board has appealed to the Supreme Court against acquittal decisions.
Source:CMB

Graph 5.1. Written Applications by the Board to the Public Prosecutors in the Period of 2009-2011 (According to the Topics)



Source: CMB

As of the end of 2011, information about the cases which have been commenced as a result of the written applications of the

Board and the ones that have been adjudicated, has been given in the table below.

Table 5.15. Adjudicated Cases which have been Commenced as a Result of the Written Applications of the Board to the Public Prosecutor

Year	Adjudicated	Condemnation	Prepayment	Decision of not prosecuting	Acquittal *	Prescription
2009	20	10	1	3	5	1
2010	13	8	0	3	2	0
2011	0	0	0	0	0	0
TOTAL	33	18	1	6	7	1

*The Board has appealed to the Supreme Court against acquittal decisions.
Source:CMB

Civil Cases

As of the end of 2011, information about declaratory actions, actions in persona and etc. which have been commenced in

the civil and commercial courts in last 3 years has been given in the table below.

Table 5.16. Civil Cases Commenced by the Board

Year	Number of Cases	Number of Pending Cases	Number of Adjudicated Cases
2009	4	4	0
2010	4	3	1
2011	8	8	0
TOTAL	16	15	1

Source:CMB

Bankruptcy Cases

Although it has a character of civil case, as it shows procedural differences, the cases that have been commenced with the request of bankruptcy of corporations or intermediary institutions have been preferred to be given under a separate title. As of the end of 2011, there has been only one case in the last 3 years.

5.9. ACTIVITIES FOR HARMONISATION OF LEGISLATION WITH THE EU ACQUIS

After October 3rd 2005 when it was accepted to start negotiations between the European Union and Turkey, screening meetings which were held in preparation for the negotiation process formed the framework of the latest situation of the related EU acquis and what needs to be done in the Turkish legislation. In this respect, the CMB's main responsibilities for the harmonization of legislation fall under the scope of Free Movement of Capital, Financial Services, Company Law and Economic and Monetary Policy. Work has been continued actively on the topics that are mentioned above, in 2011.

As a result of the rapid change in financial markets and the continuous renewing of the EU legislation related to capital markets, it has been necessary to follow these developments regularly and to finalize the necessary work in an appropriate and timely manner. In this context, the Group of European Union Affairs with the sole intention of working on EU issues was formed in March 2002. Under the coordination of the Group responsible only for EU affairs, efforts to harmonize Turkish legislation with the EU acquis continued within the CMB, while at the same time collaboration with the relevant EU institutions and EU Member States and the process of getting assistance funded by the EU have been commenced. Thus, works regarding the EU have been carried out in a more effective and coordinated manner. At the same time, utmost effort was carried out to enable experts of the Group of EU Affairs as well as experts from other departments of the CMB to attend courses and meetings that enable them to acquire in depth knowledge on EU related issues and all such activities have contributed to strengthening of the institutional capacity of the CMB.

5.9.1. Activities for Harmonization of the Legislation and Coordination with Other Institutions

The CMB has been conducting its work with the EU acquis in coordination with other institutions. In this regard, the studies conducted by the CMB in coordination with other institutions in 2011 are summarized below.

The CMB has been participating in the sub-committees on "Internal Market and Competition" and "Economic and Monetary Issues, Capital Movement and Statistics" that have been created between EU and Turkey for the purpose of analytical analysis of the EU acquis upon the decision taken by the EU Association Council. In these sub-committee meetings that are generally held once a year, recent changes in the EU acquis, and the work that has been conducted in Turkey with the purpose of adoption and implementation of the EU acquis are evaluated and presentations are made. In 2011 "Internal Market and Competition" sub-committee was not held. In this respect there has been participation by the CMB in the "Economic and Monetary Issues, Capital Movement and Statistics" sub-committee in March 2011 and relevant developments concerning the CMB have been presented to officials from the EU Commission.

The "National Programme" as a national commitment document instrumental for transposing the EU Acquis, and setting the deadlines for legislation, responsible authorities and the procedure to be followed was promulgated in the Official Gazette on 31 December 2008. The Board's contribution on areas related to its responsibilities has been provided for the preparation of the National Programme. Work is being held in compliance with the National Programme. Within this framework, taking into consideration the drafts prepared during the Twinning Project conducted with the German Federal Ministry of Finance in 2006-2007, drafting work on the new Capital Markets Law was also continued in 2011.

Furthermore, in order to implement commitments the CMB declared in the "National Programme for the Adoption of the Acquis" as well as the 2010 – 2011 Action Plan dated 15 March 2010, work has been conducted for preparing draft legislation pursuant to the Board decision dated 2 April 2010 and Nr. 287. Detailed harmonization tables regarding all the related EU legislation on Financial Services Chapter have been prepared, and sent to the Ministry of EU Affairs upon taking the opinions of related CMB departments. Furthermore the translation work of the relevant EU legislation on Financial Services Chapter has been participated in.

With regard to facilitating the coordination of relevant authorities

in the context of regulatory alignment, regular contributions were made to the "National Programme Database" in order to enable up to date monitoring of developments in legislation and coordinating the alignment calendar.

