



**CAPITAL MARKETS BOARD
OF TURKEY**

**Law No. 2499
CAPITAL MARKET LAW
(As amended by Law No. 4487)**

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CAPITAL MARKET LAW

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Law No. 3794 regarding the amendment to the Capital Market Law, the revision of an article in the Banking Law and the cancellation of some articles of the Decree By Law No. 35 dated by April 29, 1992 published in the Official Gazette Number 21227 on May 13, 1992.

Law No. 4487 regarding the amendments to the Capital Market Law with an amendment to one article of the Law on the Chambers of Commerce and Industry, Chambers of Commerce, Chambers of Industry, Chambers of Maritime Trade, Commodity Exchanges and the Union of Chambers of Commerce, Industry, Maritime Trade and Commodity Exchanges of Turkey published in the Official Gazette Number 23910 on December 18, 1999.

Law No. 4629 which revised Articles 28 and 29 published in the Official Gazette number 24335 on March 3, 2001.

Law No. 4743 which revised two paragraphs of Article 17 and subparagraph (c) of Article 28 published in the Official Gazette number 24657 on January 31, 2002.

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SECTION I General Provisions

Subject and Purpose

Article 1 – The subject of this Law is to regulate and control the secure, transparent and stable functioning of the capital market and to protect the rights and benefits of investors with the purpose of ensuring an efficient and widespread participation by the public in the development of the economy through investing savings in the securities market.

Scope

Article 2 –Capital market instruments and their issuance, public offering and sale; those who issue or offer them to the public; exchanges and other markets organized pursuant to Article 40 of this Law; capital market activities; capital market institutions; and the Capital Markets Board are subject to the provisions of this Law. This Law does not apply to the issuance of shares not offered to the public of joint stock corporations which are not publicly held.

General provisions shall apply to matters not covered by the provisions of this Law.

Definitions

Article 3 – Certain terms used in this Law are defined as follows:

a) “Board” :Capital Market Board established pursuant to Section IV of this Law.

b) “Capital Market Instruments” : Securities and Other Capital Market Instruments.

“Securities” : Negotiable instruments which, represent a share or participation in the property of the issuer or an obligation of the issuer, represent a specified quantity of money, are of a series of instruments of the same nature, have the same wording, are dealt in as a medium for investment, are fungible, earn periodic income and have the terms and conditions determined by the Board.

“Other Capital Market Instruments” :Instruments which are not Securities and which have terms and conditions determined by the Board, excluding cash, checks, bills of exchange, promissory notes and certificates of deposit.

c) “Issuing” and “Public Offer”:

“Issuing”: Within the context of this Law means sale of capital market instruments by the issuer with or without public offering.

“Public Offer”: Within the context of this Law means the sale of shares or stock of publicly held joint stock corporations to increase capital; continuous trading of the shares in stock exchanges or other organized markets; the invitation of the public to participate in a joint stock corporation or to act as its founder; every kind of appeal to the public for the purchase of capital market instruments.

d) “Registered Capital”: provided that there is a provision in the Articles of Association of the company, the maximum amount of capital of a joint stock corporation registered at the Trade Register, representing the maximum amount of shares that can be issued by a decision of the Board of Directors of the company, without being subject to the provisions of the Turkish Commercial Code on capital increases.

e) “Initial Capital” means the minimum issued capital which joint stock corporations with registered capital are required to have.

f) “Issued Capital” :Capital of joint stock corporations with registered capital, representing the shares sold.

g) “Publicly Held Joint Stock Corporations” Within the context of this Law mean joint stock corporations whose shares have been offered to the public or which are considered to have been offered to the public.

h) “Issuer” :Joint stock corporations, state economic enterprises, including the ones within the scope of privatization, local authorities and organizations, administrations, and other entities acting pursuant to special legislation.

i) “Intermediary Institutions” : Brokerage firms and banks.

j) “Related Minister” and “Related Ministry” : State Minister and the State Ministry so assigned by the Prime Minister.

SECTION II
Issuance, Public Offer, Sale and
Registration with the Board of Capital Market Instruments

Registration with the Board

Article 4 –Capital market instruments to be issued or to be offered to public are required to be registered with the Board.

Registration of capital market instruments is not required in the case of the issuance of capital market instruments by administrations with general and annexed budget or by the Central Bank of the Republic of Turkey. However, the Board shall be informed about these issuances.

The shares of limited partnerships by shares can not be offered for sale to the public.

Application to the Board and Examination

Article 5 – Information and documents determined by the Board shall be attached to the registration application.

Any missing documents or information shall be completed within the time period determined by the Board. Applications, whose documents are not completed within the determined time period shall be cancelled.

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

Processing of applications shall be completed within maximum thirty days. The time granted for the completion of documents shall not be taken into account in calculating this thirty day period.

Procedure for Public Offering

Article 6 – The information required to be disclosed in public offering of capital market instruments shall be included in the prospectus. The Board shall determine the content of the prospectus. After the registration of capital market instruments with the Board, the prospectus shall be registered with the Trade Registry and published. The public will be invited to purchase the capital market instruments by means of a circular. The principles relating to publication and the circular shall be determined by the Board.

The announcements and explanations directed to the public may include neither inaccurate, exaggerated nor misleading information, nor may they imply directly or indirectly that registration with the Board is an official guarantee. The Board may prohibit advertisements which it considers misleading.

Sale of Capital Market instruments to the Public

Article 7 – The sale of capital market instruments to the public shall be effected within the context of the principles and within the sales period set forth in the prospectus. In order to protect the rights of share holders and investors, the Board may require that the public offer or sale of capital market instruments be effected through intermediary institutions and with a purchase commitment if deemed necessary; in cases concerning the sale of shares corresponding to unused preemptive rights in capital increases, it may require such shares to be sold with a premium if the market value is above the nominal value.

The prospectus and the circular shall be signed by the intermediary institutions and the issuers jointly. Issuers are responsible for the fair reflection of the facts in the information contained in the documents. However, intermediary institutions that do not act with due diligence shall be responsible for the part of loss which cannot be indemnified by the issuers.

Shares sold through public offering must be fully paid for in cash. The Board shall require, from among the founders, shareholders or intermediary institutions, as the Board shall determine, a guarantee that the shares which remain unsold within the sales period will be purchased and funded completely. This guarantee shall also cover the purchase of the shares which remain unsold at the end of this period by the founders, shareholders or intermediary institutions and the payment of the purchase price in cash.

The delivery of capital market instruments shall be made at the time of sale; however joint stock corporations that adopt the share capital system may deliver their shares to the buyers within thirty days following the registration of the capital increase. This period is ninety days for registered shares. The right of share ownership is transferred by delivery of the shares to the buyer at that time of sale in the case of joint stock corporations that adopt the registered capital system and the

provisions in the third sentence of article 395 and article 412 of the Turkish Commercial Code shall not apply in such cases. The delivery of capital market instruments to the buyer at the time of sale is obligatory, with the exception of shares.

