

ISTANBUL STOCK EXCHANGE INTRODUCED ‘VOLATILITY BASED MEASURES SYSTEM’ TO THE EQUITY MARKET

This legal alert aims to set forth the Announcement of Istanbul Stock Exchange (‘Borsa Istanbul’) on Volatility Based Measures System concerning the stocks being traded in the Equity Market.

On September 22, 2017, Borsa Istanbul announced via Public Disclosure Platform (‘KAP’) that a new measures system has been developed with regard to the highly volatile stocks traded in the Equity Market which will enter into force on September 25, 2017. The main purpose of this new measures system is to ensure that the stock transactions are executed in a fair and reliable market atmosphere and the investors are protected from the risks arising from extreme volatility of the stocks being traded in the Equity Market.

A highly volatile stock is inherently riskier. In order to avoid such risk, Borsa Istanbul announced the first measure as “Prohibition of Short Selling and Margin Trading” which is to be applied to the respective volatile stock for a period of 15 (fifteen) days. Whereas, if such volatility of the stock still continues following the expiry of 15 (fifteen) days’ period, “Gross Settlement”¹ is the second measure to be applied for a period of another 15 (fifteen) days.

Announcement clearly sets forth that in cases where second measure is applied, the first measure “Prohibition of Short Selling and Margin Trading” will be in effect until the date the second measure ceases to be in effect.

Further to the above, it is worth to note that once Borsa Istanbul decides to apply the afore-mentioned measure(s) to the respective stock, information in relation to the stock and the effective date and duration of each measure will be publicly disclosed by Borsa Istanbul via KAP in the same day following the closure of the market.

*** *Gross Settlement is a settlement system where the local clearing, settlement and custody bank of Turkey (Takasbank) requires the buyer to have the amount of cash and the seller to have the amount of capital market instrument in their accounts on the settlement date of the sale or purchase transaction as per Section 6.1.1 of the [Implementation Procedures and Principles with Regard to the Operations of Equity Market](#) published by Borsa Istanbul.*

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