The CMB has also participated in the works on the preparation of Turkey's Contribution to the 2011 Regular Progress Report, assessed the issues published in the Regular Progress Report regarding subjects under the CMB's responsibility. Furthermore, contribution to the 2011 Pre-Accession Economic Programme about relevant issues under the CMB's responsibilities has been sent to the coordinating authority. There has also been participation to the Internal Coordination and Harmonisation Committee held with the relevant public institutions in order to evaluate the EU negotiation process and the developments in relation to negotiation chapters.

Moreover, EU legislation is taken into account in all regulatory work concerning capital markets and new EU legislation regarding capital markets is being followed continuously. In this context, a series of legislation regarding publicly held companies, institutional investors, intermediary institutions, investors, exchanges, other capital market institutions and markets have already been issued. The effects of the recent global crisis in EU financial markets have brought about an increase in supervision and regulation activities of the regulatory authorities regarding their national markets and also caused a change in the infrastructure of the regulation and structures of the regulatory authorities both EU wide and in individual member states. Activities are also being conducted in order to follow these developments. For this purpose the EU Acquis that falls within the jurisdiction of the CMB, developments in member states and the activities of the European Securities and Markets Authority are regularly reviewed and, detailed monthly "EU Bulletins" are prepared for the CMB staff regarding the developments.

5.9.2. Activities to Benefit from the EU Funds

Activities are being carried out in order to benefit from the EU funds and other assistance made available by the EU Member States for the alignment and implementation of the EU Acquis.

In that respect, following the completion of the Twinning Project entitled "Assisting Capital Markets Board of Turkey to Comply Fully with EU Capital Markets Standards" conducted in 2006-2007 with the German Federal Ministry of Finance, the Project proposal for strengthening the capacity of CMB which has been prepared in the framework of EU's Pre-Accession Financial Assistance has been approved by the EU Commission. Project

components involve activities on mainly "Training in the Field of Accounting and Auditing" and "Improving Administrative Capacity of CMB and Establishing Implementing Measures". In this regard in 2011 the project fiche changes requested by the EU Commission and drawing up of the relevant tendering documents continued. Additionally there is an ongoing work on the project proposal on "Increasing the Capacity of Information Technology of the Capital Markets Board". Also in this context, to carry on the activities of the administration, monitoring and evaluation of the projects, CMB has contributed to the activities coordinated by the Ministry of EU Affairs and participated in related meetings.

CMB has contributed, in line with its needs, to the 2011 – 2013 Multiannual Indicative Planning Document that is being drafted by the European Commission in order to identify the technical assistance needs of candidate countries and the scope of EU funds and support with a long term perspective.

With regard to short term technical assistance, co-operation of the CMB has continued in 2011 with the Technical Assistance Information Exchange Office (TAIEX) of the EU Commission Enlargement Directorate General, which provides technical support for legislative alignment and the development of adequate administrative capacity. Within the procedure based on arranging seminars/workshops, study visits and expert missions for the fields technical assistance is sought by the candidate country and approved by the TAIEX Office,

- In April a workshop regarding "Master-Feeder Funds and Key Investor Information"
- In September a meeting with the participation of the foreign experts regarding "Regulations on Investment Funds and OTC" and a study visit regarding "International Auditing Standards" to Sofia by CMB experts

were held in 2011.

Moreover, new applications for technical support were made to the TAIEX Office. The meetings held with the co-operation of TAIEX, have enabled the provision of information regarding the EU acquis under the CMB's responsibilities and different member state practices.

Furthermore in the context of short term technical assistance activities financed from EU funds, by benefitting from the financing project titled "Support Activities to Strengthen the European Integration Process", Programme, the project proposal of CMB, regarding "Information Technology Audit" which was accepted by Secretariat General for EU Affairs on 24 November , 2010 has been finalised in 2011.

5.10. INTERNATIONAL RELATIONS

Increasing cross border movement of capital in a globalized world has increased the importance of international relations. In this context, benefiting from international practices and experiences, enhancing cooperation with other regulatory authorities and taking an active role in international organizations constitute an important part of the CMB's activities.

The CMB has attached great significance to multilateral and bilateral international relations. To this end, CMB acted in order to improve its relations with the international organizations in which it is a member, capital markets authorities of other countries and other foreign organizations which carry out capital markets related activities Organisation for Economic Cooperation and Development (OECD), World Trade Organization, World Bank, IMF etc.), and as a member of the International IOSCO, the CMB has actively participated in the work of IOSCO.

Today information sharing plays a vital role in the security of capital markets. In parallel with the globalization trend, the CMB has been carrying out negotiations in order to sign memoranda of understanding on cooperation and the exchange of information with foreign capital market authorities.

5.10.1 International Organization of Securities Commissions

The IOSCO is an organization constituted by the regulatory/supervisory authorities in securities markets to ensure coordination and cooperation in the related areas, to promote common standards of regulation and supervision of global capital markets, to enhance international cooperation and information sharing and to conduct work regarding protection of investors and diminishing systemic risk. IOSCO works in coordination with other international organizations dealing with financial markets and is the most active international organization within its field. Also, IOSCO supports FSB work in relation to capital market issues on the G20 agenda.

The CMB became a member of the IOSCO in 1988, and since then it has been involved in IOSCO operations in the sense that the CMB has been actively participating, either as a member or a chair, in the work of main committees and working groups below within the organization. It has also been contributing to the constitution of policies in line with the realization of IOSCO's goals and objectives.

