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# COMMUNIQUÉ ON PRINCIPLES REGARDING INVESTMENT SERVICES, ACTIVITIES AND ANCILLARY SERVICES (III-37.1)

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## FIRST PART
## Purpose, Scope, Grounds, Definitions and Abbreviations

### Purpose and Scope:

**ARTICLE 1 – (1)** The purpose of this Communiqué is to determine the principles of receiving authorization for the activities of investment firms, and the rules and principles to comply with during investment services, activities and ancillary services are being provided thereof.

### Ground:

**ARTICLE 2 – (1)** This Communiqué is based on Articles 37, 38, 39, 45 and 128 of the Capital Markets Law no. 6362 dated 6 December 2012.

### Definitions and Abbreviations:

**ARTICLE 3 – (1)** For the purposes of this Communiqué, following definitions shall apply:

**a) Intermediary institution:** An investment firm authorized by the Board to deal exclusively with the investment services and activities defined in sub-paragraphs (a), (b), (c), (e) and (f) of first paragraph of Article 37 of the Law,

**b) Bank:** Deposit banks, participation banks, development and investment banks defined in the Banking Law no. 5411 dated 19 October 2005,

**c) Association:** Capital Markets Association of Turkey,

**ç) Exchange:** Systems and market places authorized in accordance with this Law no.6362 and established in the form of joint stock corporations that are operated and/or managed by themselves or a market operator to ensure smooth and secure trading of capital market instruments, foreign exchange, precious metals and precious stones and other contracts, documents and assets deemed appropriate by the Board under free competition conditions and to determine and declare the prices formed, and which operate on a regular basis to bring together purchase and sale orders so as to execute them or to facilitate bringing together of such order,

SOURCE: Capital Markets Board (www.cmb.gov.tr) UPDATES: Eryürekli Law Office (www.eryurekli.com)

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**d) Distribution channels:** Any means of communication which provides or may provide access to data by a large population,

**e) Financial Assets:** Capital market instruments, money market instruments and transactions, cash, foreign exchange, deposits, participation accounts and other assets and transactions approved by the Board,

**f) Issue:** The issue of capital market instruments by issuers and their sale with or without public offering,

**g) Leveraged transactions:** Sale and purchase transactions through leverage of the foreign exchange, precious metals and other assets designated by the Board, on an electronic platform, in consideration of collateral deposited,

**ğ) Law:** Capital Markets Law no. 6362,

**h) Benchmarking criterion and threshold value:** Criterion and value designated by the Board in its regulations pertaining to performance presentation, performance based remuneration and rating activities for individual portfolios and collective investment schemes,

**ı) Board:** Capital Markets Board,

**i) CRA:** Central Registry Agency as defined in Article 81 of the Law,

**j) Shareholders' Equity:** Shareholders' equity calculated according to the regulations of the Board pertaining to capital and capital adequacy requirements for intermediary institutions,

**k) Professional and General Clients:** Professional and general clients as defined in the regulations of the Board pertaining to principles regarding establishment and operations of investment firms,

**l) Capital Market Instruments:** Securities and derivative instruments as well as other capital market instruments designated so in this context by the Board, including investment contracts,

**m) Other Organized Market Places:** Alternative trading systems, multilateral trading facilities and other organized markets outside exchanges, which bring together buyers and sellers of capital market instruments, provide intermediary services in purchase and sale transactions, establish and operate systems and facilities for these purposes,

**n) Over-the-counter Market:** Markets except exchanges and other organized market places,

**o) Over-the-counter Transaction:** Transactions executed in markets other than exchanges and other organized market places,

**ö) Derivatives:** Instruments listed below or other derivative instruments designated in this context by the Board:

1) Derivatives giving the right to buy, sell or interchange the securities,

2) Derivative instruments the values of which depend on the price or return of a security; the price or price change of a foreign currency; an interest rate or a change in the rate; the price

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or price change of a precious metal or precious stone; the price or price change of a commodity; statistics published by institutions deemed appropriate by the Board and changes in them; derivative instruments which provide the transfer of credit risk, which have measurement values such as energy prices and climatic variables and depend on an index level which is formed by these listed items or on changes in this index level; the derivatives of these instruments, and derivatives giving the right to interchange the listed underlying assets,

**3)** Leveraged transactions on foreign exchange and precious metals as well as other assets to be designated by the Board.

**p) Investment Firm:** Intermediary institutions, banks and other capital market institutions established to perform investment services and activities, the establishment and operation principles of which are designated by the Board,

**r) Influential investment comment and advice:** Comments and advices addressed to investors, which contain phrases encouraging the sale and purchase of certain capital market instruments or may otherwise change the decisions of investors,

**s) ICC:** Investor Compensation Center defined in Article 83 of the Law.

**ş) Gross Asset:** The balance calculated by taking into consideration the collateral deposited and withdrawn by the customers and the profit / loss amounts of the closed positions only in leveraged transactions,

**t) Net Asset:** The asset calculated by taking into consideration the collateral deposited and withdrawn by the customers and the profit / loss amounts of all open and closed positions in leveraged transactions,

**u) Takasbank:** Istanbul Takas ve Saklama Bankası Anonim Şirketi (Istanbul Settlement and Custody Bank).

## SECOND PART
## Investment Services and Activities and Ancillary Services

**Investment Services and Activities:**

**ARTICLE 4 – (1)** Investment services and activities regulated by this Communiqué and which may be executed with a prior authorization of the Board are as follows:

**a)** Reception and transmission of orders in relation to capital market instruments,

**b)** Execution of orders in relation to capital market instruments in the name and account of the customer or in their own name and in the account of the customer,

**c)** Dealing on own account,

**ç)** Individual portfolio management,

**d)** Investment advice,

**e)** Underwriting of capital market instruments on a firm commitment basis,

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**f)** Placing of financial instruments without a firm commitment basis,

**g)** Operation of multilateral trading systems and regulated markets other than exchanges,

**ğ)** Safekeeping and administration of capital market instruments in the name of the customer and portfolio custody services,

**h)** Conducting other services and activities to be determined by the Board.

**Obligation to Receive Authorization for Investment Services and Activities:**

**ARTICLE 5** – **(1)** An authorization from the Board is required to be able to perform each investment service and/or activity regulated in this Communiqué as a regular occupation and/or a commercial and/or professional activity.

**(2)** Investment services and activities can only be performed by investment firms. Provisions regarding investment companies and portfolio management companies are reserved.

**(3)** Transactions to be fulfilled by investment firms with parties other than their customers on capital market instruments for their own portfolio, without the purpose of providing investment services and activities; shall not be subject to authorization by the Board.

**Ancillary Services:**

**ARTICLE 6** – **(1)** The ancillary services that may be carried out by investment firms in connection with their authorizations for investment services and activities are as follows:

**a)** Providing consultancy services regarding capital markets;

**b)** Granting credits or lending and providing foreign exchange services limited to investment services and activities;
**c)** Providing investment research and financial analysis or general advice concerning transactions in capital market instruments;

**ç)** Providing services in relation to the conduct of underwriting;

**d)** Providing intermediary services for obtaining financing by borrowing or through other means;

**e)** Wealth management and financial planning;

**f)** Conduct of other services and activities to be determined by the Board.

**(2)** Provisions of the legislation with respect to ancillary services which may be provided by portfolio management companies are reserved.

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**Obligation to Notify for Ancillary Services:**

**ARTICLE 7 – (1)** Ancillary services shall be provided by investment firms according to principles determined by the Board without being subject to a separate license.

**(2)** Investment firms, in their application of authorization for operating, shall be liable to notify the ancillary services that they intend to provide. If other ancillary services are also planned to be provided after receiving the authorization for operating, those shall be notified separately to the Board.

**(3)** Ancillary services which have been notified shall be executed in accordance with the principles determined in this Communiqué, unless otherwise determined by the Board within 20 business days following the notification made to the Board. Periods elapsed during completion of lacking documents and information requested by the Board shall not be taken into consideration in calculation of mentioned period.

**Grouping of Intermediary Institutions:**

**ARTICLE 8 – (1)** Among intermediary institutions, those:

**a)** which are engaged in any or all of reception and transmission of orders and investment advice related services and activities shall be called "narrowly authorized intermediary institutions"; and

**b)** which are engaged in any or all of execution of orders, best effort, limited custody and portfolio management related services and activities shall be called "partially authorized intermediary institutions"; and

**c)** which are engaged in any or all of dealing on own account, general custody and underwriting related services and activities shall be called "broadly authorized intermediary institutions".

**Activities of Institutions Residing Abroad:**

**ARTICLE 9 – (1)** All kinds of investment services and activities obtained by persons residing in Turkey, including investment firms, on their own initiative, from financial institutions residing abroad, and accounts opened at such institutions, and cash and other assets transferred to such accounts, and transactions fulfilled on these accounts are out of the scope of this Communiqué, provided that activities such as promotion, advertisement and marketing are not intended for persons residing in Turkey.

**(2)** For the purposes of the application of preceding paragraph, any cases such as opening a workplace in Turkey, creation of a web site in Turkish, and intending advertisement and marketing activities directly and/or through persons or institutions residing in Turkey with respect to investment services provided by the institutions residing abroad, shall be deemed to be intended for the persons residing in Turkey, and relevant provisions of the legislation shall apply. Additional criteria on determination as to whether the activities are intended for persons residing in Turkey shall be determined by the Board.

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## THIRD PART
## Activity of Intermediation in Trading Transactions

**Activity of Intermediation in Trading Transactions:**

**ARTICLE 10** – The activity of intermediation in trading transactions means jointly all activities carried out for the purposes of reception and transmission of orders set forth in subparagraph (a), and execution of orders set forth in subparagraph (b) and dealing on own account set forth in subparagraph (c) of first paragraph of Article 37 of the Law and as defined in this Communiqué.

**Definition of the Activity of Reception and Transmission of Orders:**

**ARTICLE 11 – (1)** Within the scope of subparagraph (a) of first paragraph of Article 37 of the Law, the activity of reception and transmission of orders means transmission of customer orders regarding capital market instruments by investment firms:

**a)** To an investment firm authorized within the scope of subparagraph (b) or (c) of first paragraph of Article 37 of the Law, or

**b)** To an institution residing abroad which has obtained authorization for operating from the competent authority of the relevant country, except for the leveraged transactions,

and provision of information regarding the results of orders.

**(2)** Following activities shall also be deemed within the scope of the activity of reception and transmission of orders:

**a)** teller services such as transmission of demands to the relevant investment firm with respect to collection of demands during public offering, private placement or sale to qualified investors, and collection or refunding of cash paid by the customers in consideration of relevant capital market instruments; and

**b)** introduction to investors of the investment services and activities which may be provided by the investment firm in favor of whom activities are held and which is authorized for execution of orders and/or dealing on own account, and intermediation for the conclusion of contracts; and

**c)** activities for bringing together the parties wishing to make contracts, in consideration for a commission fee.

**(3)** Services listed in the second paragraph may be provided to customers without a framework agreement.

**Investment Institutions Which May Conduct the Activity of Reception and Transmission of Orders:**

**ARTICLE 12** – **(1)** The activity of reception and transmission of orders may be provided by intermediary institutions and except for leveraged transactions by banks, provided that an authorization is received from the Board.

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**Special Conditions for Conducting the Activity of Reception and Transmission of Orders:**

**ARTICLE 13** – **(1)** In order to be eligible for receiving authorization for the activity of reception and transmission of orders, in addition to compliance with the required general conditions for commencing operations in the Board regulations regarding the principles on the establishment and operations of investment firms, the investment firms are obliged to:

**a)** have satisfied condition of the minimum shareholders' equity specified for this service in the related regulations of the Board with respect to capital and capital adequacy requirements for intermediary institutions

**b)** have formed the organizational structure including the unit in charge of conducting the activity of reception and transmission of orders, and have employed the unit manager; and

**c)** have employed an adequate number of specialized staff to work in central or non-central organization units where the activity of reception and transmission of orders to be conducted; and

**ç)** have determined the list of investment firms authorized for execution of orders and/or dealing on own account to which the orders are going to be transmitted, and the corporate policy as to how such process is to be operated.

**(2)** Provisions of subparagraph (a) of first paragraph shall not be sought for in applications of banks for the activity of reception and transmission of orders.

**Principles for Conducting the Activity of Reception and Transmission of Orders:**

**ARTICLE 14** – **(1)** Investment firms are obliged to comply with the following principles in conducting the activity of reception and transmission of orders:

**a)** A contract determining the rights and liabilities of the parties must be signed between the investment firm authorized for the activity of reception and transmission of orders and each investment firm in favor of whom activities are conducted.

**b)** Both the investment firm authorized for the activity of reception and transmission of orders and the authorized investment firm in favor of whom activities are conducted are required to sign a framework agreement separately with the customer before initiating the transactions. However, it is possible to make only one framework agreement if principles on the activity of reception and transmission of orders and the activity of execution of orders are set forth in the same agreement upon mutual understanding and entitling by both authorized investment firms.

**c)** The accounts and transactions of customers are required to be kept and monitored on a customer basis at the institution in favor of whom activities are conducted.

**ç)** A copy of all kinds of documents and records, including framework agreements and risk statements, regarding the orders transmitted to the authorized institution in favor of whom activities conducted are required to be kept at the authorized institution for the activity of reception and transmission of orders.