During the sale of capital market instruments, the Board may require persons and joint stock corporations effecting the sales to take appropriate measures to facilitate the purchase of the instruments by small investors and for protecting their rights and interests. The Board is authorized to make regulations ensuring the most extensive distribution and for assigning priority to purchases by small investors at public offerings.

Application to the Exchange

Article 8 – Repealed.

Submission of Information on the Sales Results

Article 9 – Issuers and intermediary institutions which effect the public offering of capital market instruments shall inform the Board about the results of the effected sales within six working days following the expiration of the sales period.

The principles and method of conveying such information shall be determined by the Board.

Amendments to the Prospectus

Article 10 – Issuers shall inform the Board regarding any changes in the information disclosed to the public in a prospectus within ten days of such changes.

The principles and method of conveying such information shall be determined by the Board.

Amendments shall be announced in accordance with the principles laid down in Article 6.

Dematerialization of Capital Market Instruments

Article 10/A – Records on capital market instruments and rights related to them shall be kept in book entry form by the Central Registry, which is a legal entity under private law. This organization shall be under the supervision of the Board. The establishment, operation, working and supervision principles of the Central Registry shall be determined by regulations promulgated by the Council of Ministers.

The Central Registry shall keep the records in electronic format with respect to issuers, intermediary institutions and owners of rights. Notwithstanding the provision of Article 7 of this Law, certificates shall not be required for those rights that are recorded. The principles for recording the capital market instruments in registered or bearer accounts, their procedure, and the principles for related operations shall be determined by a communiqué of the Board.

The date of notification to the Central Registry will be taken as reference in claiming against third parties the rights on the dematerialized capital market instruments.

The Board can determine the rights to be recorded pursuant to this article and the types of related capital market instruments with respect to their types and issuers.

In registering the transfer of shares at the share register of companies pursuant to Article 417 of the Turkish Commercial Code, the records at the Central Registry shall be taken as basis without the need for further application by any party.

The Central Registry, issuers and intermediary institutions shall be liable in the proportion of their fault for damages to the holders of a right due to errors in the records keep.

The provisions of Article 25 of this Law shall apply to the personnel of the Central Registry.

SECTION III
Provisions Related to Issuers and
Publicly Held Joint Stock Corporations

Common Provisions

Article 11 – The shares of joint stock corporations having more than 250 stockholders shall be considered to have been offered to the public and such companies shall be subject to the provisions applicable to publicly held joint stock corporations.

The Board shall keep records of the issuers subject to this Law. Issuers are required to inform the Board within thirty days following the date on which they learn that in any manner their capital market instruments are sold to the public or they have gained the status of a publicly held joint stock corporation. The company auditors are required to inform the Board of Directors of the issuer and the Board on the date they learn of this situation.

If in the course of an examination by the Board it is found that securities of a company subject to this Law are being traded in a secondary market, the Board, after considering the number of direct and indirect shareholders or the value of transactions, may require that the securities be traded on a stock exchange.

Issuers, otherwise within the scope of this Law, that are not joint stock companies, or that have not offered capital market instruments to the public, or whose total assets, gross sales revenues, or public offering totals are less than amounts specified by the Board, or who are issuing or offering to the public other capital market instruments may be partially or completely exempted by the Board from the requirements of this Law. The conditions of this exemption, the principles of issuers withdrawing from the Board registry or being withdrawn and the conditions of partial exemption from public offering regulations shall be determined by communiqués.

With the objective of facilitating circulation on national or international markets, “depository receipts” providing the same rights provided by the securities they represent may be issued in accordance with principles determined by the Board.

The provision of Article 368 of the Turkish Commercial Code concerning notification of shareholders by registered mail of the day and place of shareholder meetings shall not apply to registered shares continuously traded on stock exchanges or other organized markets.

In the case of a publicly held joint stock corporation, the quorum requirements set forth in Article 372 of the Turkish Commercial Code shall apply with respect to shareholders meetings concerning the matters set forth in the second and third paragraphs of Article 388 of the Turkish Commercial Code, provided that there is no contrary provision in the articles of association of the company.

The rights set forth in Articles 348, 356, 359, 366, 367 and 377 of the Turkish Commercial Code that can, under Article 341, be exercised by shareholders representing ten percent of the equity capital of the company may, in the case of publicly held joint stock companies, be exercised by shareholders representing at least one twentieth of the paid-in capital of the company.

The approval of the Board is required prior to making application to the Ministry of Industry and Commerce for an amendment to the articles of association of a publicly held joint stock company.

Registered Capital

Article 12 – Joint stock corporations established for the purpose of offering their securities to the public, or previously established joint stock corporations intending to offer their securities to the public by increasing their capital may adopt the registered capital system, provided that they obtain the permission of the Board.

The declared capital of such companies shall be the amount of their issued capital, and the Board of Directors may increase the capital of the company by issuing new shares up to the amount of registered capital stated in the Articles of Association without complying with the provisions of the Turkish Commercial Code concerning capital increases.

New shares are not to be issued, unless the already issued shares are completely sold and their values are paid.

The initial capital of the joint stock corporations with registered capital shall not be less than such amount as shall be determined by the Board and the amount of issued capital shall be indicated on the documents bearing the title of the corporation. The power to restrict the rights of shareholders obtaining new shares shall not be used in a way causing inequalities among the shareholders.

In order for the Board of Directors to adopt resolutions to issue privileged shares and shares with a premium over their nominal value or to limit shareholders’ preemptive rights, or to restrict the rights of holders of privileged shares, the Articles of Association must authorize such actions.

In the circumstances enumerated in the first subparagraph of Article 381 of the Turkish Commercial Code, members of the board of directors, auditors and shareholders whose rights have been violated by decisions of the board of directors pursuant to this article may, open a suit in annulment case within thirty days following the announcement of the decision at the commercial court at the location of the headquarters of the corporation. In this case, the provisions of Articles 382, 383 and 384 of the Turkish Commercial Code related to the annulment of general assembly decisions are applied. The company is obliged to inform the Board of the situation up until the end of three working days following the date when they learned that a lawsuit has been opened.

Decisions with respect to matters covered by this article made by the Board of Directors pursuant to authority granted by the Articles of Association shall be announced in the manner determined by the Board.

Joint stock corporations may withdraw from the registered capital system with the permission of the Board, and the Board may also remove from the system companies that cease to qualify for the system.

Issuance of Debentures and Other Debt Instruments

Article 13 – The total value of debentures and other debt instruments that may be issued as capital market instruments by a publicly held joint stock corporation may not exceed the balance remaining after deducting the losses, if any, from the total sum of the outstanding and paid up capital as shown on the latest independently audited financial statement and submitted to the Board plus reserves plus the revaluation fund approved by the general assembly.

The issue limits of debentures and other debt securities of local administrations and organizations, administrations, and entities acting according to their special legislation, and of state economic enterprises including the ones in the scope of privatization according to the legislation shall be determined by the Council of Ministers. In this case, the limits set forth by the special laws shall not apply.

The issue limits on debentures and other debt instruments to be issued by joint stock corporations which are set forth in Article 422 of the Turkish Commercial Code may be increased in general or by sectors by the Council of Ministers if it is deemed necessary.