- Presidents' Committee
- Executive Committee
- Emerging Markets Committee (EMC)
- Emerging Markets Committee Advisory Board (EMC Advisory Board)

- Technical Committee (observer)
- European Regional Committee (ERC)
- EMC Working Groups
- Implementation Task Force
- Screening Group
- Monitoring Group
- Standing Committee on Risk and Research

IOSCO related activities of the CMB in 2011 are summarized below.

Emerging Markets Committee (EMC)

- During the IOSCO Annual Conference held in Montreal in June 2010, Mr. A. Vedat AKGİRAY, Chairman of the CMB, has been elected as the EMC Chair for a term of 2 years.
- The 2011 meeting of the EMC was held in Dominican Republic between 17-19 October. During the meeting chaired by the CMB, the implementation of IOSCO Principles and Methodology and executing the effective regulation and enforcement of the financial markets with the new principles have been taken into consideration, the members have been informed about the completed work of the EMC Working Groups; workshops have been done regarding enlarging investor base in emerging countries and systemic risk and also various panels have been arranged on current topics.
- As well as handling the administrative issues of this Committee as EMC Chair, the CMB participated in the projects of the working groups operating under EMC and answered their surveys and the responses to the fourth survey held by the EMC Chair in 2011, in order to figure out how the emerging markets were affected by the financial crisis and the current and potential problems which they could face, were analyzed and presented by the CMB during the EMC meeting held in the Dominican Republic.

Besides, contribution has been made to the preparation of the IOSCO Annual Report regarding EMC activities.

Emerging Markets Committee Advisory Board (EMCAB)

In its capacity as EMC Chair, the CMB has been acting as the Chair of the Advisory Board operating under the EMC and carrying out a consultative function for the Committee in which it had been a member since December 2007.

In this context, the CMB acted as the Chair of the EMCAB meeting held in Cape Town in April and in the Dominican Republic in October in 2011. Besides, during these meetings,

the CMB participated in the joint meetings of the Executive and Technical Committee.

In these Executive Committee meetings, the structure of IOSCO in the transitional period has been approved, and in the meeting held in September the basis regarding merging of EMC and TC working groups and committees was clarified and the Methodology on the implementation of IOSCO principles was approved.

Other IOSCO Activities

Other IOSCO committees and working groups in which the CMB participated in 2011 are mentioned below:

The Presidents' Committee which acts as the General Assembly of IOSCO meets during the IOSCO annual meetings and the CMB participated in the meeting which was held in Cape Town in April.

The CMB participated in the meetings of the European Regional Committee, which is one of the 4 regional committees of IOSCO, that were held in Lisbon in June and in Brussels in December. In these meetings, the CMB informed the participants on the most recent legislation amendments made by the CMB and progress in capital markets. Besides, Committee members exchanged views regarding the restructuring of IOSCO within the framework of its strategic direction.

On the other hand, the CMB contributed to the work of the EMC Working Groups, answered the questionnaires which were prepared by these working groups throughout the year and the opinions of the CMB have been conveyed within the meetings.

The CMB participated in the work of the Implementation Task Force, which acts with the objectives of developing methodologies for assessment and implementation of IOSCO Objectives and Principles of Securities Regulation. In this respect, contribution was made to the studies related to updating of IOSCO principles and the work on updating methods developed for implementing IOSCO principles (methodology) and the necessary changes on the draft text prepared by taking the views of EMCAB members have been coordinated. Additionally, the CMB attended the meetings of the Screening Group which is responsible for examining the applications of the regulatory authorities to become signatories to the Multilateral MoU aiming exchange of information and cooperation. The number of jurisdictions that are signatories to the IOSCO Multilateral MoU has risen to 80 by the end of 2011.

The Monitoring Group which is responsible for the adoption of the Multilateral MoU and for undertaking all the necessary amendments, meets each year during the Annual IOSCO Conference. The CMB participated in this meeting which was held in Cape Town in April.

Activities Related to Financial Stability Board (FSB)

The FSB has been established to coordinate at the international level the work of national financial authorities and international standard setting bodies and to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies.

Among the mandate of the FSB are; assessing vulnerabilities affecting the financial system and identifying action needed to address them, promoting co-ordination and information exchange among authorities responsible for financial stability, monitoring market developments and advising accordingly, monitoring and advising best practices of regulatory standards.

As Chair of the IOSCO EMC, the CMB also started to participate in the FSB meetings. Within this framework, the CMB participated in the FSB meetings in 2011. In these meetings, feedback has been given to FSB regarding the activities of the EMC. In addition, the CMB is contributing to the FSB work in coordination with the Central Bank of the Republic of Turkey regarding the issues out of the scope of IOSCO.

On the other hand, the CMB has contributed to the subgroups of the Emerging Markets and Developing Economies (EMDEs) Working Group regarding strengthening capital markets and management of exchange rate risk.

5.10.2. Activities Related to Organization for Economic Cooperation and Development (OECD)

OECD Corporate Governance Committee

The CMB participates actively in the work of the OECD Corporate Governance Committee which acts to improve corporate governance practices as the National Coordination Unit.

The CMB participated in the Corporate Governance Committee meeting which were held in Paris in April and November. Additionally, since the representative of CMB was selected as a member of the OECD Corporate Governance Committee Bureau which gives strategic support to the Committee's activities and work program, contribution has been provided to the work of this Bureau.