**d)** The investment firm in favor of whom activities are conducted shall be liable for sending the required notifications to customer in accordance with the Board regulations pertaining to documentation and record-keeping. However, upon request of the customers, relevant information and documents solely

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relating to the opening of accounts and transmission of orders are required to be submitted by the authorized investment firm providing reception and transmission of orders.

**e)** Both the authorized investment firm providing reception and transmission of orders and the authorized investment firm in favor of whom activities are conducted are required to protect the confidentiality of customer orders. Order information belonging to customer shall not be disclosed to any third party or used against the customer and/or in favor of third parties without the customer's knowledge.

**(2)** Each new contract to be established within the scope of the activity of reception and transmission of orders shall be separately notified to the Board.

**Principles on Conducting the Activity of Reception and Transmission of Orders with Institutions Residing Abroad:**

**ARTICLE 15 – (1)** Regarding cases in which the activity of reception and transmission of orders are provided for institutions residing abroad, it is obligatory to make a notification to the Board before initiating the transactions. Each new contract to be established within the scope of this paragraph shall separately be subject to notification.

**(2)** Regarding cases in which the activity of reception and transmission of orders are provided for institutions residing abroad:

**a)** It is required to execute a written contract with institutions which have received an authorization by the competent authority of the country where the transactions to be realized;

**b)** Both the investment firm authorized for the activity of reception and transmission of orders and the authorized institution residing abroad in favor of whom activities to be realized, are required to sign a framework agreement separately with the customer before initiating the transactions;

**c)** The required risk statement shall be notified to the customer in accordance with the Board regulations regarding the principles on establishment and activities of investment firms;

**ç)** A copy of all kinds of information and documents, including framework agreements and risk statements regarding the orders transmitted to the authorized institution in favor of whom activities are realized is required to be kept at the investment firm authorized for the activity of reception and transmission of orders and to be submitted to the customer upon request.

**(3)** Notifications to the Board in accordance with this Article shall be evaluated as to whether there is satisfactory information flow between the Board and the competent authority of the relevant country and there is harmony between relevant legislations of both countries. Unless otherwise stated by the Board within 20 business days following the date of notification to the Board, services and activities subject to notification shall be initiated in accordance with the principles set forth under this Communiqué. Periods elapsed during completion of the lacking information and documents requested by the Board shall not be taken into consideration in calculation of mentioned term.

**(4)** Investment firms shall not conduct the activity of reception and transmission of orders with the institutions residing abroad with respect to leveraged trading transactions.

**(5)** Regulations of the Board regarding registration and sale of foreign capital market instruments are, however, reserved.

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**Definition of the Activity of Execution of Orders:**

**ARTICLE 16 – (1)** The activity of execution of orders within the scope of subparagraph (b) of first paragraph of Article 37 of the Law means, on top of the activity of reception and transmission of orders, the execution of customer's buy or sell orders concerning capital markets instruments by investment firms in the name and account of the customer or in their own name and in the account of the customer, by transmitting them:

**a)** to stock exchanges or other organized market places; or

**b)** to an institution authorized in accordance with subparagraph (c) of first paragraph of Article 37 of the Law; or

**c)** to an institution residing abroad having an authorization from the competent authority of the relevant country, except for the leveraged transactions.

**Investment Firms which May Conduct the Activity of Execution of Orders:**

**ARTICLE 17 – (1)** The activity of execution of orders may be provided:
**a)** by intermediary institutions in relation to capital market instruments; or

**b)** by investment and development banks, over capital market instruments excluding the leveraged transactions

**c)** by banks, other than investment and development banks, over capital market instruments, excluding stocks, leveraged transactions and derivatives based on stock indices or stocks,
provided that a prior authorization of the Board is received.

**(2)** Without prejudice to the provisions of stock exchange legislation, in order for investment and development banks to be able to perform transaction intermediation activities within the scope of subparagraph (b) of the 1st paragraph; it is obligatory that an intermediary institution which is not publicly held must withdraw from investment services and activities by filing a request for cancellation of all its operating permits.

**(3)** The schedule indicating the investment firms which may conduct the activity of execution of orders by capital market instrument basis is given in ANNEX/1.

**Special Conditions for Conducting the Activity of Execution of Orders**

**ARTICLE 18 – (1)** In order to be eligible for receiving authorization for the activity of execution of orders, in addition to compliance with the required general conditions for commencing operations in the Board regulations regarding the principles on the establishment and operations of investment firms and with the special conditions regarding the activity of reception and transmission of orders set forth in Article 13, investment firms are required:

**a)** to have obtained an authorization to provide limited custody services in accordance with subparagraph (a) of third paragraph of Article 59 or to have applied to the Board for obtaining such authorization; and

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**b)** to have satisfied the requirement of minimum shareholders' equity for such activities in accordance with the Board regulations regarding capital and capital adequacy requirements of intermediary institutions; and

**c)** to have designated a list of markets in which the transactions shall be executed, and of the institutions, if any, authorized for the activity of transmission of orders and for the activity of dealing on own account, with whom they will work with, as well as their policy regarding how order execution process shall be operated; and

**ç)** to have assigned an adequate number of customer representatives and accounting and operation staff for derivative instruments within those investment firms conducting derivatives transactions.

**(2)** Subparagraph (b) of first paragraph shall not apply to banks applying for authorization for the activity of execution of orders from the Board.

**Principles for Conducting the Activity of Execution of Orders:**

**ARTICLE 19 – (1)** While conducting the activity of execution of orders, investment firms are obliged to comply with the following principles:

**a)** Investment firms shall accept and execute customer orders in compliance with order execution policy, principles set forth in the framework agreement, liability to execute customer orders in best way and duty of care and loyalty.

**b)** Orders requiring transactions at the stock exchange shall further be received and executed according to principles set forth in the relevant legislation.

**c)** In cases where investment firms authorized for execution of orders execute the orders by transmitting those orders to an investment firm authorized for dealing on own account, they are obliged:

**1)** to execute a written contract with this investment firm regarding the mutual rights and obligations of the parties, before initiating the transaction; and

**2)** to keep and monitor the accounts and transactions of customers within their institution on customer basis; and

**3)** to execute customer orders before orders with the same price belonging either to its own account or to the account of related parties.

**ç)** Cash receivables that become payable to customers regarding over-the-counter derivatives transactions are required to be paid in full and in cash within no later than 3 business days upon the request of customer.

**d)** A general customer and a request-based professional customer may not be caused to perform trades in such manner as will cause loss in excess of the amounts of collateral deposited in connection with leveraged transactions. In case the investor incurs loss in excess of the amount of its collateral due to market conditions, such loss may not be claimed from the general customer and the request-based professional customer.

**e)** For request-based professional customers, if requested by the relevant customer in writing, the

provision in subparagraph (d) shall not be applied.

**f)** Investment firms are responsible for protecting the confidentiality of customer orders. Information on customer orders cannot be transmitted to any third party or used against the customer or in favor of a third party without acknowledging the customer.

**Principles for Conducting the Activity of Execution of Orders in Foreign Markets:**

**ARTICLE 20** – **(1)** The activity of execution of orders in foreign markets can be carried out through membership to any stock exchange or other organized market places abroad or through an institution residing abroad, which was granted an authorization from the competent authority of the relevant country. In this case, it is required to make a notification to the Board before initiating any transaction. Each new membership and contract established within the scope of this paragraph shall separately be subject to notification.

**(2)** Investment firms to conduct the activity of execution of orders in foreign markets shall be required:

**a)** to execute a written contract with that institution in accordance with subclause (1) of subparagraph (c) of first paragraph of Article 19 in cases where the transactions are conducted through an institution residing abroad, which was granted an authorization from the competent authority of the relevant country; and

**b)** to have executed a framework agreement with its customers regarding transactions executed abroad and to have provided the required risk statement in accordance with the Board regulations pertaining to establishment and operations of investment firms; and

**c)** to keep and monitor the transactions executed in foreign markets on customer basis, and to this end, to establish the required and satisfactory documentation, record-keeping, communication, accounting and internal control systems; and

**ç)** to inform the Board within 3 business days about those events that may affect the financial or legal situations set forth in the reports submitted to the relevant authority, and about the sanctions imposed and applied by the relevant authority, following the date of their occurrence in cases where the transactions are conducted through membership to any stock exchange or other organized market places abroad,

**(3)** Notifications to be made to the Board in accordance with this Article shall be evaluated as to whether there is satisfactory information flow between the Board and the competent authority of the relevant country, and there is harmony between relevant legislations of the countries. Unless otherwise stated by the Board within 20 business days following the date of notification made to the Board, services and activities subject to the notification shall be initiated in accordance with the principles set forth in this Communiqué. The time period used for completion of the lacking information and documents to be requested by the Board shall not be taken into account in the calculation of this term.

**(4)** Investment firms cannot conduct the activity of execution of orders in foreign markets with respect to leveraged transactions.

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**Definition of the Activity of Dealing on Own Account:**

**ARTICLE 21 – (1)** Within the scope of subparagraph (c) of first paragraph of Article 37 of the Law, the term “dealing on own account” means, on top of the activity of execution of orders, the execution of customers’ buy and/or sell orders on capital market instruments by the investment firms as a counterparty thereto.

**Investment Firms That May Provide the Activity of Dealing on Own Account:**

**ARTICLE 22 – (1)** With the condition to obtain permission from the Board, the portfolio intermediation activity may be performed,

**a)** by intermediary institutions in relation to capital market instruments,

**b)** by investment and development banks in relation to capital market instruments, except for leveraged transactions,

**c)** by banks other than investment and development banks, in relation to capital market instruments, excluding stocks, leveraged transactions and derivatives based on stocks,

without prejudice to the provisions of the stock exchange legislation.

**(2)** Without prejudice to the provisions of stock exchange legislation, in order for investment and development banks to be able to perform activities of portfolio intermediation within the scope of subparagraph (b) of the 1st paragraph; it is obligatory that an intermediary institution which is not publicly held must withdraw from investment services and activities by filing a request for cancellation of all its operating permits.

**(3)** The schedule indicating investment firms which may provide the activity of dealing on own account by capital markets instrument type is given in ANNEX/2.

**Special Conditions for Providing the Activity of Dealing on Own Account:**

**ARTICLE 23 – (1)** In order to be eligible for receiving authorization to provide the activity of dealing on own account, in addition to compliance with the required general conditions for commencing operations in the Board regulations regarding the principles on the establishment and operation of investment firms and with the special conditions regarding the activity of execution of orders; investment firms are required:

**a)** to have obtained an authorization to provide limited custody services in accordance with subparagraph (a) of third paragraph of Article 59 or to have applied to the Board for being granted such authorization; and

**b)** to have satisfied the condition of minimum shareholders’ equity required for such activities in accordance with the Board regulations on capital and capital adequacy requirements for intermediary institutions; and

**c)** to have established a risk management unit in relation to the transactions subject to the activity of dealing on own account; and

**ç)** to have employed and assigned a unit manager, having minimum 5 years of experience in financial

markets, solely for this activity, as well as an adequate number of specialized personnel reporting to the unit manager; and

**d)** to have the unit manager and the specialized personnel hold either Advanced Level License on Capital Market Activities or License on Derivative Instruments depending on the type of transactions to be executed; and

**e)** to have designated a list of markets in which the transactions are going to be executed, and of the institutions, if any, authorized for reception and transmission of orders, execution of orders and dealing on own account, with whom they will work with, as well as their order execution policies as to how such processes shall be operated.

**(2)** Subparagraph (b) of first paragraph hereof shall not apply to banks applying to provide the activity of dealing on own account, and subparagraph (c) of first paragraph hereof also shall not apply to those banks on the condition that the department responsible for risk management within the Bank also pursues and monitors the risks related to the activity of dealing on own account.

**Principles on Providing the Activity of Dealing on Own Account:**

**ARTICLE 24 – (1)** While providing the activity of dealing on own account, investment firms are obliged to comply with the following principles in addition to the principles on the activity of execution of orders:

**a)** Investment firms shall accept and execute customer orders in compliance with their order execution policies, principles set forth in the framework agreements, liability to execute customer orders in best way and duty of care and loyalty.

**b)** Prices of transactions to be executed shall be determined objectively in consistence with the general market conditions and their fair values.

**c)** A general customer and a request-based professional customer may not be caused to perform trades in such manner as will cause loss in excess of the amounts of collateral deposited in connection with leveraged transactions. In case the investor incurs loss in excess of the amount of its collateral due to market conditions, such loss may not be claimed from the general customer and the request-based professional customer.

**ç)** For request-based professional customers, if requested by the relevant customer in writing, the provision in subparagraph (c) shall not be applied.

## FOURTH PART
## Special Provisions on Derivatives Transactions

**Derivatives Transactions:**

**ARTICLE 25 – (1)** Reception and transmission of orders, execution of orders and dealing on own account with regard to the derivatives, excluding leveraged transactions, may be conducted at the stock exchanges and other organized market places or over-the-counter markets, depending on transaction type.