The issue limits established by legislation shall not apply to issues with a Treasury guarantee.

New debentures and other debt instruments of the same class may not be issued, unless the already issued debt securities are completely sold or those which remain unsold are cancelled.

The Articles of Association may authorize the Board of Directors to issue debentures and other debt instruments. In this case, the provisions of Articles 423 and 424 of the Turkish Commercial Code shall not apply.

Asset Backed Securities

Article 13/A – Asset Backed Securities collateralized by receivable and fixed assets can be issued. The institutions that may issue such securities, issuing requirements, issue limits, eligible receivables and assets, and principles and essentials of evaluation and qualifications shall be regulated by communiqués issued by the Board.

The limits stated in Article 13 shall not apply to the issuance for asset backed securities.

Until the asset backed securities are redeemed, the related receivables and assets may not be used for other purposes, may not be pledged, may not be used as security, and may not be sequestered attached by third parties.

Convertible Bonds

Article 14 – The conditions and procedures related to the manner, issuance and conversion of convertible bonds shall be determined and announced by the Board.

The General Assembly or the Board of Directors of joint stock corporations may not adopt resolutions preventing the utilization of the rights of holders of convertible bonds.

Joint stock corporations that have adopted the registered capital system may not issue convertible bonds that would cause the total of the shares to be issued upon conversion together plus the issued capital of the company to exceed the registered capital of the company.

Nonvoting Shares

Article 14/A- If permitted by the company's Articles of Association, joint stock corporations may issue and offer to the public nonvoting shares that are preferred with respect to dividends.

The issuance of nonvoting shares, their share of the capital, the nature of the privileges to be granted at the profit distribution for the share certificates representing these shares, the form, content and kind of shares, privileges other than with respect to dividends, the principles of utilization of such shares, and requirements and procedures with respect to the public offering and sale of such shares shall be determined by the Board.

Principles concerning the Distribution of Dividends and Bonus Shares

Article 15 – The articles of association of publicly held joint stock corporations shall set forth a rate for the first dividend. This rate shall not be below the rate determined by the Board and announced in its communiqués. The Board may abolish or postpone the requirement for distribution of dividends for types of issuers and amounts of distributable profits.

Profit shall not be distributed to members of the board of directors, officials, employees or workers unless the articles of association so provide. No decision may be made to set aside profits for other reserves, to transfer profits to the following year, or to distribute a share from the profits to the members of the board of directors, officials, employees or workers unless the first dividend is paid as provided and unless the reserves required to be set aside as required by law have been so set aside.

Dividends shall be distributed equally to all the existing shares as of the end of the accounting period without taking into account the dates of issue or acquisition of such shares.

Provided that its articles of association so permit and there has been a decision of the general assembly giving such authority to the board of directors limited to the current year, publicly held joint stock corporations may distribute an interim dividend from profits shown on their quarterly financial statements prepared in conformance with the capital market legislation and independently audited, provided that the dividend does not exceed half of the amount remaining after subtracting the reserves required to set aside according to law and the articles of association plus funds designated for taxes. The total interim dividend that may be distributed in any year shall not exceed one half of the balance sheet profit for the previous year. A decision shall not be made to make additional interim dividends or to distribute dividends prior to entering into the accounts the interim dividends paid in the previous period. The provisions of the Turkish Commercial Code concerning the acceptance of the balance sheet and income statement and the distribution of dividends that are inconsistent with this article shall not apply to decisions to distribute interim dividends and the payment of such advances. The members of the board of directors and the juristic persons whom they represent, the company auditors, and the independent auditors and the real and juristic persons to whom they are connected, are jointly responsible for not reflecting the truth on the periodic balance sheets and income statements and for the damages arising from their not being prepared in accordance with law and applicable accounting principles and rules, to the company, the shareholders, the company creditors and furthermore, directly to the persons who have acquired shares within the balance sheet year in which a interim dividend has been decided to be paid or paid and to the third persons. In case of the existence of conditions where legal responsibility arises, an annulment case may be filed by the shareholders, the members of the board of directors, auditors and the Board within thirty days as of the announcement of the decision as provided in the sixth paragraph of Article 12. The Board is authorized to audit and alter the balance sheet and income statements including examination of the accuracy of the obligations that stem from the laws. The provisions related to a tax audit of the Tax Procedure Law are reserved. The principles related to the application of this paragraph shall be determined by the Board.

Bonus shares are distributed to the existing shares on the date of capital increases for the increases of publicly held joint stock corporations.

In the case of transactions with another enterprise or individual with whom there is a direct or indirect management, administrative, supervisory, or ownership relationship, publicly held joint stock corporations shall not impair their profits and/or assets by engaging in deceitful transactions such as by applying a price, fee or value clearly inconsistent with similar transactions with unrelated third parties.

Standard of Accounting, Financial Statements and Reports, Announcement, Independent Auditing

Article 16 – Issuers and capital market institutions shall prepare financial statements, financial reports and other information required by the Board to be disclosed, including consolidated financial statements, in compliance with the form and principles to be determined and generally accepted accounting principles, definitions and standards.

Issuers and capital market institutions shall have the financial statements which are identified by the Board audited by independent auditing firms previously established and to be established

according to paragraph (d) of Article 22, with respect to the compliance with the principle of fair reflection of the accuracy and reality of information.

The Board may require independent auditing reports in connection with public offerings, at the phase of adopting the registered capital system, and in the cases of liquidation, transfer, merger or status changes of joint stock corporations and capital market institutions that are subject to this Law.

Independent auditing firms are legally responsible for losses arising from false or misleading information and statements in the auditing reports they have prepared for the financial statements and reports that they have audited.

Financial statements and reports required by the Board, and, in the case of financial statements subject to independent audit, the reports of the independent auditors, shall be provided to the Board and disclosed in accordance with the principles and procedure established by the Board.

Special Cases of Public Disclosure

Article 16/A – For the protection of small shareholders and the enlightenment of the public, the Board shall adopt regulations with respect to the collection of share certificates; with respect to requirements for proxy voting in general assemblies; with respect to share certificate transfers; with respect to capital increases, mergers and transfers resulting in significant changes in the share distribution of the company; with respect to notice to shareholders at times of significant events and developments affecting the value of securities and the furtherance of control of the capital and management of publicly held Joint Stock Companies.

Members of board of directors, general managers and their deputies, and shareholders holding 10% or more of the capital of publicly held joint stock corporations shall provide the Board and relevant exchanges and other organized markets such information relating to their shares in those corporations as the Board may require for the purpose of disclosure.

SECTION IV The Capital Markets Board

The Board

Article 17 – The Capital Markets Board with the status of a public legal entity with administrative and financial autonomy is hereby established with the aim of implementing the duties and exercising its authority endowed by this Law.

The Board shall be composed of seven members two of whom shall be the chairman and the deputy chairman. The Board shall use its authority independently under its own responsibility. Its headquarters shall be in Ankara. The Board may open offices in other locations as deemed necessary.

The Related Minister is authorized to review the annual accounts of the Board and to have transactions relating to its expenditure audited and to take such measures as deemed necessary according to audit results.