OECD Projects towards MENA and Eurasia Regions

The relations of CMB with the OECD Corporate Governance Committee have been strengthened in 2011 through new regional initiatives. The CMB, with the support of ISE, supported two projects realized with the coordination of the OECD in the Middle East - North Africa (MENA) and Asia regions. The purpose of these projects is to enhance corporate governance

by capital markets and securities exchanges in developing regions like Egypt, Morocco, Tunisia, Algeria, Azerbaijan and Kazakhstan. To this end, "Task Force on Strengthening Corporate Governance and Securities Exchanges in the Middle East and North Africa" and "Eurasia Group on Corporate Governance for the Development of Capital Markets have been established with the initiative of the OECD.

5.10.3. Cooperation with the US Securities and Exchange Commission (SEC)

Within the framework of the "Strategic, Economical and Commercial Cooperation between Turkey and USA" established in April 2009, it was decided to form a cooperation mechanism entitled "Regulatory Dialogue" between the CMB and the USA Securities and Exchange Commission. In this respect, a "Terms of Reference" has been signed between the CMB and the SEC in April 2011. The aim of this initiative is to promote investor protection and to foster market integrity in the capital markets of both countries and facilitate cross-border securities activities between Turkey and the United States. For this purpose, it is planned to increase bilateral cooperation in the fields of "regulation", "enforcement" and "education" including the third countries when necessary particularly in the field of education.

5.10.4. Assignment of CMB Staff as Seconded at International Organizations and Foreign Institutions

One of the CMB's staff was selected to work at the IOSCO General Secretariat in Madrid on issues related to emerging markets and another one was selected to work on corporate governance issues at OECD premises in Paris, both as seconded experts.

Furthermore, one of the CMB staff has been selected by the US Securities and Exchange Commission to work as a seconded expert at the SEC premises in Washington DC.

5.10.5. World Trade Organization (WTO) and The General Agreement on Trade in Services (GATS)

The CMB has been participating in WTO Financial Services Committee work and this contribution continued in 2011. In March, the CMB participated in the meeting of the Committee on Trade in Financial Services which was held in the WTO premises in Geneva.

Furthermore, within the framework of service negotiations of the WTO, the CMB participated, within its context of its operation field, in the studies coordinated by the Ministry of Economy for Free Trade Agreements held between Turkey - South Korea in 2011.

On the other hand, the CMB participated in the work regarding WTO Trade Policy Review Mechanism and coordinated by the Ministry of Economy.

5.10.6. Activities Related to Islamic Financial Services Board (IFSB)

The CMB became an associate member in August 2010 to the Islamic Financial Services Board which is an international standard-setting organization based in Kuala Lumpur, that promotes and enhances the soundness and stability of the Islamic financial services industry by issuing global prudential standards and guiding principles for the industry, broadly defined to include banking, capital markets and insurance sectors and also conducts research and coordinates initiatives on industry related issues and organizes roundtables, seminars and conferences for regulators and industry stakeholders.

Moreover, the representatives of the CMB attended in various meetings of the IFSB held in 2011 as a participator and speaker.

5.10.7. Activities Related to the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Conference

The CMB organized the "COMCEC Capital Markets Regulatory Institutions Conference and Roundtable" for the Organization of the Islamic Conference (OIC) and Standing Committee for Economic and Commercial Cooperation (COMCEC) in September 2011. The general structure of capital markets of Turkey and member countries, the impact of the financial crisis on developing financial markets, the possible areas of cooperation and establishing a suitable cooperation platform have been taken into consideration, COMCEC Capital Markets Regulatory

Institutions Forum has been established and it has been decided that the Forum will be chaired by CMB Chairman Vedat AKGIRAY and secretariat of the Forum will be undertaken by the CMB. Within the framework of the Forum, cooperation will be made on issues of strengthening capital market infrastructure, financial education, Islamic finance, enhancing administrative capacity of the member countries' regulatory institutions.

5.10.8. Activities Related to the International Forum of Independent Audit Regulators

The International Forum of the Independent Audit Regulators (IFIAR), which has a broad participation of representatives from 37 member countries is an international organization established in 2006 mainly in order to function for realizing the common goals of protecting investors by increasing the quality of independent audit on a global scale and protecting public interest. European Union Commission, World Bank, Basel Committee and IOSCO attend IFIAR meetings as observers.

After being invited in 2009, the CMB made an application for membership to IFIAR and was accepted in the same year. In this context, the CMB participated in its meetings and work of IFIAR in 2011.

5.10.9. Bilateral Relations and Memoranda of Understanding

In 2011 the ongoing progress of cooperation between regulatory and supervisory authorities and the initiatives to sign MoUs continued. In this context, MoUs were signed with the capital market regulatory authorities of Kyrgyz Republic, Pakistan and Korea. The list of MoUs that have been signed by the Board are given in the table below:

Table 5.17. Bilateral MOUs Signed by the CMB

Country	Organization	Date
England	HM Treasury	August 1999
	Financial Services Authority	
	London Stock Exchange	
France	Commission des Operations de Bourse (Autorité des Marchés Financières)	May 2000
Germany	BAWe (BaFin)	May 2000
Sweden	Finansinspektionen	June 2001
Italy	Commissione Nazionale per le Società e la Borsa	June 2001
USA	Commodity Futures Trading Commission	June 2001
Australia	Australian Securities and Investment Commission	June 2001
Greece	Capital Markets Commission	October 2001
Portugal	Comissão do Mercado de Valores Mobiliários	October 2001
Malta	Malta Stock Exchange	June 2001
	Malta Financial Services Center (Malta Financial Services Authority)	April 2002
Albania	Albanian Securities Commission	September 2003
Romania	Romanian National Securities Commission	October 2003
Bulgaria	Financial Supervision Commission	Dec 2004
Croatia	Croatian Securities Commission	April 2005
Macedonia	Securities and Exchange Commission	April 2005
Holland	Netherlands Authority for Financial Markets	June 2005
Bosnia Herzegovina	Securities Commission of the Federation of Bosnia and Herzegovina Republic of Srpska Securities Commission	October 2005
Dubai	Dubai Financial Services Authority	November 2005
Montenegro	Securities Commission of the Republic of Montenegro	February 2006
Israel	Israel Securities Authority	February 2006
Taiwan	Financial Supervision Commission	June 2006
China	China Securities Regulatory Commission	November 2006
Syria	Syrian Commission on Financial Markets and Securities	January 2008
Russia	Federal Markets Financial Service of Russia	August 2009
Malaysia	Securities Commission Malaysia	April 2010
Azerbaijan	State Committee for Securities of the Republic of Azerbaijan	July 2010
United Arab Emirates	Emirates Securities and Commodities Authority	October 2010
Kyrgyz Republic	State Service for Financial Market Regulation and Supervision under the Government of the Kyrgyz Republic	February 2011
Pakistan	Securities and Exchange Commission of Pakistan	September 2011
Korea	The Financial Services Commission of the Republic of Korea	November 2011

Source: CMB

The signatory works of MoU's with other countries are still in progress.

5.10.10. International Education Programs Organized by the CMB

In March 2011, an international conference entitled "Financial Education and Financial Awareness: Challenges, Opportunities and Strategies" was organized jointly by the CMB and the Central Bank of the Republic of Turkey. Besides, a workshop entitled "The Development of Corporate Bonds in Turkey: Priorities and Challenges" was organized with the cooperation of the CMB, World Bank and IFC, in April 2011. Moreover, the CMB hosted and organized another educational seminar jointly with the United States Securities and Exchange Commission (SEC) in October 2011 on "Regulation, Enforcement and Supervision of Capital Market Intermediaries".

5.10.11. Other International Activities

The CMB participates in the conferences which are related to current issues about the capital markets and needed to amend or improve the market conditions or contribute to the work on harmonizing our legislation with the European Union acquis.

The CMB supports the participation of its staff in educational or training programs which are organized by the foreign capital market authorities. Within this context, to provide training facilities to the staff, the CMB works on cooperation and dialogue with the capital markets authorities of various developed markets are still in progress.

Additionally, the CMB participates in the studies made on a periodic basis by institutions such as the International Monetary Fund and the World Bank.

On the other hand, various programs of training or presentation of Turkish capital markets were organized in June 2011 for delegations from China and Thailand in June, Thailand in October and Algeria in December.

Furthermore, miscellaneous events were co-organized in Germany in May and October with the other capital market institutions for the purpose of the promotion of Turkish capital markets.

5.11. LICENSING AND REGISTER RECORDING

The Communiqué of the Board on Principles Regarding Licensing and Registration for the Professionals Engaged in Capital Market Activities (Serial:VIII, No:34) was published on the Official Gazette and entered into force on August 11th, 2001 and the Licensing and Registration Group was formed by the approval of the Chairman of the Board on September 10th, 2001.

The general purpose of the licensing examinations is to determine the professional qualifications, capabilities, knowledge and experiences of the professionals working as specialists, managers, derivative instruments staff, real estate appraisers, residential real estate appraisers, credit rating specialists, corporate governance rating specialists and independent auditors in capital markets, and to give them the licenses.

The licensing examinations first began to be organized in September 2002 by the Board with four examinations; the Capital Market Activities Basic Level, the Capital Market Activities Advanced Level, the Derivative Instruments and the Real Estate Appraisers. Then came the Credit Rating Specialists Examination and the Corporate Governance Rating Specialists Examination in September 2005, the Independent Auditing in Capital Markets Examination in September 2007, and the Residential Real Estate Appraisers Examination in January 2008.

Eight different types of examinations were organized by the Board in 2011, namely; Capital Market Activities Basic Level, Capital Market Activities Advanced Level, Derivative Instruments, Real Estate Appraisers, Credit Rating Specialists, Corporate Governance Rating Specialists, Independent Auditing in Capital Markets and Residential Real Estate Appraisers. Clearing and Operation Officers should only take and pass the Clearing and Operation Transactions part of the Capital Market Activities Basic Level Examination to be able to obtain the license, and Derivative Instruments Accounting and Operations Officers should only take and pass the Accounting, Clearing and Operation Transactions part of the Derivative Instruments Examination to be able to obtain the license.

Those who pass the examinations deserve the following licenses in accordance with the examination type; Capital Market Activities Basic Level License, Capital Market Activities Advanced Level License, Derivative Instruments License, Clearing and Operation Officers License, Real Estate Appraisers License, Credit Rating Specialists License, Corporate Governance Rating Specialists License, Independent Auditing in Capital Markets License, Residential Real Estate Appraisers License, Basic Level Customer Representative License, Derivative Instruments Customer Representative License and Derivative Instruments Accounting and Operations Officer License.