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**Over-the-counter derivative transaction types and assets underlying the transactions**

**ARTICLE 25/A – (1)** Investment firms that will perform over-the-counter derivative instrument trades within the scope of the transaction intermediation or portfolio intermediation activities are obligated to create a list relating to the types of derivative instruments that they will trade, and the underlying assets that form the subject of such derivative instrument types, within the framework of the principles designated by the Association, publish such list on their websites, and send the same to the Association. Any changes to the list will be announced on the website, and notified by the investment firms to the Association within five business days following such announcement. Upon request, the Association will transmit the lists to the Board.

**(2)** Contracts for difference, investment firm warrants and partnership warrants shall be considered as derivative instruments within the scope of the provisions of this Communiqué independent from the definitions available in the other regulations of the Board.

**(3)** Contracts for difference transacted over-the-counter are subject to the provisions concerning leveraged trades set out in this Communiqué.

**Policy of collateralisation in over-the-counter derivative instrument trades**

**ARTICLE 25/B – (1)** Intermediaries shall, by a board decision, set up a collateralisation policy based on the types of derivative instruments, and the underlying assets that form the subject of such derivative instrument types, as designated as per Article 25/A. Intermediary institutions shall prepare their policies within the framework of internationally agreed methodologies by also considering, at minimum, whether they enter into any financial obligations towards their customers, the customers' state of riskiness, potential adverse market conditions, and special strategies of the customers like their performing the trades for hedging purposes or creating spread positions.

**(2)** The responsibility for executing the collateralisation policy and recommending to the board of directors that the required changes be made shall be borne by the risk management unit. At least weekly reporting will be made by this unit to the general manager regarding the collateral status of such customers. The process for creating and executing the collateralisation policy shall be set out in the internal control procedures of the intermediary institutions. Any recommendations for changes in the collateralisation policy shall be resolved by the board of directors.

**(3)** The validity and reliability of the risk models used under the collateralisation policy must be tested through retroactive stress tests at least at six month intervals. The results of the tests shall be reported to the board of directors.

**Position limits in derivative instrument transactions**

**ARTICLE 25/C – (1)** It is obligatory for the intermediary institutions to set limits for the size of the position each customer may take, as part of their collateralisation policy. The customers may be grouped for the purpose of setting of the limit. Based on a contract or a group of contracts, the limits may be defined by considering circumstances like whether it is within the delivery month or not, and whether the transaction is made for hedging purposes or not. The rules designated by the Board for transactions in the stock exchange are reserved.

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**(2)** In setting position limits, care will be shown in order that, in case there arises the requirement for the intermediary institutions to meet the loss that has arisen due to the default or positions of certain part of the customers having the largest position at marginal market conditions, financial structure of the intermediary institution will not be influenced at such degree preventing it from fulfilling its capital adequacy obligations.

**Principles on receipt of margins from customers in over-the-counter derivative instrument transactions**

**ARTICLE 25/Ç – (1)** The intermediary institutions will request margins for the derivative instrument transactions they will perform with their customers. The transactions will not be started unless and until the margin is provided. The margin will be structured, at minimum, as initial and maintenance margin.

**(2)** Initial margin is the minimum amount of margin that must be deposited by the customer in order that transactions can be initiated and position can be taken. Initial margin percentage shall be designated by the intermediary institutions, such that it will correspond to the ratio of deposited margin amount to the total amount of position initially opened.

**(3)** Maintenance margin is the minimum margin the customer must maintain throughout the over-the-counter derivative instrument transactions. Maintenance margin will be designated by intermediary institutions as the ratio of the valuated margin amount to the position size. If the maintenance margin falls below the designated ratio, the intermediary institutions will make a margin call as set out in the framework agreement and the ratio will be increased to the level of the initial margin. Upon request of the customer, it is possible to benefit from automatic payment systems of banks in order that the maintenance margin is provided timely. This opportunity may not be used in a way that will result in a credit being opened by the intermediary institution for the customer.

**(4)** If the customer who is the subject of margin call fails to fulfil its margin requirement within due time, the customer will be deemed to have fallen into default without the need to send any further notices. The related positions of the customers which have caused them to fall into default may be automatically closed by the intermediary institutions. New position orders given by those customers who have fallen into default, before elimination of the default, which will cause an increase of their risks, shall not be accepted. Intermediary institutions may determine a position closing percentage at which the open positions of the customer will be automatically closed, unilaterally. It is obligatory that such percentage is determined at a level lower than the maintenance margin ratio.

**(5)** It is obligatory that the principles regarding the amounts or ratios concerning initial and maintenance margins, principles for valuation of margins, follow-up of margins, margin call, margin call obligation, methods to be followed in case the balance falls below the maintenance margin or in case of default, clarification and automatic closing of positions, principles of pricing and valuation of assets are designated by the intermediary institutions. These matters shall be regulated in the framework agreement to be entered into between the intermediary institutions and the customer.

**(6)** If the derivative instrument orders received from customers are transmitted to another firm in order to be executed in accordance with the provisions of this Communiqué, the intermediary institution will request from the customer to provide margin in an amount equivalent to the amount requested by the relevant firm within the scope of such order.

**(7)** The provisions in the regulations of the relevant stock exchange, central clearing organisation and central counter-parties concerning monitoring and safekeeping of customers' assets and margins are reserved.

**Services and/or Activities Excluded from the Scope of Derivatives Transactions:**

**ARTICLE 26 – (1)** Following services and/or activities are excluded from the scope of derivatives transactions:

**a)** Physical trading of foreign exchange, precious metals, precious stones, commodities or other assets.

**b)** Derivatives trading transactions performed by and between real and/or legal persons without the intermediation of an investment firm, in such a manner that they cannot be considered as commercial or professional activity.

**Leverage Rate and Collaterals in Leveraged Transactions:**

**ARTICLE 27 – (1)** The leverage ratio in leveraged transactions is the ratio indicating the amount of position that can be taken in consideration for the amount of collateral deposited for trading. In leveraged transactions, the leverage ratio that can be applied at the time the position is first opened may not exceed 10:1.

**(2)** If it deems necessary, the Board is authorised to change such ratios and to designate leverage ratio on the basis of assets.

**(3)** As initial margin, minimum 50,000 TL or its equivalent in foreign currencies shall be deposited into the account in order to be able to perform leveraged transactions.

**(4)** If the initial margin amount is caused to fall below 50,000 TL or its equivalent in foreign currencies through withdrawal of cash from the account or virement to another intermediary institution, either before or after trading started, no positions may be taken. If the margin amount falls below 50,000 TL or its equivalent in foreign currencies as a result of incurring loss after the trading is started, the trades may be continued.

**(5)** The maximum leverage ratios to be implemented within the framework of the principles set out in the 1st paragraph shall be designated in a framework agreement to be executed between the intermediary institutions and the customers. Written consent shall be taken from the customer, authorising such ratios to be subsequently changed. It is possible to take the consent of the customer through any electronic means, with the condition that it can be evidenced by the intermediary institutions.

**(6)** In leveraged transactions, only cash in Turkish Lira or foreign currencies of which the daily trading exchange rates are published by the Central Bank of Turkey, shall be accepted as collateral. The Board may, if deems necessary, request acceptance of other assets as collateral on customer basis.

**(7)** Principles for calculation of collateralization rate, monitoring collaterals, margin call obligations, automatic closure of positions, and foreign exchange rates used in conversion of cash deposited as collateral into another currency shall be designated in the framework agreement.

**(8)** Principles on custody and safekeeping of collaterals in leveraged transactions shall be determined by the Board.

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**Tracking and reporting the margins in leveraged transactions**

**ARTICLE 27/A – (1)** It is required that the collaterals taken from the customers by intermediary institution to be followed up based on the customer basis, notified and kept in Takasbank.

**(2)** The amount taken from customers as collateral in relation to leveraged transactions, must be reported and deposited within the following business day at the latest, in accordance with the trading hours determined by Takasbank. In addition, transactions on deposit of the collaterals taken from the customers to Takasbank and update of such collateral, shall be carried out in line with the principles in the seventh paragraph of this article.

**(3)** Intermediary institutions authorised to perform transaction intermediation shall open accounts with the central clearing organisation on the basis of customers. In order for the intermediary institution authorised to perform transaction intermediation to open account with the central clearing organisation, it is primarily necessary that an account is opened with the Central Clearing Agency in the name of the customer, and the registration identification procedure is completed for such account. On the other hand, the intermediary institution authorised to perform portfolio intermediation, in whose favour the trading is done, shall open a multiple account with the central clearing organisation and this account will be associated with the accounts opened on the basis of customers.

**(4)** The intermediary institution authorised to perform transaction intermediation shall transmit the collaterals received from the customers to the intermediary institution authorised to perform portfolio intermediation on the basis of customers. The procedures of depositing, updating and withdrawing the customers' collaterals in the central clearing organisation may only be performed by the intermediary institution authorised to perform portfolio intermediation.

**(5)** Follow-up of collaterals in central clearing organisation on the basis of customers shall be made by organisations authorised to perform transaction intermediation and portfolio intermediation. The notifications to be sent to the customers in connection with collateral follow-up shall be under the responsibility of the intermediary institution authorised to perform transaction intermediation.

**(6)** Intermediary institutions authorized for dealing on own account, shall notify the transaction details of the previous day, determined by the Board, to central clearing organizations on a daily basis. The responsibility for the accuracy of the notifications made shall lie with the authorized intermediary institution.

**(7)** The updates to be completed before Takasbank regarding the profit or loss generated/occurred in the customer accounts shall be fulfilled by the intermediary institution authorized dealing on own account. In Takasbank system, monitoring by the customers the gross asset amounts and net asset amounts belonging to the customers shall be enabled and such amounts shall be updated by intermediary institutions on a daily basis on Takasbank. As of the time of reporting of the collateral amount taken from the customers in line with the second paragraph;

**a)** The amount corresponding to the net asset of the customers shall be transferred to the sub-accounts opened on behalf of the customers in Takasbank,

**b)** The gross asset amount exceeding the net asset amount of the customers shall be transferred daily, to the leveraged transactions collateral reserve account to be opened on behalf of the intermediary institutions in Takasbank, within the following business day at the latest, in accordance with the trading hours determined by Takasbank.

**(8)** The amount to be held in leveraged transaction collateral reserve accounts cannot be less than fifty per cent of the difference between total gross asset and total net asset amounts of all customers at the time of daily reporting. Outstanding amount shall be completed by the intermediary institutions during the update process and the excess amount can be withdrawn.

**(9)** For the purpose of managing the collaterals of the customers of intermediary institutions, who reside abroad, the provisions in this article shall be applied.

**Restriction regarding individual portfolio management and investment counselling in leveraged transactions**

**ARTICLE 27/B – (1)** Intermediary institutions may not provide individual portfolio management or investment counselling services to their customers for the leveraged transactions they provided.

**Demo accounts**

**ARTICLE 27/C – (1)** Before opening an account for leveraged transactions, it is compulsory to cause the general customers to perform trades over a demo account, the operating principles for which are set by the Association, and which are made available by the intermediary institutions. The responsibility for causing the demo account to be operated on real-time prices lies with the intermediary institutions. The customer is obligated to make transactions in the demo account made available by each intermediary institution in which he will perform transactions.

**(2)** The customer is obligated to operate the demo account for at least six business days and to perform at least fifty transactions in total. The relevant intermediary institution will evidence that the customer has fulfilled the obligation set out in this article.

**Representation to be taken from general customers in connection with leveraged transactions**

**ARTICLE 27/Ç – (1)** Intermediary institutions must take written representations from their general customers at the time of opening of the accounts, representing that they are aware of, and they accept the following:

**a)** leveraged transactions are risky as per their nature, and they may incur loss as a result of such transactions,

**b)** they may lose the entire collateral deposited,

**c)** they performed transactions over a demo account, the operating principles for which were set by the Association,

**ç)** leverage ratio to be applied in the transactions,

**d)** profit / loss distribution announced on the website.

**(2)** If account opening is made electronically, the representation mentioned in the 1st paragraph may also be taken in electronic medium, provided that it allows understanding, and if necessary, it can be evidenced by the intermediary institution, that, each of the matters is separately known and accepted by the customer.

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**Exclusions from the Scope of Leveraged Transactions:**

**ARTICLE 28 – (1)** The following activities and transactions are excluded from the scope of leveraged transactions:

**(a)** Physical trading of assets that may be subject to leveraged trading transactions; and

**(b)** Transactions among banks and those transactions executed by banks to provide liquidity to intermediary institutions.

**Cancellation of Orders in Leveraged Transactions:**

**ARTICLE 29 – (1)** Customer orders which have been executed may not be cancelled by the intermediary institutions. However, the order may be cancelled;

**a)** in order to make an improvement to the advantage of the customer, upon an objection,

**b)** in order to eliminate customer aggrievement occurring due to a technical problem that has occurred in the trading platform,

**c)** in the event that the orders received from professional customers are automatically transmitted to another organisation via a system that has been set up, without any interventions being made, if such position is cancelled by the counter-party.

**(2)** If the intermediary institution wishes to perform a transaction within the scope of subparagraphs (b) or (c) of the 1st paragraph, such procedure shall be performed for all customers in compliance with the provisions of subparagraphs (b) or (c) of the 1st paragraph. Notification will be served to such customers regarding the procedure through the most rapid means of communication together with the grounds for such procedure.

**(3)** Order cancellation within the scope of subparagraph (c) of the 1st paragraph may be performed at the latest during the subsequent transaction day.