A report showing the results of audit and the operations and the measures taken related thereto shall be presented to the Council of Ministers by the Related Minister along with the annual report of the Board¹.

Election and Appointment of the Chairman and the Members

Article 18 – The Board shall be composed of seven members who shall be appointed by resolution of the Council of Ministers, two from four candidates proposed by the Related Ministry, and one each from among two candidates proposed by the Ministry of Finance, the Ministry of Industry and Commerce, the Banking Regulation and Supervision Board, the Union of Chambers and Commodity Exchanges of Turkey, and the Association of Capital Market Intermediary Institutions of Turkey.

The Council of Ministers shall appoint one of the candidates as the Chairman. The Board shall elect one of the members as the Deputy Chairman upon the proposal of the chairman. The Deputy Chairman shall act as the Chairman's proxy when the Chairman is on leave, ill, on duty elsewhere in Turkey or abroad, has been discharged and in other situations when the Chairman is not on duty.

Conditions of Appointment and Term of Office

Article 19 – Those who shall be appointed as chairman or as a member of the Board:

a) shall have at least a bachelors degree in law, economy, finance, banking, business management, public administration, international relations, engineering and equivalent branches; Board members who have a bachelors degree in engineering shall have a masters degree in any of the fields enumerated above and carry the conditions stated in the subparagraphs 1, 4, 5, 6 and 7 of paragraph A of Article 48 of the Law of Civil Servants number 657 of July 14, 1965, and

b) shall have at least 12 years of experience as expert, auditor, administrator or faculty member in fiscal markets, economy, finance, business management, capital markets, banking, or in any law field related to any of the foregoing.

The term of duty of the Board Chairman and members is six years. Those whose term of duty is completed may be re-elected. One third of the members other than the Chairman shall be selected every two years. In case the chairmanship or a membership becomes vacant for any reason before the completion of the term of duty, then election and appointment shall be made for the vacant place in accordance with the principles stated above. Those who are appointed in this way shall complete the term of duty of the person in whose place they were appointed. Where the Chairman and any member becomes unable to perform his/her functions temporarily due to illness, accident or any other reason and such inability to perform his/her functions lasts for more than six months, his/her successor shall be appointed within two months.

The duties of the Board Chairman and members shall not be terminated prior to completing their periods of duty. However, if they lose the required qualifications for appointment or it is determined that they are in violation of Article 20 of this law or if a sentence imposed on the Board Chairman or a member

¹ *Regarding paragraphs 3 and 4 of this Article;* According to the Law No. 4743 dated by January 31, 2002; annual accounts of the Board shall be audited by a committee consisting of an inspector from the Prime Minister's office, an auditor from the Supreme Supervision Board, and an inspector from the Ministry of Finance. Annual report on the activities of the Board will be submitted to the Council of Ministers by the end of May. The Board will inform the Planning and Budget Commission of the Turkish Grand National Assembly yearly on its activities.

for crimes they have committed related to their duties become final, then they shall be removed from their duties prior to completion of their term with the approval of the Prime Minister.

Prohibitions

Article 20 – Unless permitted by a special law, neither any member of the Board nor the Board Chairman may accept employment in another public or private entity, be involved in commercial business, perform his/her profession independently, give a lecture in consideration of a fee or assume a role in any examination or similar tasks or acquire an interest in any undertaking. The Board Chairman and the members shall transfer or sell any shares and participation certificates of mutual funds the portfolio of which contains shares that they own before assuming their duties, to non-related individuals or who are more distant than 3rd degree blood relatives or 2nd degree non-blood relatives according to the legal definition of such individuals. Members who do not abide by this rule within 30 days will be considered as having resigned from their positions in the Board. Neither the Board Chairman nor members may work as managers of societies, foundations, cooperatives and similar entities.

Oath

Article 21 – The Chairman and the members of the Board shall take an oath in the presence of the First President of the Supreme Court that during the course of their term of office they shall perform the duties of the Board with utmost care and honesty and that they shall not act or allow other persons to act contrary to the provisions of the Law.

The application submitted for the oath shall be considered by the Supreme Court as an urgent matter. The Chairman and members of the Board may not assume their duties unless they have taken the oath.

Duties and Authorities

Article 22 – The principal duties and authorities of the Capital Market Board are indicated below:

- a) To regulate and control the conditions of the issuance, public offering and sale of capital market instruments with respect to the application of this Law;
- b) To register capital market instruments to be issued or offered to public and to halt the public offering sale of capital market instruments temporarily in case the public interest so requires;
- c) To determine standard ratios related to financial structures, and the use of resources of capital market institutions subject to this Law in general or by areas of activity or types of institutions, and to regulate the principles and procedures related to the publication of these ratios;
- d) To determine the principles related to independent auditing operations, including when appropriate with respect to use of electronic media in the capital markets; to determine the conditions for establishment and the working principles of institutions engaged in independent auditing operations with respect to the capital market according to Law No. 3568, dated 1 June 1989 by consulting with the Union of Chambers of Public Accountants of Turkey and to publish lists of those who have such qualifications;
- e) To make general and special decisions to ensure duly and timely enlightening of the public and to determine and issue communiqués about the content, standards and principles for the publication of financial statements and reports and their audit, of prospectuses and circulars issued at the public offering of capital market instruments, and of important information affecting the value of instruments;
- f) To supervise the activities of the issuers subject to this Law, banks with respect to provisions in paragraph (a) of Article 50, capital market institutions and stock exchanges and other organized markets for compliance with this Law, decrees, communiqués of the Board and other legislation related to capital markets by demanding all the necessary information and documents;
- g) To monitor all kinds of publications, announcements and advertisements which are related to the capital market made by any means of communications, and to ban those which are determined to be misleading and to inform the related organizations to duly execute what is required;
- h) To review the financial statements and reports and other documents obtained by it or submitted to it in accordance with the provisions of this Law, to request reports also from issuers and internal auditors and independent auditors about matters which are deemed necessary and by evaluating the results obtained, to take the required measures as proved in this Law;
- i) To determine the principles related to voting by proxy in the framework of the general provisions at the general assemblies of publicly held joint stock corporations and to make regulations related to those who collect proxies or acquire shares in an amount enabling them to change the

management of such corporations, or the obligation of purchasing other shares and the rights of the partners who are in the minority to sell their shares to persons or a group which has taken over the control;

j) To make regulations on the specifications and sale and purchase principles of any derivative instruments, including futures and options contracts based on economic and financial indicators, capital market instruments, commodities, precious metals and foreign currency; the rules and principles relating to supervision, obligations and activities of those who shall be employed at the exchanges and markets where these instruments shall be traded; and the principles for margining, clearing and settlement system;

k) To regulate agreements for the purchase or sale of capital market instruments with the promise to resell or repurchase; to adopt market transaction rules related to these contracts; and to determine operating rules and principles related to these transactions;

l) To determine rules and principles related to the borrowing and lending capital market instruments and short selling transactions and, after obtaining the opinions of the Undersecretariat of the Treasury and the Central Bank of the Republic of Turkey, to adopt regulations related to transactions involving margin trading ;

m) To make necessary regulations within the framework of related legislation with respect to the issuing and public offering of capital market instruments in Turkey by non-residents;

n) To regulate and supervise the clearing and custody of capital market instruments and the rating of capital market institutions and capital market instruments;

o) To determine the principles of establishment, operation, liquidation and termination of newly established capital market institutions and to supervise them in order to ensure the development of capital market.

