

LEGISLATIVE AMENDMENTS TO TURKISH CAPITAL MARKETS

Certain amendments were made on multiple laws concerning Turkish financial markets with the Law No. 7222, including provisions of Turkish Capital Market Law No.6362.

On 25 February 2020, Law No. 7222 Amending Banking Law and Certain Other Laws (“**Amendment Law**”) was published in the Official Gazette and brought several amendments to the Capital Market Law No. 6362 (“**Capital Market Law**”).

With the Amendment Law, the following amendments concerning the Capital Market Law have entered into force:

1) Definition of Material Transactions and Exit Rights

The scope of material transactions of public companies is limited with new amendments. In other words, now, definition of material transactions does not cover *(i)* making a decision on dissolution; *(ii)* transfer or leasing of total or substantial part of their assets or establishing rights in rem thereon; *(iii)* alteration of the field of activity totally or substantially and *(iv)* de-listing from the stock exchange.

The Capital Markets Board (“**CMB**”) becomes authorized body to determine the principles and procedures on the exercise of exit rights from public companies in relation to material transactions and offering shares of the existing shareholders to the other shareholders before being acquired by the public company.

2) Addressees of Takeover Bids

The scope of addressees of takeover bids has been limited. Now, the persons who obtain the management control of a public company shall only offer the takeover bids to the investors who are existing shareholders by the date on which the change of control is publicly disclosed.

3) New Establishments

Debt instrument holders board is regulated as a new establishment. By way of this establishment, it is mainly ensured that investors can jointly act and facilitate of restructuring in case of default.

Collateral management agreements and collateral managers are also regulated in order to provide an alternative means to secure the fulfillment of obligations arising from issuances.

Project financing mechanism, project financing funds and project-backed securities are incorporated into the Capital Market Law and the general principles regarding this project financing issue are specified.

Investment funds and housing and asset finance funds are now deemed to have legal entity for any transaction before all registries including the land registry and trade registry.

This Amendment Law enables lending-based crowdfunding, thereby authorizing to the CMB.

4) Amendments on Penal Provisions

The title of Article 91 of the Capital Market Law has been changed as “Measures to be applied to illegal issues and violation of information and explanations stated in prospectus” together with its content to include, the measures to be adopted in case of violation of public disclosure documents are determined, so that the investors can be protected.

Administrative fines have been aggravated as disincentives penalty.

Imprisonment lower bound regarding the capital market crimes, specifically for (i) insider trading and (ii) manipulation has been increased to 3 (three) years, instead of 2 (two) years.

Conclusion

With the current amendments, it is aimed to innovate the Capital Market Law pursuant to market requirements, investors interest and practice experience and to adopt international practices and regulations to the Capital Market Law.

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