**(4)** All customer orders that are cancelled within the scope of subparagraphs (a), (b) or (c) of the 1st paragraph shall be reported to the central clearing organisation at the latest within the business day following cancellation and shall be kept by the intermediary institution, pursuant to the document safekeeping regulations of the Board. The reporting must contain the following; if order cancellation is made within the scope of subparagraph (a) of the 1st paragraph, representation regarding the customer objection, if order cancellation is made within the scope of subparagraph (b) of the 1st paragraph, a detailed explanation regarding the technical problem, and a statement indicating that order cancellation covers all relevant customers, if cancellation is made within the scope of subparagraph (c) of the 1st paragraph, a sample of the letter to be taken, indicating that the counter-party has cancelled the order, and that this covers all the relevant customers. Changes that occur in the reporting made to the central clearing organisation must be notified to the central clearing organisation within the first business day following the date on which such change has been identified. The principles regarding reporting shall be designated by the central clearing organisation.

**(5)** Conditions under which the standing orders may be cancelled or prices be changed, and conditions under which customer accounts may be closed for trading shall be determined within the framework agreement.

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**Reporting of special circumstances that occur in the market**

**ARTICLE 29/A – (1)** In case of occurrence of the following events, intermediary institutions will report to the Association within the framework of the principles designated by the Association:

**a)** Technical problems attributable to the intermediary institution's electronic trading platform, which are at such a level as may hinder performance of the customers' trades.

**b)** Extraordinary price movements occurring in the traded assets, price gaps that occur above the rates to be designated by the Association as a result of such price movements, and the amount of loss occurring in connection with the number of investors whose positions have been closed due to their incurring loss as a result of such extraordinary price movements.

**Platforms, programs, modules and add-ons used by intermediary institutions in over-the-counter derivative transactions**

**ARTICLE 29/B – (1)** Intermediary institutions are obligated to inform the Association in writing of the electronic trading platforms they use in the over-the-counter derivative transactions within the scope of their portfolio intermediation or transaction intermediation activities, all kinds of programs, modules and add-ons used in such platforms, the principles and purposes of operation and use of the same, and use of any new platforms, programs, modules and add-ons in addition thereto, and any change in the same, within ten days after they start using the same. The platform that has been notified and the programs, modules, and add-ons used in such platform may not contain elements that will produce results to the disadvantage of the investors. No platforms, programs, modules and add-ons may be used, other than those that have been notified to the Association.

**(2)** It is obligatory that a special purpose independent audit is carried out for at least twice every year via independent audit firms which are listed by the Board in the list of authorised independent audit firms and which have also been authorised pursuant to the regulations of the Banking Regulatory and Supervisory Agency concerning auditing of banks' information systems and banking processes, in order to determine whether the intermediary institutions are acting in compliance with their obligations under the 1st paragraph, which audit shall be realised without giving notice to the intermediary institutions, and shall be performed pursuant to the principles to be designated by the Board. It is obligatory that the provision ruling that the special purpose independent audit to be carried out by independent audit institutions shall be performed without giving notice is set out in the agreement on special purpose independent audit that will be signed with the independent audit firm.

**(3)** The personnel of the Board may accompany every stage of the process of special purpose independent audit to be performed by the authorised firms set out in the 2nd paragraph, as observers, with an aim to improve their knowledge and skills, without harming the principle of independence of audit. The personnel of the Board may not use the knowledge of the authorised firm for his own benefit or for the benefit of any other firm.

**(4)** Notice shall be given by the authorised firms set out in the 2nd paragraph to the Board, one month before the actual start of audit works, regarding when the audit program will start.

**(5)** One copy of each of the special purpose independent audit reports to be issued within the framework of the 2nd paragraph shall be sent to the Board within 5 business days.

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## FIFTH PART
### General Provisions on the Activity of Intermediation in Trading Transactions

**Obligation to Execute Customer Orders in a Best Way:**

**ARTICLE 30 – (1)** Investment firms, in the course of performing the activity of intermediation in trading transactions, are obliged to execute customer orders in such a manner that will give the best results for the customers within the framework of their order execution policies and by taking into consideration the preferences of customers with regard to price, cost, speed, clearing, settlement, custody, counterparty, etc.

**(2)** Where the customer gives a clear instruction for transmission of an order to a particular institution or market, the investment firm is considered to have fulfilled its obligation to execute customer orders in a best way.

**(3)** The intention of changing the price for the orders transmitted by customers in connection with the leveraged transactions, before execution of the orders, by the intermediary institutions, shall be deemed as price renewal. If the price renewal is applied to the disadvantage of the customer, it is obligatory to apply it also in any event that is to the advantage of the customer.

**(4)** If, in leveraged trading transactions, the price, quantity or any other elements in relation to the order given by the customer is wished to be changed by the intermediary institution to the disadvantage of the customer before execution of the order, it is obligatory to take the consent of the customer. However, order may be executed without seeking customer's consent in case of changes in the elements of the customer's order, that will be to the advantage of the customer, or if a price range has been determined in the orders given by customers, in case of changes within such price range.

**(5)** Investment firms have the right not to accept orders provided that there is a provision in the framework agreement to this effect, except for demands in compliance with the legislation concerning closing of present open positions in derivative instruments.

**Trading spreads**

**ARTICLE 30/A –** (1) The trading spreads that will be offered to customers within the scope of portfolio intermediation activities shall be designated by investment firms.

**(2)** The trading spreads disclosed by investment firms must be maintained consistently, and at arms' length terms.

**(3)** The trading spreads offered by investment firms can be determined either on fixed or variable basis. It is obligatory to give prior notice to the customer for potential conditions that will require a compulsory change to be made, with respect to products for which fixed spread guarantee has been given, by reason of market conditions. This obligation shall also be complied with, in any publications, announcements, advertisements and disclosures.

**Liability in the Activity of Intermediation in Trading Transactions:**

**ARTICLE 31 – (1)** If more than one investment firm are involved in the activity of intermediation in trading

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transactions, each of the investment firms carrying out transmission of orders, or execution of orders or dealing on own account are held liable for the transactions executed by themselves according to general provisions of the legislation.

**(2)** Each investment firms' liability limit is determined in contracts signed among the investment firms, provided that they do not conflict with the principles for operating set forth by the legislation, and that such details are mentioned in the framework agreements signed with customers.

**Public Disclosure of Prices in Off-the Securities Exchange Transactions:**

**ARTICLE 32 – (1)** It is obligatory that the trading price offers given by investment firms outside the stock exchange with respect to the capital market instruments traded at the stock exchange are disclosed to the public via one or more than one data broadcasting firms to be designated by the Association. It is obligatory for the investment firms to instantaneously publish on their web sites and publicly disclose via one or more than one data broadcasting firms to be designated by the Association, their trading price offers which they have given for the capital market instruments that are not traded at the stock exchange, except for the derivative instruments which they set up on one-to-one basis with the customer, in line with the customer's need and demand.

**(2)** It is obligatory for the investment firms to instantaneously publish on their web sites and publicly disclose via one or more than one data broadcasting firms to be designated by the Association, their trading offers which they have given for the capital market instruments that are not traded at the stock exchange, except for the derivative instruments which they set up on one-to-one basis with the customer, in line with the customer's need and demand.

**(3)** In addition to the provisions of first and second paragraphs hereof, the principles related to public disclosure of prices of capital market instruments for transactions outside the securities exchanges may be determined by the Board.

**(4)** The prices and bid and ask spreads disclosed by the intermediary institutions in relation to leveraged transactions at intervals designated by the Association shall be transmitted to the Association within a time period to be designated by the Association. The Association will generate retroactive price series and trading spread data of each intermediary institution and will keep the same for a period of one year. The Association will generate a price and spread series for each asset by using those data and determine deviations from such series exceeding a certain level, on the basis of institutions, by using any statistical methods it may deem appropriate, and disclose the same to the public on a weekly basis.

**Notification Obligations of Authorized Investment Firms:**

**ARTICLE 33– (1)** Investment firms authorized by the Board for providing the activity of intermediation in trading transactions are obliged to make periodical notifications about their activities according to the principles designated by the Board.

**Collaterals:**

**ARTICLE 34 – (1)** Investment firms may request from investors to secure collaterals related to investment services and activities received, margin trading of capital market instruments, borrowing and short selling of capital market instruments, and other ancillary services, without prejudice to the provisions of applicable

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legislation requiring delivery of collaterals.

**(2)** Cash and capital market instruments of investors that are held with the investment firms in any form whatsoever shall be monitored on customer basis, separately from the own assets of the investment firms. Such assets may not be used by the institutions in which they have been deposited, for any purposes other than the purpose of their being deposited, so as to provide benefit for their own or for third parties, without the explicit written consent of the investors.

**(3)** Principles on custody and safekeeping of collaterals are determined by the Board.

**(4)** Without prejudice to the provisions in this Communiqué and other relevant regulations, assets that can be accepted as collateral are, for cash, Turkish Lira and foreign currencies the daily buying and selling rates of which are announced by the Turkish Central Bank, public instruments of debt, capital market instruments that can be made subject of margin trading pursuant to the regulations of the Board, fund participation shares, and with the condition to be traded at stock exchange, private sector instruments of debt, asset-backed securities, mortgage- and asset-covered securities, lease certificates, and gold and other precious metals at standards designated by the Undersecretariat of Treasury, and other capital market instruments to be deemed appropriate by the Board.

**(5)** Investment firms are authorised to accept as collateral the whole or a certain percentage of the current value of the assets given by customer as transaction margin.

**(6)** Intermediary institutions are obligated to diversify the collaterals/margins taking into consideration the risk level of the customers and the size of the position taken. Intermediary institutions are obligated to designate concentration limits in order to ensure diversification in the setting of the margins. Concentration limits shall be designated both based on the issuers or guarantors of the financial instruments that form the subject of collateral and also based on instruments that can be accepted as collateral.

**(7)** With the condition that there is a provision in the agreement, the customer may change the assets given as collateral with other assets.

**Transmission of Buy and Sell Orders Electronically:**

**ARTICLE 35 – (1)** Investment firms may accept orders electronically as part of their activity of intermediation in trading transactions. These transactions are subject to obligations related to signing framework agreements with customers, opening accounts in the name of customers and acquiring registry numbers from CRA.

**(2)** Investment firms that intend to accept orders electronically to transmit them to stock exchanges or other organized marketplaces or to over-the-counter markets or for direct execution within themselves are obliged to:

**a)** to explain any differences that may occur, and to prevent rise of any inequalities, among the customers that have transmitted orders electronically, within the framework of priority conditions, on the basis of channels, given place in the Board's regulations, by observing, for the electronically-transmitted orders, the priority rules that must be observed in transmission of other orders which they accept in wiring and verbally,

**b)** fulfill the obligations arising from regulations of the Board regarding documentation and record keeping related to orders received electronically and

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**c)** publish electronically a copy of risk statement forms required according to investment services and activities provided and

**ç)** hire sufficient number of employees required for monitoring and transmission of and for record keeping of orders accepted electronically and for communicating with customers and

**d)** to make sure that their data processing infrastructure:

**1)** makes it possible to sort all orders out according to the chronological order of receipt and

**2)** to ensure that the date, time, quantity, price, leverage ratio used, and all other elements in relation to all trades executed, including the orders that are rejected, not executed, cancelled and changed, as well as account movements, and all data on the price reflected to the customer, showing also the time data, are instantaneously recorded,

**3)** enables them to instantly monitor on a real-time basis the collaterals, receivables and payables, open positions, profits and losses of customer accounts, and to make the required risk controls; and

**e)** to periodically control capacity and security of data processing infrastructure, and to establish a system including installing servers used for storage of data at a place different from the transaction site for the sake of keeping the related data secure and to maintain the continuity of transactions when a systematic error happens, and to back up the data therein, and to take measures and actions in order to minimize the probable threats towards the platform and

**f)** to take the required security measures to prevent the use of electronic trading platform by third parties without a prior consent of the customer, and to conduct regular inspections and audits as to whether the electronic trading platform is used by third parties or not and

**g)** to take the required data security measures to prevent both the eavesdropping and/or interruption of data communications between the electronic trading platform and customers by unauthorized persons and the alteration of data.

**(3)** Operating conditions for investment firms that intend to conduct the activity of intermediation in trading transactions only electronically shall be separately evaluated by the Board at the time of application.

**(4)** The Board may, when deemed necessary, request that data processing infrastructure of investment firms is audited by one or more independent audit firms in accordance with the principles to be determined by the Board.

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**Settlement of Transactions Executed in Over-the-counter Markets:**

**ARTICLE 36 – (1)** Capital market instruments that will be subject to central settlement, and procedures and principles of central settlement will be determined by the Board upon proposal of relevant central settlement institution in accordance with the limits to be established, and in consideration for the principle of reducing the systemic risk.

**(2)** The Board may require investment firms to settle their transactions in over-the-counter markets through an institution authorized for acting as a central counterparty.

## SIXTH PART
## Activity of Individual Portfolio Management

**Activity of Individual Portfolio Management:**

**ARTICLE 37 – (1)** The activity of individual portfolio management is the management of a portfolio consisting of financial assets as a proxy, in the name and on behalf of each customer for obtaining direct or indirect benefits, excluding those of collective investment schemes.