p) To perform the examinations requested by the Related Minister; to submit reports to the Related Minister in relation with its activities; to submit proposals to the Related Minister with respect to the amendment of legislation concerning the capital market;

r) To establish the qualifications necessary to serve as an expert institution with respect to the appraisal of real estate for the purpose of capital market activities and to publish a list of the institutions that have met these qualifications;

s) To determine the rules and principles applicable to persons and organizations engaged in making investment recommendations on the capital market, including in the media and by electronic means;

t) To determine the principles for issuing certificates showing the vocational training and vocational adequacy of persons who shall engage in activities on the capital markets or who shall engage in activities in scope of paragraph (r) of this article and managers and the other employees of capital market institutions and with this objective to establish centers and to determine the principles with respect to the activity;

u) To regulate and supervise public offerings and capital market activities and transactions that are made by means of all kinds of electronic communication tools and media and similar tools including internet and pursuant to general rules to provide for and supervise the use of electronic signatures in activities within the scope of this Law;

v) To make rules and regulations with respect to the method of collective use of voting rights wholly or partly to select members of the board of directors and of company auditors by the general assemblies of stockholders of publicly held joint stock companies subject to this Law;

y) To collaborate in any way and to exchange information regarding the capital market with any equivalent authority of a foreign country responsible for regulation and supervision of their capital markets.

The Board shall exercise its authority by establishing regulatory procedures and by making decisions in individual cases. The regulations and communiqués issued pursuant to regulatory procedures shall enter into force by being published in the Official Gazette of the Republic of Turkey. Decisions in individual cases concerning the public shall be published for the information of the relevant persons and organizations in the weekly bulletin of the Board.

Administration and Work Order

Article 23 – The presence of at least five members including the Chairman shall be necessary to convene a meeting of the Board and decisions of the Board shall require the vote of a simple majority.

The Chairman and the members of the Board may not participate in the discussions and in the voting concerning issues related to persons who are their relatives in the degrees indicated in paragraph 3 of Article Article 245 of the Law on Legal Procedures .

Collaboration with Other Institutions

Article 24 – In the fulfillment of its duties, the Board may request the opinions of and information from Ministries, concerned officials and private institutions and persons. These institutions and persons are obligated to respond to such requests and to provide all kinds of facilities to the representatives of the Board.

The Board shall convey the issues which must be surveyed by other authorities to such authorities in accordance with relevant law.

Maintenance of Confidentiality and Offenses Committed in Relation to Money, Documents and Property of the Board

Article 25 – a) The Chairman, members and personnel of the Board, as well as auditing officials who have been appointed in accordance with this Law, may not disclose confidential information of the concerned parties or of third persons that they have learned during the performance of their duties and audit and they may not use such information for their own benefit. This obligation and responsibility shall also continue after the termination of their duties.

b) The money, documents and all kinds of properties of the Board are considered State Property. The Chairman, members, and personnel of the Board who commit offenses against these who abuse or neglect their functions and duties shall be subject to the same penalties as civil servants.

Prosecutions on these subjects shall be implemented in accordance with the general provisions.

Status of the Personnel of the Board

Article 26- The fundamental and continuous duties required for the functions of the Board shall be performed by civil servants appointed by the Board for full-time service.

If required, the Board may employ specialized personnel on a contract basis.

The prohibition stated in Article 20 of Law No: 275 Concerning Collective Bargaining, Strikes and Lock-outs shall be applied in the case of the Board.

Retirement and Assessment of Past Term of Service

Article 27 – The provisions of Law No. 5434 on the Retirement Fund of the Republic of Turkey and its supplements and amendments shall apply to the Board's personnel as well as the chairman and the members of the Board who have been appointed to these duties subject to retirement pension rights.

In the event that the Chairman or other members of the Board are attached to other social security institutions, which have been established by law, their attachment to those institutions shall continue.

In the application of Law No. 5434 on the Retirement Fund of the Republic of Turkey, with regard to retirement, the supplementary table and the compensation for the position held shall be applied as follows: the Board Chairman shall be comparable to the Ministry Undersecretary, the Board Members shall be comparable to the Deputy Ministry Undersecretary, the Vice Chairman of the Board shall be comparable to the Ministry General Director, a First Degree Department Head of the Board shall be comparable to the Ministry Deputy General Director, and Board specialists, provided that they have been entitled to receive a salary at the first degree, shall be comparable to a Treasury Specialist. The periods spent in these duties shall be considered to be spent in the duties, which require compensation for the position held.

The persons, who are appointed as Board Chairman and Board Member, shall terminate their ties with their former job, during their term at the Board. However the persons, who are subject to Law No. 657 on Civil Servants or special personnel regime that is subject to a special regulation, are appointed to a job with comparable status to their former job by the Minister, if they request so. The conditions required for the acquisition of academic titles are reserved.

If the persons who are subject to Law No. 657 on Civil Servants and who have been appointed to the chairmanship or membership of the Board, or who have assumed a duty with the Board, want to resume their duties as civil servants, the service terms which they have spent at the Board shall be credited by taking every year as the basis for one step increase and every three years for one degree increase, with the degree and steps to which they can be promoted according to the level of their education being reserved.

Wages and Financial Provisions

Article 28 – a) The monthly wages of the Chairman and the members of the Board, which shall not exceed the wage including all payments of the highest civil servant, shall be determined by the Council of Ministers upon the proposal of the Related Minister. In addition, each year four premiums shall be paid to the members and the Chairman of the Board. However, the aggregate amount of the annual premiums shall not exceed the aggregate amount of the annual premiums to be paid to the highest civil servant. Payments made to the highest civil servant, which are not subject to income tax shall not be subject to income tax under this law either. Any other payments under any name than those stated above are prohibited.

Wages and other financial rights of the personnel of the Board shall be determined provided that they do not exceed the amount determined for the members of the Board.

Principles concerning the wages and positions of the civil servants of the Board and personnel that are hired under contract shall be determined by the Council of Ministers upon the recommendation of the Board and proposal of the Related Minister.

b) All the expenditures of the Board shall be made from a special fund, which shall be established for its disposal.

Issuers shall pay to this fund a fee corresponding to three per thousand of the issuance value of the capital market instruments to be sold upon registration with the Board. This ratio may be reduced by Council of Ministers if deemed appropriate.

In the event that the income of the fund is not sufficient to cover the expenditures of the Board, the deficit shall be covered with the assistance extended from the budget of the Ministry of Finance .

In this case, the Board shall inform the Ministry of Finance about the expenditures to be made during the following year and the amount of the assistance to be extended from the budget, four months before the termination of each fiscal year at the latest.

c) The Board shall not be subject to Law No. 657 dated July 14, 1965, Law No. 1050 dated May 26, 1927, Law No. 2490 dated June 2, 1934, Law No. 468 dated May 22, 1964 and Law No. 832 dated February 21, 1967, or the supplements or amendments of these thereof².