In order to be able to pass the licensing examinations it is required that the scores taken for every subject must be at least 60 on the scale of 100 and the arithmetic mean of the scores must be at least 70.

The licensing examinations in 2011 were organized two times, in the months of August and December. In the meantime, the Capital Markets Licensing, Registration and Education Corporation was established and registered to the trade registry on June 16th, 2011.

The examinations held in 2011 were organized collaboratively with the Capital Markets Licensing, Registration and Education Corporation and the General Directorate of Education Technologies of the Ministry of National Education. The Board and the Association of Capital Market Intermediary Institutions of Turkey also contributed to the examinations.

The licensing examinations were held in the provinces of Ankara, Adana, Antalya, Bursa, Diyarbakir, Erzurum, Gaziantep, Istanbul, Izmir, Kayseri, Konya and Samsun.

The candidates who took at least one of the examinations in September 2002-May 2004 period benefited from the grace period. The grace period has ended at the date at which the results of November 2010 examinations have been announced. It is not possible for capital market institutions to employ unlicensed persons for the positions which require a license. However, the Board has adopted an exemption for the persons who already work in capital market institutions and make an

effort by taking the examinations to get the required license. According to that exemption, the persons who already work in a capital market institution and do not have the required license but have taken at least one of the examinations held in 2010, can work in their positions until the date at which the results of third examination held from beginning 2011 are announced, on the condition that they apply for those first three examinations beginning from 2011.

In the 26 examinations organized in the period September 2002-December 2011, totally 45,579 licenses were given (18,292 Basic Level Licenses, 7,014 Advanced Level Licenses, 3,020 Derivative Instruments Licenses, 6,733 Clearing and Operation Officer Licenses, 2,410 Real Estate Appraisers Licenses, 718 Credit Rating Specialist Licenses, 868 Corporate Governance Rating Specialist Licenses, 1,983 Independent Auditing in Capital Markets Licenses, 174 Residential Real Estate Appraisers Licenses, 847 Derivative Instruments Accounting and Operation Officer Licenses, 2,155 Basic Level Customer Representative Licenses, and 1,365 Derivative Instruments Customer Representative Licenses).

The number of licenses deserved in the examinations held between September 2002 and December 2011 are given in the following table.

Table 5.18. The Number of Licenses Deserved
(September 2002-December 2011)

Types of Licenses	The Number of Licenses Deserved
Capital Market Activities Basic Level	18,292
Capital Market Activities Basic Level (Clearing and Operations Module)	6,733
Capital Market Activities Advanced Level	7,014
Derivative Instruments	3,020
Derivative Instruments Accounting and Operations Officers	847
Real Estate Appraisers	2,410
Credit Rating Specialists	718
Corporate Governance Rating Specialists	868
Independent Auditing in Capital Markets	1,983
Residential Real Estate Appraisers	174
Basic Level Customer Representative	2,155
Derivative Instruments Customer Representative	1,365
TOTAL	45,579

5.12. INVESTOR APPLICATIONS

Investor applications are handled by the Group of Information Request operating under the Institutional Communications Department.

Requests are classified and evaluated in two groups: "complaints and proposals" and "information requests". Information requests

are concluded within 15 business days according to the Law of Information Request. Brief information on applications made in 2009, 2010 and 2011 is shown in the following table.

Table 5.19. Activities of Group of Information Requests

Requests	2009	2010	2011
Complaints and Proposals	1,472	2,238	5,801
Information Requests	822	848	2,025
Total	2,294	3,086	7,826
Source:CMB			

According to the table above, total number of investor requests increased from 2,294 in 2009 to 3,086 in 2010. Total number of investor requests increased by 154% in 2011.

These activities may be seen a part of the CMB's educational activities.

5.13. INFORMATION SOURCES

CMB Library is a specialization library which has been set up to collect and develop materials; Turkish and foreign, in both print and electronic formats, on social, economic and financial matters concerning the capital markets. The Library continued to offer services for all CMB experts as well as external researchers who are composed mainly of members of academic community and students, government officers from the public agencies related to economic activities, and also investors.

With the purpose of acting as a modern information center, the Library services have been improving due to technological advances that allow users quick and easy access to information. Computerized library system and CMB's internal network enable the users to scan the Library collection from their own computers and to have access to electronic publications.

CMB Library held 9.888 books of which 148 were bought and 261 were donated as of the end of 2011, while the number of books available was only 274 in 1982 when the CMB Library was founded.

By the end of 2011, Library collection contained subscriptions to 341magazines and 63 periodicals of which 21 were published in Turkey. Also, 73 periodicals have been donated to the Library.

The electronic collection is comprised of subscriptions to

the databases namely "EBSCO Business Source Corporate, ProQuest ABI Complete", "EBSCO EconLit with Full Text" and "Lebib Yalkın Mevbank" .

1.114 books were lent within 2011. Besides, 21.493 database scans to "EBSCO Business Source" and "EBSCO EconLit with Full Text" (12.296), and to "ProQuest ABI Complete" (9.197) were made.

It is aimed to enrich the print/electronic periodicals collection as far as possible, to offer more efficient and modern user services, and to support the whole collection with electronic databases.

On the other hand, total number of the CMB's publications reached 215 by the end of 2011. These publications are sent free of charge to the libraries of relevant public agencies as well as public and private (foundation) universities.