**(2)** Individual portfolio management comprises of creating and managing portfolios in accordance with the financial situation, risk-return preferences and investment term of customers, and following up such portfolio, and informing the customer in accordance with the relevant regulations of the Board.

**(3)** The offering of the service which is provided as mentioned in 3rd paragraph of Article 45, through any mechanisms so as to allow that automatic trading is done in the customer's own portfolio, falls within the scope of individual portfolio management. The principles set out in the 4th paragraph of Article 45 shall also be applicable for individual portfolio management.

**Authorized Institutions Which May Conduct Individual Portfolio Management Activity:**

**ARTICLE 38 – (1)** Individual portfolio management activity may be conducted by intermediary institutions, investment and development banks and portfolio management companies, provided that an authorization from the Board is granted.

**(2)** Principles for establishment and operations of portfolio management companies shall be designated in accordance with the regulations of the Board regarding portfolio management activity and the companies to conduct that activity.

**Special Conditions for Conducting the Activity of Individual Portfolio Management:**

**ARTICLE 39 – (1)** In order to be eligible for receiving an authorization to conduct individual portfolio management, in addition to compliance with the required conditions for commencing operations in the Board regulations regarding the principles on the establishment and operations of investment firms, the authorized institutions are required:

**a)** to have satisfied the condition of minimum shareholders' equity required for this activity in accordance with the Board regulations on capital and capital adequacy requirements for intermediary institutions; and
**b)** to have employed an adequate number of portfolio managers, graduated from 4 year undergraduate degree programs, and having a minimum 5 years of experience in financial markets; and

**c)** to have established a research unit so as to conduct the activity of individual portfolio management, and to have assigned a unit manager, and an adequate number of research specialists reporting to the unit manager.

**(2)** The provisions of subparagraph (a) of first paragraph hereof shall not apply to the applications of development and investment banks for individual portfolio management activity.



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**(3)** Where the investment firm or portfolio management company wants to outsource its custody services, or a customer wishes to get custody services from a different authorized custodian, the related investment firm or portfolio management company is required to sign a contract pursuant to Article 62 hereof with the investment firm where the assets in managed portfolios will be kept in custody.

**Suitability Test:**

**ARTICLE 40 – (1)** The authorized institution is required to conduct a "suitability test" before signing a framework agreement to provide a customer either individual portfolio management or investment advisory services. Suitability test is a test by which the authorized institutions check and assess whether the services to be provided to a customer as part of portfolio management or investment advice are suitable for the customer's investment objectives, financial situation, information and experience. Individual portfolio management or investment advisory services shall be provided in accordance with the results of suitability test.

**(2)** For suitability tests to be done, the authorized institution receives written information from the customer about the following points, and develops standard forms accordingly:

**a)** investment term and risk and return preferences with respect to investment objectives of the customer and

**b)** information about income level and assets to be used for investment purposes of the customer to evaluate whether the customer's financial situation is sufficient to meet the risks of intended investment and

**c)** information about age, profession and education of customer, and whether he is a general or professional customer, and capital market instruments on which he traded in the past and types of capital market instruments subject to those transactions as well as, kinds, volumes and frequency of those transactions to evaluate if the customer has the required knowledge and experience to understand the risks concerning transactions to be executed in his portfolio or account.

**(3)** Assessments to be conducted by the authorized institution as to whether the customer's financial situation is sufficient to meet the risks of intended investment or not will be limited to the information provided by the customer about his income level and assets to be used for investment purposes.

**(4)** Except for those accepted upon request, the information mentioned in subparagraphs (b) and (c) of second paragraph is not required to be obtained from professional customers.

**(5)** As a result of examining the information provided by the customer in the course of conducting suitability test, individual portfolio management or investment advisory services that is not appropriate for the customer's profile obtained from the suitability test, shall not be provided to that customer.

**(6)** If a customer fails to provide the authorized institution the requested information for suitability test or provides information that is clearly incomplete or outdated, individual portfolio management or investment advisory services cannot be provided to that customer. In such a case, the authorized institution is required to notify to the customer in writing that the subject services cannot be provided to him/her.

**(7)** The customer is responsible for the accuracy of all information provided by him forthe suitability test. Authorized institution mayperiodically request from the customer to keep such information updated.

**(8)** If, during the provision of the services, the authorized institution learns or detects that the customer has provided incomplete, outdated or inaccurate information, the authorized institution shall terminate the service provided.

**(9)** The customers must be informed that such information is requested for the purpose of measuring whether the intended services and activities are appropriate for them. Authorized investment firms shall not suggest their customers not to provide such information.

**(10)** A copy of supporting information and documents received for conduct of suitability test, and of the warnings to be made pursuant to sixth paragraph hereof is required to be kept for the periods stipulated in regulations of the Board pertaining to documentation and record-keeping systems.

**Principles on Conducting the Activity of Individual Portfolio Management:**

**ARTICLE 41 – (1)** Authorized institutions are obliged to protect the interests of their customers and to this end, to comply with the following principles, in the course of their portfolio management activities:

**a)** If the authorized institution derives any commissions, discounts or similar other benefits to itself from any issuer or investment firm regarding a trading transaction which is executed for the portfolio, it is obliged to disclose this fact to its customers before providing any services.

**b)** The authorized institution cannot buy any assets not listed and traded in stock exchanges or any assets in excess of their current market prices or cannot sell assets from the portfolio at a price below such value without a prior written instruction of the customer for the managed portfolio.

**c)** The authorized institution cannot dispose of the assets in the portfolio in its own favor or in favor of third parties. Nor can it transfer or assign the portfolio assets to a third party for purposes other than portfolio management, without a prior written instruction of the customer.

**ç)** The authorized institution is obliged to act with diligence and care when giving orders for customer accounts.

**d)** The authorized institution cannot buy or sell the portfolio assets for the sake of its own interests in any way.

**e)** The authorized institution may invest its own cash in assets and instruments covered by portfolio management, provided that it acts like a prudent merchant and does not lead to any conflict of interests with the portfolios under its management.

**f)** Cases in which more than one portfolio are managed, the authorized institution cannot take actions in favor of one or more of portfolios and in detriment to other portfolios in contradiction with good faith rules.

**g)** The authorized institution is obliged to rely its investment decisions on reliable justification, information, documents and analyses and to comply with the investment principles envisaged in the framework agreement. Both such information and documents and the researches and reports relied upon in the trading decisions are required to be kept in the authorized institution for periods specified in regulations of the Board pertaining to documentation and record-keeping systems.

**ğ)** The authorized institution cannot give any verbal or written warranty that the portfolio managed will provide a certain predetermined yield, nor can it use phrases which may be interpreted as such in its

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advertisements and statements.

**h)** In the case of a conflict between its own interests and the interests of portfolio, the authorized institution is obliged to act in favor of the portfolio.

**ı)** In tandem with the risk-return preferences of the customers, the authorized institution may determine, together with the customer, benchmarking criterion or threshold value according to Board regulations on performance presentations for individual and collective portfolios, performance based remunerations and ranking activities.

**i)** The authorized institution cannot lead, or in any way assist third parties in leading, the customers to trade unnecessarily with the intention of deriving improper benefits in its own favor by affecting trading decisions of customers through taking advantage of customers' ignorance or lack of experience about the assets in the portfolio and about the markets where such assets are listed and traded.

**j)** The authorized institution cannot use any names or expressions for portfolios in such a manner that may lead to an impression that the portfolio is related to another activity other than portfolio management, cannot establish and/or manage a portfolio with money that was previously collected by determining a certain management period, cannot allow savers to participate in an existing portfolio and cannot make advertisements containing such phrases.

**k)** The authorized institution cannot use in its own interests or in the interests of third parties before disclosing to its customers the research results which are required to be announced to customers verbally or in written form and which may affect their investment decisions.

**l)** The authorized institution cannot use in its own interests or in the interests of third parties any information acquired during portfolio management hereunder.

**Individual Portfolio Management Framework Agreement:**

**ARTICLE 42 – (1)** The authorized institution is obliged to sign with its customers a written framework agreement containing the minimum information to be determined by the Board with regard to its activities and services.

**(2)** If the portfolio manager specified in the framework agreement quits from or is replaced by the authorized institution, said issue must immediately be notified by the authorized institution to its customers by the fastest means of communication. If the customer finds the new portfolio manager inacceptable, the framework agreement may unilaterally be terminated by the customer.

**(3)** The framework agreement is required to comprise clearly and explicitly of all the rights and obligations with regard to exercise of managerial and financial rights relating to the financial assets included in the portfolio.

**(4)** Portfolio management agreement must indicate the procedures and principles regarding the custody of customer portfolios.

**(5)** The framework agreement shall contain the principles related to the determination and creation of benchmarking criterion or threshold value, if any, and the principles for informing the customers as to whether the said criterion or value is achieved, and shall state the fact that the benchmarking criterion does not guarantee any yield in connection therewith.

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**Custody of Customer Assets:**

**ARTICLE 43 – (1)** Customer portfolios managed under individual portfolio management activity are kept in custody by investment institutions pursuant to provisions of the ninth part hereof pertaining to custody services.

**(2)** The customer may request the custody and safekeeping of its financial assets in another investment firm authorized to provide general custody services.

**(3)** In such cases where getting a prior confirmation from customer is required in the agreement before making the transactions for the account of portfolio, the authorized custodian may provide such customer with an opportunity to block account(s).

**Notification to Customer**:

**ARTICLE 44 – (1)** If and when the open positions in customer portfolios remain unsecured or the value of portfolio falls below the amount calculated considering the benchmark criterion or threshold value, the authorized institution is obliged to duly inform the customer as of the date of calculation relating thereto.

**SEVENTH PART**
**Investment Advisory Activity**

**Investment Advisory Activity:**

**ARTICLE 45 – (1)** Investment advice is the provision of influential investment comments and recommendations by an authorized investment firm, upon request of an investor or on an unsolicited basis, regarding one or more capital market instruments or the issuers of such instruments to either a particular person or a group of persons with similar financial situations and similar risk and return preferences.

**(2)** General investment advices and providing financial information are not covered by the preceding paragraph.

**(3)** Offering of any opportunities to the customers by investment firms so as to allow tracking and/or copying of transactions in connection with other real or virtual portfolios directly offered or directed through any electronic means shall be considered within the scope of investment counselling activities.

**(4)** In case the investment firm offers the customers the service set out in the 3rd paragraph of this Article, detailed information shall be given on the following matters in the framework agreement that is signed with the customer;

**a)** features of the platform that is directly offered or that is directed by the investment firm,

**b)** the purpose of the investment, information on the strategy (selection of the asset that forms the subject of trade and investment strategy) and information on the risk, for trades related with each portfolio for which tracking opportunity is given,

**c)** trading volumes, at certain intervals, of each portfolio for which tracking opportunity is given,

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**ç)** data on profit / loss occurring as a result a orders given and trades executed within the scope of each portfolio for which tracking opportunity is given,

**d)** how the performance indicators of each portfolio for which tracking opportunity is given can be displayed on real-time and on retroactive basis,

**e)** with respect to each portfolio for which tracking opportunity is given, the fact that retroactive performance of the portfolio cannot serve as an indicator for future performance.

**(5)** The activity of pension companies established pursuant to the third paragraph of Article 8 of the Law No. 4632 to make guiding comments and recommendations for a certain participant and participant candidate or a group with similar financial situations, risk and return preferences for individual pension fund shares is not subject to the provisions of this Communiqué.

**(6)** Guiding comments and recommendations regarding mutual funds or pension mutual funds, money market funds (liquid funds) and short-term debt instrument funds traded on the Turkish Electronic Fund Distribution Platform or Private Pension Fund Trading Platform, based on the risk and return preferences of customers or participants is not within the scope of investment advisory. However, in all cases, it is obligatory to comply with the principles set forth in the second paragraph of Article 48 with the exception of subparagraph (a) and in Article 50.

**Authorized Institutions Which May Provide Investment Advisory Activity:**

**ARTICLE 46 – (1)** Investment advisory activity may be provided by intermediary institutions, investment and development banks and portfolio management companies provided that a prior authorization is received from the Board.

**Special Conditions for Conducting Investment Advisory Activity:**

**ARTICLE 47 – (1)** In order to be eligible for receiving authorization to provide investment advisory activity, in addition to compliance with the required general conditions for commencing operations in the Board regulations regarding the principles on the establishment and operation of investment firms, investment firms are required:

**a)** to have satisfied the condition of minimum shareholders' equity specified for this activity in the regulations of the Board with respect to capital and capital adequacy requirements for intermediary institutions and

**b)** to have employed an adequate number of investment advisors, graduated from 4-year undergraduate degree programs, and having a minimum 3 years of experience in financial markets and

**c)** to have established a research unit so as to conduct investment advisory activity and to have assigned a unit manager, and an adequate number of research specialists reporting to the unit manager.

**(2)** The provisions of subparagraph (a) of first paragraph hereof shall not apply to the applications of development and investment banks for investment advisory activity.

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**Principles on Conducting Investment Advisory Activity:**

**ARTICLE 48 – (1)** Before an investment advisory activity framework agreement is signed between the investment firm and the customer, the investment firm is required to conduct a suitability test as described in Article 40 hereinabove. The principles set forth in Article 40 are also valid for investment advisory activity.