Regulations

Article 29- The exercise of the authority of the Board; principles related to its administration and operations; procedures and principles to be implemented in collecting the income of the fund, in making expenditures, and in controlling these operations; the principles related to monthly wages, to manner of appointment, and discharge of personnel, disciplinary principles, cases concerning violation of duties and other rights and responsibilities as well as other issues shall be regulated in a Regulation to be adopted by the Council of Ministers.

² *Regarding subparagraph (c) of this Article;* According to the Law No. 4743 dated by January 31, 2002; the Board shall also not be subject to Law No. 6245.

SECTION V
Capital Market Activities and Institutions

Capital Market Activities

Article 30- Capital Market Activities falling within the scope of this Law are;

- a) Intermediation to the public offering or issuance of capital market instruments that are to be registered with the Board.
- b) The trading of previously issued capital market instruments for the purpose of intermediation
- c) Intermediation to the trading of all kinds of derivative instruments including futures and options contracts based on economic and financial indicators, capital market instruments, commodities, precious metals and foreign currency;
- d) The buying and selling of the capital market instruments with the agreement to repurchase or to reselling them;
- e) Investment advisory .
- f) Portfolio management and administration ;
- g) Activities of other capital market institutions.

Intermediation is the buying and selling of capital market instruments in the framework of Article 31 by authorized institutions in their own name and for their own account, in the name and for the account of another, and in their own name for the account of another.

Permission for Activity

Article 31- Institutions to be engaged in capital market activities must obtain permission from the Board. The principles regarding application and permission are to be regulated by the Board with respect to types of activities and intermediation. The permission for one or more than one type of activity or intermediation type can be granted to the capital market institutions by the Board. Capital market activities described in subparagraphs (a) and (b) of the first paragraph of Article 30 of this Law may be executed exclusively by intermediary institutions.

A Certificate of Authorization shall be given to authorized institutions indicating the types of capital market activities in which they are going to engage. The principles regarding capital market activities that can be engaged in and also the maximum commitment limit with respect to types of intermediation shall be determined by the Board.

Those which do not have a Certificate of Authorization or whose certificate has been cancelled, may neither engage in capital market activity nor use any phrases or words in its commercial name, advertisements or announcements which could create the impression that it engages in such activity.

The minimum qualifications required for the staff who will be charged for implementing capital market activities of capital market institutions shall be determined by the Board.

Capital Market Institutions

Article 32- Capital Market Institutions which may operate in accordance with this Law shall be as indicated below:

- a) Intermediary Institutions,
- b) Investment Companies,
- c) Mutual funds,
- d) Other Institutions given permission to operate in capital markets .

Establishment of Intermediary Institutions

Article 33 – In order for the Board to permit the establishment of intermediary institutions :

- a) They must be established as joint stock corporation,
- b) 100 percent of their capital must be in the form of registered shares,
- c) 100 percent of their capital must be paid fully ,
- d) Their paid in capital must be not less than the amount determined by Board.
- e) Their Articles of Association must be in compliance with the provisions of this Law.
- f) Their founders must be certified as never having been subject to legal prosecution due to bankruptcy or other infamous offence.

Operation of Intermediary Institutions

Article 34 – The principles related to the intermediation activities of intermediary institutions shall be regulated by the Board. The Board is authorized to make such regulations for each intermediation activity to be engaged by different institutions. Within the principles that shall be specified by the Board, intermediation institutions may engage in other capital market activities provided that they obtain permission to do so.

Intermediary institutions which will transact on an exchange must obtain an exchange membership certificate from the pertinent exchange.

The principles related to the activities and organization outside of their headquarters of intermediary institutions shall be determined by the Board. The Board shall give permission to organizations outside their organizations.

Intermediary institutions shall employ sufficient number of inspectors to audit the conformance of their transactions with capital market principles and regulations.

The types, amount, area of use and form of guarantees to be deposited by the intermediary institutions in relation to their capital market activities shall be determined by the Board. Such guarantees shall not be used as security, may not be attached by third parties, and shall not otherwise be used in a manner inconsistent with their purpose and shall not be transferred to third parties.

Permission of the Board shall be required for the transfer of shares of capital market institutions. Transfers made without permission pursuant to this provision shall not be registered in the share registry. Registrations made in the share registry that violates this provision are invalid. The principles related to the application of this paragraph shall be determined by the Board.

The principles pertaining to foreign institutions engaging in capital market activities shall be determined by the Board.

The Scope of Operations of Investment Companies

Article 35 – Investment companies are joint stock corporations that are established with the purpose of managing portfolios of capital market instruments, real estate, or gold or other precious metals. Such portfolios may be limited to one of these components or may include a mixture of those components.

In order to obtain permission to establish such a company, application must be made to the Board to engage in portfolio management as contemplated by subparagraph (f) of the first paragraph of Article 30. The activities other than portfolio management in which investment companies may engage shall be regulated by the Board.

Establishment and Operation of Investment Companies

Article 36 – The following is required for investment companies to obtain permission for establishment and operation:

- a) They must be established in the form of a joint stock corporation under the registered capital system,
- b) Its initial capital must be not less than an amount, which shall be determined by the Board,
- c) 100 percent of their capital must be paid fully .
- d) Their commercial title must include the phrase “Investment Company”,
- e) Their Articles of Association must comply with the provisions of this Law
- f) Its founders must be certified as never having been subject to legal prosecution due to bankruptcy or other infamous offence.

The types of investment companies according to the asset types that they can hold, principles of valuation, portfolio restrictions, principles of management, the principles with regard to distribution of profits, depository procedures and principles, and their obligations and principles in the event of their liquidation shall be determined by the Board.

Capital in kind may be used in accordance with the provisions of the Turkish Commercial Code for the establishment of and for capital increases of the real estate investment companies. The principles with respect to the public offering of shares issued in exchange for capital in kind shall be determined by the Board and the provisions of Article 404 of the Turkish Commercial Code shall not apply to the transfer of such shares.

Mutual Funds

Article 37 – The property established to manage a portfolio of capital market instruments, real estate, gold, or other precious metals by funds collected from the public in return for participation certificates issued in accordance with the provisions of this Law, on the account of the holders of such certificates under the principle of distribution of risk and fiduciary ownership is called mutual fund.

Such a fund does not have any legal identity; however, its assets are separate from those of its founder. The founder shall represent, manage or supervise the management of the fund in such a manner as to protect the rights of the holders of the certificates. The founder is responsible for the protection and safekeeping of the fund's assets. In the relations between the founder and the holders of the participation certificates, the provisions of the Code of Obligations regarding procuration shall apply so long as this Law and related regulations do not provide otherwise.

Rules and regulations regarding registration, annotation and other title deed operations related to real estate and real estate backed securities which are included in the portfolios of mutual funds and investment companies shall be determined by the Ministry to which the General Directorate of Title Deed Cadastre is related.