5.14. EDUCATION PROMOTION AND INFORMATION ACTIVITIES

- It is essential that investors' and all related parties' information needs about the regulations and their implementation be fulfilled and the difficulties in reaching the information be identified and eliminated. In this regard, tailor made activities for specific target groups were initiated in order to make individuals and institutions invest more in capital markets, raise the level of available funds in capital markets, foster a capital markets culture, increase level of trust and awareness in the markets, in other words, to increase the level of financial literacy. These financial education activities are executed in parallel with Istanbul International Finance Center Action Plan. Within this framework, we work in close collaboration with Istanbul Stock Exchange, TurkDex, IGE, Association of Capital Market Intermediaries of Turkey, ISE

Settlement and Custody Bank, Central Registration Agency and other relevant institutions of Turkish capital markets.

- Seminars were delivered to approximately 6000 students from 30 universities. In these seminars students were informed about capital markets, institutions and their activities and internship and employment opportunities at capital market institutions. Seminars were delivered by experts from the CMB, ISE and Association of Capital Market Intermediaries of Turkey. At the end of the seminars some students were selected as future interns in the named institutions.
- In the periods between 13-17 June and 20-24 June certificated seminars were delivered to students from 54 universities throughout the country. A total of 1,922 students joined the CMB seminars between 2008 and 2011.
- In Ankara, Istanbul and Bursa a total of 17 seminars were delivered to around 700 women, who are among the main target groups of the financial education project. Next year it is planned to organize seminars for women in cities like Adana, Kayseri and Gaziantep.
- On 26th of May, CMB has signed a protocol of cooperation with ISE, Association of Capital Market Intermediaries of Turkey, ISE Settlement and Custody Bank, Central Registration Agency and the Turkish Exporters Assembly. The objective is to organize seminars in order to provide informative guidance to exporting firms for utilization of opportunities provided by capital markets, being more competitive, managed well and being ready to go public with good governance.
- In order to utilize the common use internet in Turkey, a new website, www.yatirimyapiyorum.gov.tr (yatırım yapıyorum meaning I invest) was launched at 19 January 2011 as a means to inform current and potential investors. Through this website general public will be provided with plain and comprehensive information about investing. The website contains, among other things, a web based knowledge contest with attractive awards and a virtual portfolio application.
- In order to announce financial education and promotion activities a facebook page was launched in January.
- Concurrently with the seminars delivered to university students and women in 2011, "Capital Markets Awareness and Knowledge Research" was done and results of which will be used in further studies. Results of the research were shared with the general public through the website of CMB.

- To promote capital markets and foster consciousness for saving and investment issues starting from the school aged children, an essay contest was organized with the approval of Ministry of Education and it was finalized with an award ceremony on 16th of May. This contest is projected to be organized on an annual basis with regard to the principle of continuity in financial education.
- The CMB takes an active role in the studies of OECD on financial education and works in subgroups of "women", "financial inclusion" and "national strategy on financial education".
- As part of the promotion activities for foreigners, two meeting were organized in South Korea and Taiwan whereby exchange of information was conducted with foreign investors, financial institutions and fund managers. In addition, Turkish investors got together via meetings organized in Cologne and Düsseldorf with the executives of Turkish capital markets institutions.

5.15. INFORMATION SYSTEMS

The development, operation, management and modernization of the information systems, which are required for the CMB to carry out the activities obliged by the law more effectively, quickly, reliably and appropriate to the international standards, are among the duties of the Department of Data Processing, Statistics and Information.

The objectives that the Department of Data Processing, Statistics and Information considers while performing the activities are to:

- Establish with the information technology infrastructure in order to provide the Board staff the accurate and current information they need,
- Keep the information technology infrastructure of the CMB continuously running and updated,
- Form a consistent database related to the operations of the CMB,
- Provide the necessary software and hardware to make oversight and enforcement activities more efficient,
- Provide accurate and current information on time in the scope of public disclosure,
- Work on information security in order to establish secure information technology infrastructure on capital markets,
- Carry out information systems audit on capital market institutions.

The activities that have been performed in that regard in 2011 can be summarized as follows.

5.15.1. Software Development Activities

In 2011, the maintenance and improvement activities of the existing applications continued. Moreover, some new application softwares have been developed in accordance with the requirements of the Board. In this context, the activities conducted are detailed below.

New Enterprise System

The new enterprise system is a project initiated for renovating the existing Enterprise Data Management Platform within the framework of the new technological opportunities and the changing demands. It is aimed to deal with the existing enterprise system on a department basis, to design a new system according to the new requirements and also to renew the technological infrastructure entirely. During the year 2011, the renewal activities were carried out while some new departments have been included in the system.

Document and Task Tracking System

Document and Task Tracking System was developed in order to integrate all the separated task tracking systems and to put it into widespread use across the Board. With this system, it is planned to transfer the departments (that do not use any kind of task tracking system before so doing document and task operations only on paper) to electronic environment. It is planned to give the departments the ability of tracking the documents electronically. In addition, the documents produced in the course of performing a task are being saved centrally and accessed by authorized personnel when required. Renovated in 2011 using electronic signature involved in document creation processes and some demands of the units have been developed and implemented. It is scheduled to get the system entirely into use in early 2012.