**(2)** In the course of conducting investment advisory activity, the investment firms are required:

**a)** to give advices in such a manner that leads the investors to take the most appropriate investment decisions by considering the information acquired in the suitability test; and

**b)** to not to use any misleading, deceptive, untrue, wrong or inaccurate expressions, or expressions that may result in exploitation of investors due to their lack of knowledge and experience or subjective and exaggerated phrases such as “most secure”, “best” or “most reliable” in their comments and advices

**c)** to prepare investment comments and recommendations diligently and objectively; and

**ç)** to support their investment comments and recommendations by reliable sources, data, documents, reports and analyses, and in cases where doubts about the certainty of such sources exist, to clearly state this fact; and

**d)** for the sake of informing investors completely and accurately, in their comments and analyses regarding a public offering of any capital market instrument, to use the information included in prospectus and other sales-related documents if published, or otherwise, to state that prospectus and other sales-related documents containing detailed information about the said public offering would be published; and

**e)** to not to ever give any promise or guarantee for providing a certain predetermined yield; and

**f)** to include all kinds of forecasts, estimations and price targets by clearly stating that they are only forecasts, estimations or price targets, as the case may be, and to describe all material assumptions used in their formulation and

**g)** to not to provide any false, wrong, misleading, or groundless information, news or comments about finalized or ongoing issues within the field of activity of the Board; and

**ğ)** to not to use the research results, which may affect the investment decisions of investors, in favor of themselves or in favor of any other third party before disclosing them to investors.

**(3)** Within the context of investment advisory activity conducted by authorized institutions, upon demand, these institutions are required to disclose to investors which are provided with investment comments and recommendations:

**a)** adequate summary information about principles and methodology of assessment and appraisal used in determination of target price for capital market instruments; and

**b)** meanings of expressions such as “buy”, “sell” or “hold”, including the investment term included in the advice, and appropriate risk warnings about the investment, and sensitivity analyses on assumptions used in assessment and appraisal; and

**c)** information on identity of the person(s) who prepared the investment comments and

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recommendations.

**(4)** If the extent the information referred to in subparagraphs (a) and (b) of third paragraph hereinabove is materially long relative to investment recommendations and comments, provided that no change occurs in the appraisal and methods, making a clearly and conspicuously reference to a direct and easily accessible site, such as a link to the internet website of the relevant institution is adequate.

**Investment Advisory Activity Framework Agreement:**

**ARTICLE 49 – (1)** The authorized institutions are obliged to provide the customer with an introductory form containing the following information before signing an investment advisory activity framework agreement with customer:

**a)** Principles of investment advisory activity set forth in this Communiqué; and

**b)** Information sources, investment strategies and analysis methods employed in the formation of information and recommendations to be presented to investors as part of investment advisory activity and

**c)** Principles regarding the format of presentation methods (written, verbal, daily, weekly, monthly, etc.) of information and recommendations to investors; and

**ç)** Probable conflicts of interest.

**(2)** If and when the investment advisor specified in the framework agreement signed with the customer quits from or is replaced by the authorized investment firm, said issue must immediately be notified by the authorized institution to the customer by the fastest means of communication. If the customer finds the new investment advisor inacceptable, the framework agreement may unilaterally be terminated by the customer.

**Principles of Disclosing Financial Relations or Conflicts of Interest:**

**ARTICLE 50 – (1)** Authorized institutions are responsible for disclosing to their customers all of their relations and circumstances which may affect the objectivity of comments and recommendations provided in the course of investment advisory activity and particularly, their material financial interests regarding the capital market instrument covered by the comments and recommendations, or their material conflicts of interests with the issuer thereof.

**(2)** The obligation described in the first paragraph hereinabove is valid and applicable also for all real persons or legal entities that work with the authorized institution within the context of an employment contract or without any contract, and who are involved in drafting and preparation of advices.

**(3)** In the event that the authorized investment firms and the issuer, referred to in the comments and advices provided hereunder, mutually hold 1% or more of paid capital or voting rights in each other, or have management privileges, or are parties to a credit agreement, a lease contract or other material financial relation, the information relating thereto is required to be disclosed to the customer.

**EIGHTH PART**
**The Activity of Intermediation for Public Offering**

**Definition of the Activity of Intermediation for Public Offering:**

**ARTICLE 51 – (1)** Intermediation for public offering refers to and covers the activities described hereinbelow and listed in subparagraphs (e) and (f) of first paragraph of Article 37 of the Law:

**a)** **Underwriting:** Pursuant to subparagraph (e) of first paragraph of Article 37 of the Law, underwriting refers to a commitment given to the seller:

**1)** that the capital market instruments to be issued will be offered for sale through public offering, and that all the unsold part will be purchased in cash at the end of the period of sales (Standby); or

**2)** that the capital market instruments to be issued will be fully purchased in cash before the sales process starts, and will then be offered to public (Full Commitment); or

**3)** that the capital market instruments to be issued will be offered for sale through public offering, and a portion of the unsold remaining instruments will be purchased in cash at the end of the period of sales (Partial Standby); or

**4)** that a portion of the capital market instruments to be issued will be purchased in cash before the sales process starts, and will then be offered to public (Partial Full Commitment).

**b)** **Best effort:** Pursuant to subparagraph (f) of first paragraph of Article 37 of the Law, best effort refers to the process in which the capital market instruments to be issued are going to be sold through a public offering within the period of sales specified in the prospectus, and the unsold portion thereof is going to be returned to the seller, or sold to third parties who previously committed to purchase.

**(2)** The authorization for underwriting also covers an authorization for best effort. However, ıt is also possible to give authorization only for best effort.

**(3)** With regard to public offering of capital market instruments, taking actions for determination of issue price, issue amount and public offering process together with issuers and/or public offerors, preparing other information and documents required to be submitted for approval of prospectus and filing an application to the Board, establishing a consortium, and collecting demands, organizing domestic and foreign events for sales of capital market instruments to be offered to public, organizing the sales and conducting similar other corporate financial activities, and performing other obligations set forth in the underwriting agreement are all included in the activity of intermediation for public offering. In the course of sales of capital market instruments without public offering, intermediation in private placement of these issues to a particular group of investors is also considered and treated as a part of the activity of intermediation for public offering.

**Investment Firms That May Conduct the Activity of Intermediation for Public Offering:**

**ARTICLE 52 – (1)** The activity of underwriting and best effort may be carried out by intermediary institutions and development and investment banks provided that a prior authorization from the Board is granted.

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**Special Conditions for the Activity of Intermediation for Public Offering:**

**ARTICLE 53 – (1)** In order to be eligible for receiving authorization to provide underwriting or best effort, in addition to compliance with the required general conditions for commencing operations in the Board regulations regarding the principles on the establishment and operations of investment firms, the intermediary institutions and development and investment banks are required:

**a)** to have obtained an authorization to provide limited custody services in accordance with subparagraph (a) of third paragraph of Article 59 or to have applied to the Board for obtaining such authorization and

**b)** to have satisfied the condition of minimum shareholders' equity required for the activities of underwriting or best effort, depending on the kind of services to be provided, in accordance with the related regulations of the Board on capital and capital adequacy requirements for intermediary institutions and

**c)** to have assigned a unit manager, so as to conduct the activities of intermediation for public offering, as well as an adequate number of corporate finance specialists reporting to the unit manager.

**(2)** The provisions of subparagraph (b) of first paragraph hereinabove are not applicable to development and investment banks.

**Principles for Conducting the Activity of Intermediation for Public Offering Services:**

**ARTICLE 54 – (1)** Investment firms are required to comply with the following principles in the course of providing the activity of intermediation for public offering:

**a)** Investment firms shall carry out the activity of intermediation for public offering according to the principles set forth in prospectuses and other sales-related documents, advertisements, notices and agreements of intermediation for public offerings,

**b)** Investment firms are forbidden from engaging in market abuse practices during public offering processes,

**c)** Investment firms cannot attempt to derive benefit for themselves or for third parties, except the fees charged for the activity of intermediation for public offering,

**ç)** With regard to public offering of capital market instruments, investment firms shall not engage in activities and transactions violating the obligations determined by the related legislation,

**d)** With regard to public offering of capital market instruments, investment firms shall show best effort to conduct detailed and careful analysis about the issuers and/or public offerors,

**e)** Investment firms shall pay maximum attention to ensure that the public offering price accurately reflects the real value of capital market instruments, shall comply with the valuation standards determined by the Board when preparing the price determination report and shall explain within the price determination report, inter alia, the reasons for selecting the methods employed in determination of public offering price, and the reasons for selecting the particular method or methods relied upon in determination of price,

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**f)** Investment firms shall prevent the information, which is not disclosed to public during the public offering process, from being shared with persons outside the institution or with the institution's units other than the unit in charge of the intermediation for public offering inside the institution,

**g)** The amount of underwriting commitment by intermediary institutions in the course of intermediation for public offering does not exceed the limit determined by the Board regulations pertaining to capital adequacy.

**(2)** The Board shall separately take into consideration the existence of analyst reports required to be prepared by the authorized investment firms about public offering price in the context of the Board regulations pertaining to issue of shares during assessment of the existing situation of authorized investment firms.

**The Agreement of Intermediation for Public Offering:**

**ARTICLE 55 – (1)** Public offering of capital market instruments is required to be based upon a written agreement of intermediation for public offering to be executed between the authorized investment firm and the issuer and/or public offeror of capital market instruments. Minimum contents of this agreement are determined by the Board.

**Intermediation Consortium:**

**ARTICLE 56 – (1)** If it is intended to establish a consortium after signing an agreement of intermediation for public offering, receiving approvals of issuer and/or public offeror in connection therewith is required.

**(2)** If a consortium is established, the management of such consortium is assumed by one of the authorized investment firms as consortium leader. Consortium leader represents the consortium towards the Board, governmental authorities, third parties, and issuer and/or public offeror of capital market instruments.

**(3)** Co-leaders may be appointed at the time of the establishment of consortium within the context of the consortium agreement.

**Consortium Agreement:**

**ARTICLE 57 – (1)** If a consortium is established, a written consortium agreement shall be signed between the authorized investment firms participating therein. Minimum contents of this agreement are determined by the Board.

**(2)** If the agreement of intermediation for public offering and the consortium agreement are intended to be concluded jointly in one document, provisions to be included in both agreements may be merged in a single agreement and this agreement shall be shared at least 2 business days in advance with other authorized investment firms participating the consortium, and shall be signed jointly by the issuer and/or public offeror of capital market instruments and the consortium leader and other authorized investment firms participating in the consortium .

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**Appropriateness of the Terms of Agreement:**

**ARTICLE 58 – (1)** At the stage of prospectus approval regarding the public offering of capital market instruments, the Board is authorized to review the agreements of intermediation for public offering and/or the consortium agreements, and if deemed necessary, to request amendments and additions as required pursuant to the capital markets legislation.

## NINTH PART
## Custody Services

**Definition of Custody Service:**

**ARTICLE 59 – (1)** Pursuant to subparagraph (ğ) of first paragraph of Article 37 of the Law, safekeeping and administration of capital market instruments in the name of customer refer to:

**a)** the holding, safekeeping and monitoring by each beneficial owner, in the account of customer, of capital market instruments belonging to customer but entrusted or delivered in either book-entry form or physically due to investment services and activities or as a custodian or for management purposes or as a security or under any other name whatsoever, at central custodians and/or at the investment firms and/or if necessary due to different characteristics of capital market instruments, at another investment firm, and in any case, the holding of the right to access to customer accounts; and

**b)** the provision of services such as collection and payment of principal, interest, dividends and other similar revenues relating to capital market instruments in the account of customer or in sub-accounts opened upon the instructions of the customer, and preemptive rights of shareholders on newly issued shares and gratis share entitlements and voting rights associated with shares, and the collateral management activities relating to capital market instruments, and the reflection of aforementioned transactions on customer accounts held at investment firms.

**(2)** Custody of assets managed as a part of individual portfolio management is also considered and treated as a custody service as defined in first paragraph hereof.

**(3)** Custody services are carried out as limited and general custody services:

**a)** Limited custody service is limited to the custody of the capital market instruments as the subject of intermediation service and within the received authorization of the investment firm with regard to execution of orders on behalf of clients and dealing on own account, and to the custody of the capital market instruments subject to intermediation for public offering with regard to underwriting and best effort.

**b)** General custody service is the type of custody service provided independently from the authorized and conducted investment services and activities.

**(4)** Holding cash of customers deriving from capital market activities is also subject to the principles pertaining to custody of capital market instruments.

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**Investment Firms That May Conduct Custody Services:**

**ARTICLE 60 – (1)** Limited custody service may be offered by investment firms authorized to carry out any one of the services and activities listed in subparagraphs (b), (c), (ç), (e) and (f) of first paragraph of Article 37 of the Law, with a prior authorization by the Board.

**(2)** General custody service may be offered by banks and by intermediary institutions authorized to carry out one of the services and activities listed in subparagraphs (b), (c), (ç), (e) and (f) of first paragraph of Article 37 of the Law, with a prior authorization by the Board.

**(3)** A bank cannot provide general custody services to a customer regarding capital market instruments that are subject to transmission of orders to that customer, except those covered by subparagraph (a) of second paragraph of Article 11 hereof.