Establishment and Operation of Mutual Funds

Article 38 – In order to establish a mutual fund, it is compulsory for the founder to apply to the Board for permission with a certified copy from a notary of the internal statute of the fund prepared by the founder and the other documents required by the Board. When a bank or insurance company applies to the Board for establishing an mutual fund, the opinion of the Undersecretariat of Treasury and Foreign Trade shall be obtained.

The Board may direct that fund management and depository services be carried out by different institutions.

Banks, insurance companies, intermediary institutions, pension funds and employee funds, provided that there are no contrary provisions in their special laws, and also funds established in accordance with Article 20 of Law No: 506 which comply with standards put forward by the Board in a communiqué may establish mutual funds.

The Board shall determine the following:

a) The establishment of the fund, its minimum value, assets allowed for portfolio composition on the basis of differing types of funds, portfolio restrictions, valuation principles, determination of the funds profits and distribution of the fund's profits, principles regarding the operation and administration of the fund, merging of such funds, and the liquidation and termination of such funds,

b) The principles related to the preparation, scope, registration and announcement of the internal statute of the fund, and of the fund management contract, depository contract, the principles related to value of the participation certificates, computation and announcement of their issue and redemption prices, and terms of trading.

The assets of such funds may not be pledged or provided as guarantee and may not be seized by third persons.

The Board is empowered to take the necessary measures in the case of bankruptcy or liquidation of the founder or manager of the fund.

Other Capital Market Institutions

Article 39 – Other capital market institutions means institutions whose establishment and principles of operation are determined by the Board, including institutions which are engaged in clearing and settlement functions, rating of the capital market instruments, institutions which are engaged in the supervision of issuers and capital market institutions, companies which carry out capital market activities such as investment consulting and portfolio management, asset management companies, general financial companies established with the objective of issuing asset-backed securities in accordance with Article 13/A of this Law by taking possession of the receivables of other companies and organizations, institutions related to mortgage backed securities, venture capital mutual funds, venture capital investment companies, futures transactions intermediary institutions and portfolio safekeeping companies.

Exchanges and Other Organized Markets

Article 40 – The exchanges where capital market instruments are traded are institutions having a public legal entity and are organized within the framework of principles written in their special laws and which are authorized to facilitate the buying and selling of securities and the other

capital market instruments under conditions of free competition with security and stability and with publicly announced prices.

Exchanges formed as legal entities exclusively for the trading of futures and options contracts based on economic and financial indicators, capital market instruments, commodities, precious metals and foreign currency and for the capital market instruments composed of all kinds of derivative instruments may be established upon the suggestion of the Board and proposal of the Related Minister and with the approval of the Council of Ministers. The establishment, organization, operations, supervision, membership rules and principles of these exchanges shall be determined by regulations promulgated by the related ministry. If these exchanges are established as joint stock corporations, they may not distribute more than 20 percent of their annual profit. Capital market instruments in the scope of this subparagraph are exempt from the stamp tax.

The property of exchanges are considered to be State Property. The provisions of Article 25 of this Law shall apply to the chairman and the members of the board of directors and the personnel of exchanges.

The Board is authorized to make the regulations concerning the establishment of markets in which small and medium sized enterprises can obtain funds from the capital markets and other organized markets where capital market instruments are bought and sold and to provide for their engaging in activities with security, openness and stability.

The Board is the competent authority for the monitoring and supervision of the exchanges, markets and other organized markets in the scope of this article.

Exchanges established according to this Law shall be managed with a special budget. The budget year shall be the calendar year. The budgets and the personnel staff are finalized by the general assembly upon the proposal of the boards of directors. A total of 5 percent of the Exchanges' revenues derived from listing fees, official registration fees and exchange shares, shall be allocated as income to the budget of the Board. Upon the request of the Board, the Related Minister is authorized to increase this percentage up to %10, or according to the type and development level of the exchanges, to reserve a smaller percentage or not to reserve any. However the amount of income to be registered with the Board pursuant to this Article may not exceed 10% of the difference between the income and expenditures of the exchanges and of the net profit of the exchanges established as joint-stock corporations. Payments made within this Article must be made, at the latest, by the end of the fourth month of the calendar year following the year in which the income was generated.

Foreign Currency and Precious Metal Exchanges

Article 40/A – Related ministry has the authority to establish exchanges of currency and precious metals, to determine the principles regarding their operation and to make regulations regarding the supervision of these exchanges and of the intermediaries defining the principles governing intermediaries that shall trade in these exchanges.

The Association of Capital Market Intermediary Institutions of Turkey

Article 40/B – Entities which are authorized under this Law to engage in intermediation operations on capital markets in Turkey are required to apply to become members of the Association of Capital Market Intermediary Institutions of Turkey, which is a professional organization having the attribute of a civil institution possessing a legal entity. For this, such entities are obliged to make the required application within three months of the date they receive approval to operate as an intermediary institution. The intermediation activities shall be terminated by the Board for the institutions which do not conform with the aforementioned obligation.

The Association of Capital Market Intermediary Institutions of Turkey is charged with the duty of and authorized to engage in research to provide for the development of the capital market and intermediation operations; to constitute professional rules aimed at the solidarity of Association members and the operation of the capital market within the required vigilance and discipline; to take the required measures with the objective of preventing unfair competition ; to make, carry out and supervise regulations on the subjects entrusted to it by legislation or as determined by the Board; to cooperate with related organizations representing the member entities on related matters with the objective of imposing disciplinary penalties envisioned in the statutes of the Association; and to inform the members on this subject by following the professional developments and the administrative and legal regulations.

The Association is obliged to conform with this Law, the regulations, communiqués and decisions of the Board and the other legislation related to the capital markets in the decisions it makes and the regulations it adopts.

The Organs and Statutes of the Association

Article 40/C – The statutory organs of the Association are the general assembly, board of directors and board of statutory auditors.

The members of the organs of the Association of Capital Market Intermediary Institutions of Turkey shall be elected by secret ballot by the members of the Association under the supervision of the judiciary in the framework of the principles envisaged in this Law.

Not less than fifteen days prior to the general assembly meeting at which the election is to be held, a list identifying the members of the Association and their representatives who shall participate in the elections, along with a notice specifying the location, date, hour and the agenda of the meeting and also information with respect to a second meeting in case a quorum is not obtained for the first meeting, shall be conveyed in three copies to the judge selected by the High Election Board as Chairman of Election Board. The judge shall approve the list and other matters by making the required examination. He/she shall appoint a chairman of the balloting board and two balloting board members and one substitute member for each of these. The voting process shall be made according to secret ballot principles and open vote counting. The election results shall be determined in an official report at the end of the election period signed by the chairman and members of the balloting board. All kinds of objections to the election shall be made within two working days after the preparation of the official report shall be examined at the same day by the judge and a final decision shall be made.

