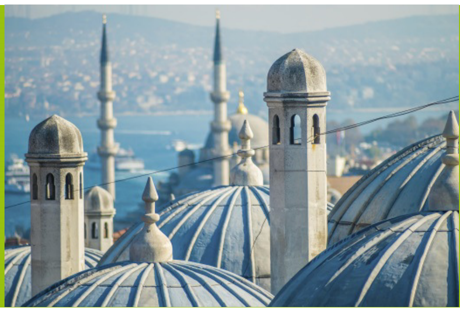

February 2016

Turkey Desk
Capital Markets Update

I. The Capital Markets Boards Proposed Critical Changes to Bond Issuances

Proposed Amendments to the Debt Instruments Communiqué

The Capital Markets Board of Turkey (CMB) published draft amendments to the Debt Instruments Communiqué (No. II-31.1), which may have significant impacts on the willingness of Turkish bond issuers for debt instruments by - at the same time - aiming for better investor protection.

According to the proposed amendments, domestic debt instrument issuances will be subject to mandatory credit rating. The CMB may require issuers to provide bank guarantees for interest and coupon payments, if the credit rating is below certain thresholds described in the draft, which will vary for public offerings and issuances to qualified investors.

Currently, the law allows also non-bank parties to provide guarantees for bonds, which has been a preferred practice for most Turkish corporate issuers. The requirement of bank guarantees proposed in the draft amendments is, therefore, expected to introduce a significant change to the established practice. The CMB may also require limitations to the persons to whom the debt instruments will be issued and/or to conditions of issuance instead of requiring bank guarantees. What kind of limitations the CMB would require has not been clarified yet in the draft amendment.

The proposed changes also include the abolition of the current requirement to register cross-border debt instrument issuances with the Turkish central securities depository (MKK) while reserving the notification requirement to the MKK and introduction of a TL 100,000 minimum nominal value for private placement of debt instruments.

Another important amendment will be the introduction of the ability for issuers to buy back and trade their debt instruments on secondary markets under the condition that the issuers will have to publish buy-back and resale prices of transactions outside the stock exchange on their websites. Currently, this option is limited to debt instruments issuances of banks.

According to the proposal, certain securities can be deducted from the issuance limit. Accordingly, asset-covered bonds, lease certificates (*sukuk*) where the issuer is also the fund user and lease certificates based on management and trading agreements (payments of which have not been guaranteed), among other securities, will be able to be deducted from the issuance limit.

Currently, the CMB is at the stage of evaluating the proposals and suggestions of the public to its proposed amendments and is expected to publish an update in light of those suggestions.

II. ESMA Accepts the Equivalency of Turkish Prospectuses

Recognition of Turkish equity prospectuses by the European authority expected to bring greater opportunities for Turkish issuers

On February 8, 2016, the European Securities and Markets Authority (ESMA) announced that it has completed its review of Turkish legislation governing prospectus disclosure requirements which it initiated following a request of the Turkish CMB. ESMA made its assessment under Article 20 of the Prospectus Directive (Directive 2003/71/EC) and the ESMA opinion on the framework for third country prospectuses and concluded that prospectuses drawn up according to Turkish laws and regulations can constitute a valid prospectuses under the Prospectus Directive for the purposes of its approval by the home competent authority of a Member State. The assessment of ESMA concerned only equity issuances and does not apply, for example, to rights issuance prospectuses.

Following the recognition of Turkish equity prospectuses as Non-EU Member equity issuance under Article 20 of the Prospectus Directive, issuers having their registered office in Turkey have become eligible to have their CMB-approved prospectuses recognized in EU Member States and submit to a Members State’s competent authority for approval.

Furthermore, ESMA also concluded that Turkish prospectuses do not have to be accompanied by a wrap, provided that the financial statements of the Turkish issuer in the CMB-approved prospectus have been prepared according to IFRS. Member State authorities, however, may still require additional information in the prospectus or a wrap accompanying the prospectus.

Please contact us if you have any questions.

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