**(4)** Investment firms authorized to provide general custody services may provide portfolio custody services only if and after they file an application to the Board in accordance with the Board regulations regarding the portfolio custody services and institutions eligible for providing this service.

**Special Conditions on Custody Services:**

**ARTICLE 61 – (1)** In order to be eligible for receiving an authorization for limited or general custody services, in addition to compliance with the required general conditions for commencing operations in the Board regulations regarding the principles on establishment and operation of investment firms, the investment firms are required:

**a)** to have satisfied the condition of minimum shareholders' equity required for limited or general custody services, depending on the kind of services to be provided, in accordance with the Board regulations on capital and capital adequacy requirements for intermediary institutions and

**b)** if they will provide general custody services, to have established a unit or units responsible solely and exclusively for custody services and have employed an adequate number of specialized personnel;

**c)** to have established and made operational the data processing systems and technological infrastructure required to perform custody services, and have completed the required arrangements in connection therewith, and have protected the data processing infrastructure from malicious software, and have taken all measures and actions for prevention of probable fraud and misconduct within the authorized investment firm; and

**ç)** to have taken all measures and actions for prevention of probable fraud and misconduct within themselves that may arise from their systems or the acts of personnel and

**d)** to have built the work flow procedures and organizational structure for the prevention of sharing customer information with persons outside the corporation or between different units inside the corporation, in the course of performing custody services against customer interests.

**(2)** The provisions of subparagraph (a) of first paragraph hereof shall not apply to the applications of banks for providing custody services.

**Custody Agreement:**

**ARTICLE 62 – (1)** Investment firms authorized to perform custody services are required to enter into a

written agreement with their customers, before starting to give such services to customers. Minimum contents of this agreement are determined by the Board.

**(2)** In the course of providing custody services to customers residing abroad, the obligation set forth in the preceding first paragraph is considered as fulfilled if an agreement outlining the principles of services to be provided is signed between the institution offering custody services abroad to these customers and the local investment firm authorized to provide custody services.

**(3)** In the case of providing custody services for individual portfolios managed by another authorized investment firm, the obligation set forth in the preceding first paragraph is considered as fulfilled if an agreement outlining the principles of services to be provided is signed between the portfolio manager and the authorized investment firm providing custody services.

**Principles on Monitoring Customer Accounts:**

**ARTICLE 63 – (1)** The investment firm authorized to provide custody services is required to keep, and submit to the Board, upon demand, full, accurate and current records containing information about amount, location and ownership of capital market instruments and cash in the customer accounts related to custody services.

**(2)** All records kept by the investment firm authorized to provide custody services with regard to the customer accounts related to custody services, are required to be organized and kept so as to allow for the separation of a customer's capital market instruments and cash from other customer accounts or from investment firm's own assets at any time, and shall completely and accurately reflect beneficiaries of accounts, rights of beneficiaries and obligations of the investment firm, authorized to perform custody services, to each customer.

**(3)** In the course of providing custody services to customers residing abroad, the records kept within the investment firm authorized to perform custody services are required to be monitored on the basis of beneficiaries, excluding cash.

**(4)** The Board may, if deemed necessary, request an audit by an independent audit firm with regard to both the existence of customer assets kept in custody by investment firms and the compliance of authorized investment firms' custody service with related Board regulations.

**Confidentiality of Customer Accounts:**

**ARTICLE 64 – (1)** Information about the customer accounts covered by the custody services of investment firms is essentially confidential. However, disclosure of information to legally authorized persons or entities within the knowledge of the customer is not deemed and treated as breach of confidentiality.

**Reconciliation on Customer Assets in Custody:**

**ARTICLE 65 – (1)** The investment firm authorized to perform custody services is obliged to make daily reconciliations between its own accounts and records and the accounts and records of central securities depositories and/or another institution authorized to perform custody services on customer basis with respect to customer-owned capital market instruments and collectively or on customer basis with respect

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to cash. In the event that the managed individual portfolios are kept in custody in another investment firm, this provision is also applicable to the relation between the portfolio manager and the investment firm offering custody services.

**(2)** If any discrepancies are found during the reconciliation process, the investment firm authorized to perform custody services is obliged to take the appropriate measures and actions required to dissolve such discrepancies immediately.

**(3)** If there is reasonable evidence that a third party may be held liable and responsible for aforementioned discrepancies, the investment firm authorized to perform custody services is not obliged to close the gap, but is liable to take the required steps for the conflict resolution with such third party.

**(4)** If a discrepancy found during reconciliation process cannot be dissolved within 3 business days in spite of all actions taken thereinfor, the highest level personnel employed by the investment firm authorized to perform custody services as an inspector or internal auditor is required to send a written notice to the intermediary institution's board of directors, the bank's internal audit committee and the Board immediately.

**(5)** If a discrepancy may lead to material effects on financial situation of the investment firm, it is required to notify the investment firm's board of directors and the Board immediately upon the realization of the discrepancy and without waiting for completion of the 3 business days period mentioned in the preceding paragraph of this Article.

**(6)** The Board is authorized to determine the scope of reconciliations and the principles for notification of such discrepancies under this Article.

**Principles on Use of Cash Credit Balances in Customer Accounts:**

**ARTICLE 66 – (1)** Based on the authorization granted by customer in the framework agreement, the investment firms may invest collectively or on a customer basis, in line with their authorized activities, operating policies and customer preferences, the cash credit balances as of the end of day, that are not subject to any customer order during the day, provided that they monitor and record them in their accounting system on an account basis.

**(2)** If said cash is invested collectively, the proceeds of such investment are required to be distributed to related customer accounts proportionately.

**(3)** Provided that it is clearly permitted in the framework agreement, investment firms may determine a floor for the use of cash credit balances in customer accounts. Any changes to this floor shall also be notified to customers in writing or by the fastest means of communication with the burden of proof on the investment firm. Principles on use of cash below the floor shall be separately mentioned in the agreement.

**(4)** Provided that the cash credit balances are paid to customers on demand and within a maximum of 1 business day following demand, and that the principal sum is not lost, the cash credit balances in customer accounts may be invested in line with pertinent provisions of the framework agreement with respect to customer-owned cash below the floor with the return kept by the intermediary institution. The cash credit balances in customer accounts whose customers do not claim a return may only be invested with the written consent received individually from customers, separately from the framework agreement.

**(5)** Customer-owned cash kept in banks is required to be monitored in an account opened for intermediary institution's customers separately from the intermediary institution's own assets. The account

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opened in the name of customers shall be clearly identified so as to indicate that they are owned by the relevant intermediary institution's customers, and shall not be used for unintended purposes. Accounts in which the customers' cash are kept in custody shall neither be used as collateral for loans, nor shall they be subject to blockage, pledges or any other encumbrances in favor of the intermediary institution.

**(6)** While ordering the bank to open a customer account, the intermediary institution shall inform the bank in writing that the money in the account belongs to the intermediary institution's customers and must by no means be commingled or combined with the investment firm's own account. The investment firm shall get a confirmation on mentioned issue from the related Bank. Name of the account to be opened should be chosen in such manner that makes it adequately separable from the investment firm's other accounts held at the bank. If the bank fails to give its written confirmation within 15 business days, the investment firm is obliged to transfer the money to another bank.

**Special Provisions on Custody for the Transactions Executed in Foreign Markets:**

**ARTICLE 67 – (1)** Capital market instruments traded as an intermediary or covered by custody services in foreign markets may be kept in custody at an institution operating abroad, only if and to the extent that the relevant country authority has regulations in force regarding custody services and the institution from which custody services are provided is subject to those regulations. However, if the capital market instrument in question cannot be kept in custody at an institution authorized by the relevant country authority due to its kind or nature, then custody services may be provided from another institution with the prior written consent of the customer.

**(2)** If the capital market instruments traded as an intermediary in foreign markets are kept in custody at an institution operating abroad, the agreement to be signed between the trading investment firm and the customer shall contain detailed information introducing the authorized custodian and on the rights and obligations of the trading investment firm and the authorized custodian. Under circumstances in which the authorized custodian operating abroad is to be replaced, immediate notification to customers by the fastest means of communication, and updating the framework agreement are required.

**Reconciliation Between Customer and Custodian:**

**ARTICLE 68 – (1)** Between the customers receiving custody services and the internal control unit or personnel of the authorized custodian, a reconciliation shall be made about the customer's capital market instruments and cash in writing or via electronic media at least once every calendar year. The results of such reconciliation processes shall be reported in writing within 3 business days by the highest level personnel responsible for internal control to the intermediary institution's board of directors, the bank's internal audit committee and in the case of a dispute, to the Board.

**(2)** It is not required to make the reconciliation mentioned in the preceding first paragraph for cases in which a written consent from the professional customers is received.

**(3)** The Board is authorized to determine the scope of reconciliations and the principles of notifying such discrepancies, under this Article.

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**Notification on Customer Assets:**

**ARTICLE 69 – (1)** The investment firm authorized to provide custody services is essentially obliged to send at least monthly notifications to customers with respect to the customers' capital market instruments and cash according to the principles set forth in the Board regulations regarding documentation and record-keeping systems. However, it is also possible to make a contract with professional customers for not delivering such notices, or to stipulating so in the framework agreement. The notification must contain information, regarding the capital market instruments and cash that belongs to customers, at least on the balances in custody in chronological order and by capital market instruments.

**(2)** A separate notice may not be sent to the customer, if a notification is sent to the customer related to other investment activities and services that already contains the information mentioned in the first paragraph.

**(3)** Failure of the customer to reject the content of such notices sent pursuant to this Article does not mean the receipt of confirmation.

**Special Provisions on the Custody of Individual Portfolios:**

**ARTICLE 70 – (1)** Without prejudice to the regulations of the Board on portfolio management companies and their activities, for cases where the investment firms authorized to perform general custody services provide custody services for individual portfolios managed by portfolio management companies or other investment firms:

**a)** the financial assets are required to be kept in a separate custody account opened in the name of each customer; and

**b)** the documents, proving the existence and the customer ownership of assets which cannot be kept physically or in book-entry form are required to be delivered to the custodian for record-keeping in the relevant accounts.

**(2)** The following principles shall be complied with regard to the first paragraph hereinabove:

**a)** The general rule is to open accounts in the name of customers. However, while performing settlement instructions, the custodian may also execute a collective settlement by using a pool account for transfers of cash and securities by customers. Cases in which pooling is used for settlement, the customer owned assets shall be distributed to customer accounts and be monitored on a customer basis, and the associated rights must be followed individually, and the idle cash or asset transfers of the custodian from the pooled account shall be made to accounts opened in the name of customers according to the provisions of the agreement signed between these customers and the institution authorized to manage individual portfolios.

**b)** If the custody account is opened as a proxy by the institution authorized to manage individual portfolios, the custodian, after the account is opened, shall inform the customer, of such account information and of changes made related to those accounts.

**c)** The investment firm authorized to manage individual portfolios shall not open accounts at any institution in the name of customers without duly informing the custodian.

**ç)** In transactions to be executed for the portfolio account, the investment firm authorized to perform

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custody services may provide customers with the opportunity to block their accounts relating to portfolio account transactions that require prior confirmation of customer according to the provisions of the agreement.

**d)** The custodian is obliged to inform the customers at least once a month according to the regulations of the Board related to documentation and record-keeping systems, and separately to allow the instant access of its customers to their account information through its internet website.

**e)** The custodian is further obliged to inform the customers as soon as possible about the events which may affect the rights of customers on financial assets in their portfolios and about the significant asset and cash movements executed in their accounts.

**f)** In transactions executed for customers, the cash and asset movements are directed according to the "delivery versus payment" principle. The "delivery versus payment" principle refers to the delivery of cash concurrently with the receipt of assets, or as the case may be, the delivery of assets concurrently with the collection of cash, by the parties. Except for transactions under portfolio management, the customers' written instructions are required for depositing or for withdrawal of financial assets to/from the custody account.

**(3)** The principles set forth in this Article are applied by analogy during and with respect to limited custody services provided by authorized investment firms to portfolios under their management.

## TENTH PART
## Provision of Ancillary Services

**Provision of Consultancy Services Relating to Capital Markets:**

**ARTICLE 71 – (1)** Investment firms may deal with the following activities pursuant to subparagraph (a) of first paragraph of Article 38 of the Law:

**a)** Making investment plans by taking into consideration long- and short-term financial goals, risk preferences, cash requirements and status of companies against the tax legislations; and

**b)** Providing written or verbal comments and advices on issues such as analysis of financial statements of companies within the framework of assets and liabilities management, decomposition of income sources, determination of financing options, identification and mitigation of risks, or enhancement in financial profiles via increasing revenues; and

**c)** Providing written or verbal comments and advices during restructuring of companies by mergers, split-ups, acquisitions and formation of business partnerships and by similar other changes in capital or shareholding structures, and throughout the liquidation process; and

**ç)** Other consultancy services similar to those mentioned in subparagraphs (a), (b) and (c) hereinabove with respect to capital markets.

**(2)** Intermediary institutions that are going to provide the services under this Article are required to be partially or broadly authorized by the Board.

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**Lending or Credit Facilities and Provision of Foreign Exchange Services:**

**ARTICLE 72 – (1)** Principles on margin trading, short selling, lending and borrowing transactions of capital market instruments are separately determined by the Board.