System of Request for Information

The aim of this system is to make all the electronic comments, suggestions and complaint applications passed to the Board centralized, effectively and efficiently manageable, trackable, answerable within the legal time and safely archivable. This system which was developed in 2010 was renewed in 2011 according to some demands.

Financial Surveillance Project of the Capital Markets Board of Turkey

The aim of Financial Surveillance Project is to trace processes which are actualized in ISE and TurkDex by means of the data

obtained from ISE, TurkDex, CRA, TAKASBANK and some other relevant governmental companies and institutions, in a real-time electronic environment and provide the framework and software necessary for making investigations of the detected abnormal situations. By using to the Financial Surveillance Project, surveillance and control in exchange and derivative markets are planned to be made more efficiently and quickly. In this context, the opportunity to apply warnings and analyses which has not been used until now is found. Also, this project will provide urgent access to much information, the opportunity to make detailed analysis, improvement on visual performance visual by using graphical user interface, activity on tracing alerts and reports, to define and group new alerts and signals by specialist, parameter identification on the basis of stocks and clear and detailed documentation. In this way the diversity of alerts and analysis are increased and the efficiency is provided in accessing more information, detailed analysis and tracing alerts and warnings.

With this project increasing market confidence will be one of the greatest achievements of system. The project's first version was completed and released in 2011 and second version is under development.

Personnel Exams Application and Follow-up Project

Personnel Exams Application and Follow-up Project is an electronic system in which candidates may apply to Board's personnel recruitment exams and follow up their applications using web interface. Those applications are also concluded by the system. In this context, it is aimed not to collect any unnecessary document from candidates by communicating with many online data sources (Central Demographical Administration System, Identity Sharing System, Measurement, selection and placing centre etc.) to facilitate application processes. Thus, workload on Board HR staff caused by document collecting will be lightened. Project's production and testing is currently going on after project's analyze has been completed in 2011. The system is planned to be used in all recruitment exams in 2012 and further years.

5.15.2. Corporate Website

On the Board website, the activities of the CMB related to Turkish capital markets and the subjects aimed to inform the public are published. Turkish version of this site can be reached at <http://www.spk.gov.tr> address and English version can be reached at <http://www.cmb.gov.tr> address. The Turkish version site can also be used by the institutions or organizations acting in capital markets to transfer data to the Board. CMB Website contains the following topics:

- Capital markets legislation,
- Announcements (weekly bulletins, licensing examinations, press releases, draft communiqués, seminar, conference, workshop announcements, human resources announcements, internship announcements, general announcements),
- Capital markets institutions and organizations (ISE, IGE, TURKDEX, TAKASBANK, CRA, TSPAKB),
- Companies and Institutions (publicly held companies, intermediary institutions, banks, futures brokerage firms, mutual funds, investment trusts, portfolio management companies, independent auditing firms, rating agencies, real estate appraisal companies),
- Statistics (statistical data, monthly statistical bulletin, International Economics and Financial Indicators),
- Prohibited people & legal cases (list of people prohibited from trading, information about legal processes),
- Investors section (subjects aimed to inform investors),
- Request for information (investor applications) / Comments, suggestions and complaint applications,
- Publications (expectation surveys, annual reports of the Board, staff papers, proficiency studies, research reports, academic studies),
- Links to some of the related (domestic and overseas) websites,
- The broadest dynamic information related to mutual funds.

In addition; the weekly and monthly statistical bulletins, new announcements and developments are sent to the members by electronic mail via membership system taking part in the website.

In 2011, content management system for the Board's website was developed and got into use which was renewed in 2010.

5.15.3. Investor Portal

Taking the advantage of increasing internet use, a new website was started to be prepared in 2010 to inform the investors. By this website, which started working at the beginning of 2011, private information support about the markets is given to investors. In this context, it is aimed to inform the investors about investment instruments, considerations while investing in something, their rights, unauthorized public offering and capital market activities. In addition, Capital Market Glossary which has been prepared for the use of both investors and other relevant

sectors was included in the website. Moreover, in 2011, a quiz and a Virtual Portfolio Competition were added to the site.

5.15.4. Systems and Network Area Activities

It is a necessity to maintain an up to date, productive, reliable and always up and running technical infrastructure for the Board's operational continuity. Within this scope, the technical infrastructure of the Board is observed and operated, the necessary progresses in both hardware and software are realized and the existent problems are interfered. Moreover, for the purpose of meeting the technical requirements and staying up to date with the latest technology, supplying new hardware and setting up and building up the systems are crucial. The activities continued in 2011.

Firewall Infrastructure Renewal

Firewall used for internet access of the Board was transferred to a Firewall Management System which was developed using national technology and labor force by TUBITAK.

System Monitoring and Backup

In order for ensuring the traceability of the Board's system administrative activities within the frame of TSE 27001 standards and to gain capability to maintain object level backup of the active directory, necessary software environment has been implemented after feasibility, analysis and acquisition processes.

5.15.5. Information Security Management System

Being aware of the importance of the information security, the Department of Data Processing, Statistics and Information founded the Information Security Management System (ISMS) conforming the international standard ISO/IEC 27001 and was evidenced materially by the Turkish Standards Institution in 2006. Moreover, Information Security Forum has been established to execute the monitoring and auditing functions and to ensure the smooth operation of the system. Related to the functioning of the system, ISMS control processes such as management review meetings, risk assessment and analysis and internal controls have been carried out during the year.



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