**(2)** With regard to the provisions in subparagraph (b) of first paragraph of Article 38 of the Law, investment firms may offer foreign exchange services that are solely related to investment services and activities. But if the pertinent laws require a separate authorization, firstly such authorization shall be received. The intermediary institutions that intend to provide such services are required to have authorization for the activity of execution of orders or the activity of dealing on own account.

**Provision of General Investment Advice:**

**ARTICLE 73 – (1)** Pursuant to the provisions in subparagraph (c) of first paragraph of Article 38 of the Law, provided that it is not addressed specifically to a particular person or to a group of persons with similar financial situations, risk and return preferences, general investment advice is an activity of providing all kinds of leading researches, studies or other information which are explicitly or implicitly suggesting or recommending a certain investment strategy, and also including comments about existing or future prices or values of capital market instruments, and which are prepared for one or more capital market instruments or issuers and are intended for the use of customers or distribution channels.

**(2)** Disclosing the information one-to-one to each customer, prepared in the context of the activity of general investment advice and provided to customers or distribution channels, is also considered as the activity of general investment advice provided that it is not intended specifically for the use of a particular person or to a group of persons with similar financial situations, risk and return preferences.

**(3)** All kinds of general investment advices, including those shown in media or transmitted electronically or those presented by investment firms and portfolio management companies by media service providers operating under the Law on Establishment and Broadcasting Principles of Radio and Television Channels, no. 6112, dated 15/2/2011, and by periodical publishers operating under the Press Law no. 5187 dated 9/6/2004, are required to be presented and provided in accordance with the principles set down in Articles 78 and 79 hereinbelow.

**(4)** General investment advices by institutions authorized in the press and the media are also required to comply with the principles stipulated in the Law no. 6112.

**Provision of Services Related to Performing Underwriting:**

**ARTICLE 74 – (1)** Pursuant to provisions in subparagraph (ç) of first paragraph in Article 38 of the Law, investment firms may deal with activities such as conducting financial and economic analyses and market researches about the issuers of capital market instruments to be offered to public, ensuring the compliance of financial statements of the relevant companies with the capital markets legislations, making the required amendments in articles of association according to pertinent legislations, and making studies for determining the information and documents to be disclosed to public.

**(2)** Intermediary institutions that are going to provide the services under this Article are required to be partially or broadly authorized by the Board.

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**Provision of Intermediation Services in Financing:**

**ARTICLE 75 – (1)** Pursuant to the provisions in subparagraph (d) of first paragraph in Article 38 of the Law, investment firms may deal with activities for meeting the financial needs of companies from local and foreign markets, determining alternative financial strategies, providing written or verbal comments and advices on protection of companies against financial risks and bringing together the parties in need of finance with the parties providing it.

**(2)** Intermediary institutions that are going to provide the services under this Article are required to be partially or broadly authorized by the Board.

**Performing Wealth Management and Financial Planning:**

**ARTICLE 76 – (1)** Pursuant to the provisions in subparagraph (e) of first paragraph in Article 38 of the Law, investment firms may deal with activities such as providing consultancy services on financial, legal, tax-related and similar other issues to persons, families or groups of persons with joint investment targets, and making plans for wealth management comprising financial and non-financial assets of those people, and managing their wealth in accordance with investment targets and preferences.

**(2)** If investment advisory or portfolio management activities are needed in the course of provision of services under this Article, these activities are required to be offered and provided by investment firms authorized by the Board, according to principles set forth in this Communiqué.

**(3)** Intermediary institutions that are going to provide services under this Article are required to be partially or broadly authorized by the Board.

**Other Services and Activities:**

**ARTICLE 77 – (1)** Pursuant to the provisions in subparagraph (f) of first paragraph in Article 38 of the Law, intermediary institutions may also provide other financial products and services with the permission by the Board. If the provision of such financial products and services is conditioned to special permission or authorization as per the special legislation pertaining thereto, then the intermediary institutions are obliged to receive the required permission or authorization before starting to provide the concerned services or products under this Article.

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## ELEVENTH PART
## Principles on General Investment Advices

**Principles to Comply Within General Investment Advices:**

**ARTICLE 78 – (1)** Comments and advices provided by the institutions offering general investment advices are subject to the principles set forth in subparagraphs (b), (c), (ç), (d), (e), (f), (g) and (ğ) of second and also third and fourth paragraphs of Article 48 hereof.

**(2)** The general investment advices must further contain:

**a)** The summary information relating to the policies and material changes in previously announced

policies if the policies, regarding how frequent the advice is renewed and if any, is updated, are determined and

**b)** clearly and conspicuously, the first date of preparation of advice for distribution and the dates and times of all prices included in the advice; and

**c)** where the advice contains an investment strategy different from the advices published by the same institution for the same capital market instrument or issuer during the past 12 months period, clearly and conspicuously, information regarding such differences and the date of previously published advice.

**(3)** If and to the extent the information about general investment advices as disclosed to public under this Article is materially long as regards to the standard general investment advices, then, provided that no change occurs in the assessments and methods, it is adequate to clearly and conspicuously make reference to a site directly and easily accessible by the public, such as the internet website of the relevant investment firm or the institution authorized in press and media.

**(4)** Principles related to the disclosure of financial relations or conflicts of interests, as outlined in Article 50 hereof, shall be complied during the provision of general investment advices.

**Principles on Publishing a Warning Note:**

**ARTICLE 79 – (1)** The warning note given in ANNEX-3 hereof shall also be presented as part of general investment advices in accordance with the following principles:

**a)** In comments and advices published through distribution channels, the warning note shall be given conspicuously at the end of the page in the same theme font and font size as the comments and advices.

**b)** In comments and advices presented through communication networks created by computers included in the definition of distribution channels, the warning note shall be conspicuously displayed in the same theme font and font size with the comments and advices, before the page containing such comments and advices is displayed.

**c)** In comments and advices presented through all kinds of audiovisual mass communication means, such as television and radio, included in the definition of distribution channels, the warning note should be read once at the beginning and end of program on radio, and the text of warning note should be displayed on TV screen, for 15 seconds at the beginning and end of television program, in a way to cover the whole screen so as to make it easy toread, and furthermore, the text of warning note should be presented twice during the TV program in the form of a ticker in a way not to make it difficult to read.

**(2)** The warning given in ANNEX-4 is required to be made to each customer during one- to-one presentations of general investment advices to the customers.

**Provision of Financial Information:**

**ARTICLE 80 – (1)** For the purposes of this Communiqué, the term “financial information” means non-leading written or verbal information about capital market instruments, their issuers and market trends.

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**(2)** Provision of financial information is considered and treated neither as an investment advisory activity or provision of general investment advice. However, the information provided as above must be neutral and honest, and must not have the purpose of meeting only the needs and demands of a particular person, a group or a portfolio.

## TWELFTH PART
## Transitory and Final Provisions

**Repealed Communiqués:**

**ARTICLE 81 – (1)** The Communiqué on Principles for Intermediation Activities and Intermediary Institutions (Serial V, No. 46) published in the Official Gazette no. 24163 dated 7/9/2000, and the Communiqué on Principles for Investment Advisory Activity and Providers of These Activity (Serial V, No. 55) published in the Official Gazette no. 24734 dated 22/4/2002, and the Communiqué on Principles for Leveraged Trading Transactions and Institutions That May Execute These Transactions (Serial V, No. 125) published in the Official Gazette no. 28038 dated 27/8/2011, are hereby repealed. All references made to these repealed communiqués are deemed to be made to this Communiqué.

**Finalization of Applications:**

**TEMPORARY ARTICLE 1 – (1)** Applications to be filed to the Board until the effective date of this Communiqué will be completed and finalized according to existing regulations.

**(2)** Applications filed by investment firms to the Board that have not been finalized as of the effective date of this Communiqué shall be completed and finalized according to the provisions of this Communiqué.

**Transitory Provisions on Existing Operation Permits:**

**TEMPORARY ARTICLE 2 – (1)** Investment firms are required to file an application to the Board within a year following the effective date of this Communiqué by submitting the substantiating documents proving that all special conditions including the minimum requirement for shareholders' equity, envisaged by this Communiqué are met with respect to the investment services and activities and ancillary services they intend to offer. The existing authorization certificates and operation permits of investment firms that fail to apply to the Board within mentioned period shall be cancelled.

**(2)** Investment firms will continue to conduct their activities within the context of the existing principles of activity until becoming authorized pursuant to this Communiqué.

**Implementation of leverage ratio**

**TEMPORARY ARTICLE 3 – (REPEALED)**

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**Implementation of demo account**

**TEMPORARY ARTICLE 4 –** (1) The procedure of designating the operating principles for the demo account set out in the 1st paragraph of Article 27/C and starting the implementation thereof, shall be completed within 3 months following the date of effect of this article.

**Disclosure of buying and selling prices of investment firms**

**TEMPORARY ARTICLE 5 –** (1) The obligations set out in the 4th paragraph of Article 32 shall be completed within 6 months following the effective date of this article.

**Implementation of the leverage ratio**

**TEMPORARY ARTICLE 6 –** (1) The provisions of the Communiqué with No. III-37.1.a Amending the Communiqué with No. III-37.1 Concerning Principles for Investment Services and Activities and Ancillary Services published in the Official Gazette dated 14/1/2016 and numbered 29593 shall be continued to be applied for the leverage ratio and minimum initial margin amount set out in 1st and 3rd paragraphs of Article 27 in respect of positions which were opened before the date of publication of this article.
**(2)** The leverage ratio which is implemented for open positions held with the intermediary institutions as at the effective date of this article shall be made harmonised with the leverage ratio set out in the 1st paragraph of Article 27 within at the latest 45 days. The positions which are not made harmonised within such time-period shall be closed by the intermediary institution.

**Updating the collaterals in Takasbank**

**TEMPORARY ARTICLE 7 –** Reporting procedures shall be made on 2/1/2018 within the provisions of the seventh and eighth paragraphs of Article 27 / A, and transfer to the leveraged transactions collateral reserve account, covering the outstanding amount withdrawal of the excess amount shall be made on the following day. In case the operational transactions cannot be made, this period may be postponed by Takasbank to 8/1/2018, upon the announcement to its members.

**Entry into Force:**

**ARTICLE 82 – (1)** This Communiqué shall become effective as of 1/7/2014.

**Execution:**

**ARTICLE 83 – (1)** The provisions of this Communiqué shall be enforced by the Board.

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# ANNEX-1

**Table indicating the institutions entitled to perform the activity of execution of orders by capital market instrument type**

| Institution / Capital Market Instruments | Securities | | Derivative Instruments | |
|---|---|---|---|---|
| | Shares | Others | Derivative Instruments Other Than Leveraged Transactions (For transmission to stock exchange or for dealing on own accounty) | Leveraged Transactions |
| Intermediary Institution | + | + | + | + |
| Deposit and Participation Bank | - | + | + (except for those based on stock indices or stocks) | - |
| Development and Investment Bank | + | + | + | - |

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**ANNEX-2**

**Table indicating the institutions entitled to perform the activity of dealing on own account by capital market instrument type**

| Institution / Capital Market Instruments | Securities | | Derivative Instruments | |
|---|---|---|---|---|
| | Shares | Others | Derivative Instruments Other Than Leveraged Transactions (For execution in over-the-counter market) | Leveraged Transactions |
| Intermediary Institution | + | + | + | + |
| Deposit and Participation Bank | - | + | + (except for those based on stocks, and including those based on stock indices) | - |
| Development and Investment Bank | + | + | + | - |

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**ANNEX-3**

**Warning Note Published Pursuant to the "Communiqué on Principles Regarding Investment Services, Activities and Ancillary Services" by the Capital Markets Board**

"The investment information, comments and advices given herein are not part of investment advisory activity. Investment advisory services are provided by authorized institutions to persons and entities privately by considering their risk and return preferences. Whereas the comments and advices included herein are of general nature. Therefore, they may not fit to your financial situation and risk and return preferences. For this reason, making an investment decision only by relying on the information given herein may not give rise to results that fit your expectations."

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# ANNEX-4

**Warning Made Pursuant to the "Communiqué on Principles Regarding Investment Services, Activities and Ancillary Services" by the Capital Markets Board**

"The investment information, comments and advices presented by me to you are not a part of investment advisory activity. The advices included herein are of general nature, and have not been prepared specifically in accordance with your financial situation and risk and return preferences. For this reason, taking an investment decision only by relying on the information given herein may not give rise to results that fit your expectations."

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**LIST REGARDING THE AMENDEMENTS TO THE COMMUNIQUÉ**

1- Communiqué (III-37.1.a) amending the Communiqué On Principles Regarding Investment Services, Activities And Ancillary Services (III-37.1) was published in Official Gazette dated 14/01/2016 and numbered 29593.

2- Communiqué (III-37.1.b) amending the Communiqué On Principles Regarding Investment Services, Activities And Ancillary Services (III-37.1) was published in Official Gazette dated 10/02/2017 and numbered 29975.

3- Communiqué amending the Communiqué On Principles Regarding Investment Services, Activities And Ancillary Services (III-37.1) was published in Official Gazette dated 20/10/2017 and numbered 30216.

4- Communiqué (III-37.1.c) amending the Communiqué On Principles Regarding Investment Services, Activities And Ancillary Services (III-37.1) was published in Official Gazette dated 07/04/2022 and numbered 31802.

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