The organs of the Association, revenues, expenses and operating principles, membership acceptance, principles for removal from membership temporarily or permanently, shall be regulated in the Statutes which shall be put into force with a Decree of the Council of Ministers upon the proposal of the Board and the positive opinion of the Related Ministry. The Association acquires legal entity with the coming into force of the Statute. The Board, upon the request of the Association or independently in circumstances where it is deemed necessary after obtaining the opinion of the Association, may propose to the Related Ministry to make amendments to the Statute. The Statute may be amended by a decree of the Council of Ministers if the proposal of the Board is found to be acceptable by the Related Ministry. Any Association fees not paid within the specified period shall be collected by the Association through legal proceedings. Decisions relating to payment of Association fees shall be deemed to constitute a written official document as defined in Article 68 of the Execution and Bankruptcy Law No. 2004. The members are required to comply with the Statutes of the Association and decisions made by the Association.

All kinds of transactions and accounts of the Association shall be audited by the Board. Decisions made by the authorized organs of the Association related to the rejection of an application for membership or removal from membership temporarily or permanently may be protested to the Board within ten working days following notice of the decision to the interested party. Decisions made by the Board with respect to such protests are final.

Article 41 – Repealed.

Article 42 – Repealed.

Article 43 – Repealed.

Article 44 – Repealed.

SECTION VI OVERSIGHT AND PENAL LIABILITY

Authorized Auditors

Article 45 – The application of the provisions of this Law and other laws related to the capital market, and all kinds of capital market operations and transactions shall be overseen by, experts and assistant experts of the Board.

The experts and assistant experts of the Board assigned by the Board are authorized to request information related to the relevant provisions in this Law and the other laws related to the capital market from the issuers, capital market institutions, their affiliates and institutions and other real persons and legal entities; to examine all their books, records and documents and other information sources; to obtain copies of these; to audit their transactions and accounts; to obtain written and oral information from related persons; and to prepare the required written reports; and the related persons are obliged to give copies of the requested information, documents, books and other information source and shall provide written and oral information and sign written reports.

The real persons and legal entities from whom information is requested within the framework of the first and second paragraphs shall not refuse to provide information by claiming the confidentiality and secrecy provisions included in special laws.

In case of failure to show and submit books, documents, files, records or other documents requested by those assigned to audit, a search may be made at the locations of the issuers, capital market institutions and their affiliates and institutions. The search may be ordered by an authorized judge of the criminal court if the judge decides to have a search to be made at the locations requested upon the request of the Board for a search through delivery of a written justification. The books and documents, found in course of search which are to be examined, shall be identified in a detailed written report and in cases where it is not possible to examine them on location, they shall be put in safekeeping and sent to the place of work of the person making the examination. Examination of the books and documents obtained as the result of a search shall be concluded within a maximum of three months and shall be returned to the owner with a report.

The provisions of the Notification Law shall be applied to the notifications that shall be made in accordance with this article.

Measures

Article 46 – Following the supervision, examination and auditing made in accordance with this Law, the Board is authorized;

a) To take all kinds of required measures for issues, public offering transactions and sales which are made without complying with the requirement for registration with the Board, and capital market operations which do not have permission; to request precautionary injunctions or attachments as exempt from any guarantees for public offerings that are made without complying with the obligation to register; and to file lawsuits or follow up within six months as of the date of the precautionary injunction or attachment; to file a lawsuit within three months as of the dates of determination and one year as of the dates of the occurrence for annulling the results arising from the capital market operations and transactions without permission provided that the rights of legal and punitive responsibility are reserved;

b) To file a case for cancellation against the decisions taken in accordance with the principles of Article 12 by the Board of Directors within 30 days beginning from the announcement of these resolutions, at the trade court in the local area where the headquarter of corporation is located, and to demand to defer the execution of these resolutions,

c) To open lawsuits for the determination or annulment of the transactions in violation of the law that lead to the decrease or loss of capital with the transactions and situations which appear to be contrary to law, the provisions of the articles of incorporation or the purpose of operation and legislation of the corporations and capital market institutions which are subject to this Law; to request from the related parties that precautionary measures are taken and that the envisioned procedures are made for the removal of the violations provided that the provisions of the Turkish Commercial Code are reserved and when necessary to convey these conditions to the related authorities;

d) To demand the reporting of auditing results from the corporations which are identified as engaging in the activities defined in the last paragraph of Article 15, within the framework of forms and principles that shall be determined by the Board.

e) To make the public announcement of the undisclosed information and remedies which should have been disclosed, but not disclosed, within the framework of the legislation, by collecting expenditures from the relevant corporations, persons, establishments or capital market institutions.

f) To request for the provision of the presentation or delivery by applying to the court when needed in case the books, documents, files, records and other sources including information requested by those charged with the duty of auditing are not presented or delivered;

g) To request for the provision of conformity to the law, the objectives and principles of the operation and the removal of the violations from the related parties in case it is determined that there are activities in violation of the legislation of the capital market institutions, the provisions of the articles of incorporation and the internal regulations; to restrict or remove the signature authority of the employees of the institution determined to be responsible for the violation after starting the legal investigation about them until the trial is concluded; to take all kinds of needed measures in case it is determined that the violations have not been removed or that there are violations which it shall not be possible to remove and to stop the operations of these institutions temporarily or permanently and remove their authorities;

h) To request the strengthening of the financial situations within a suitable period that shall be given in case it is determined that the financial structure of a capital market institution has become weakened significantly; to restrict or remove the signature authorities of the employees of such institution; to take the needed measures in case it is determined that the needed measures are not taken by these institutions within this period that is given or their financial situations have become weakened to the extent that they shall not be able to meet their commitments, to stop temporarily the operations of these institutions without giving any period of time or to stop them permanently and remove their authorities; to make a decision for gradual liquidations in case these measures do not produce results and to request direct bankruptcy without gradual liquidation or when needed following the conclusion of liquidation;

i) To take such measures needed to ensure the prevention of real persons or legal entities that are determined by the Board to have directly or indirectly participated in acts enumerated in the provision of subparagraph A of Article 47 of this Law from engaging temporarily or permanently in transactions on exchanges and other organized markets;

j) To send a representative, when it is deemed necessary, to general assemblies of publicly held joint stock corporations, without his having a right to vote,

k) To request the personal bankruptcies of shareholders who have a share of more than 10 percent, the chairman and members of the board of directors who have left their jobs or who are still working and the administrators who have signature authority and mutual fund administrators, provided that they have been determined by the Board to be responsible in situations of gradual liquidation or bankruptcy of the capital market institutions in accordance with subparagraph (h).

The assets of the capital market institutions, the authority of which has been permanently removed, shall not be transferred to third persons, or used as security, or listed as guarantees, and shall not be attached, and all the legal actions for collection of debts which have been started shall automatically be stopped from the date the Board decides to remove the authority until it is announced that the gradual liquidation procedures have been completed and from the time of registration to the judgement by the court of the request for bankruptcy, in case direct bankruptcy is requested or following gradual liquidation, excluding transactions that shall be made by the Board and the Investors' Protection Fund in the framework of gradual liquidation.

In case it is determined that an entity has engaged in activities on capital market without permission or that an entity has used words or phrases in its commercial title, notices and advertisements which create the impression that they engage in activities on capital market even though its certificate of authority has been annulled or its operations have been stopped temporarily, then, in circumstances where it is found to be detrimental to postpone action until the completion of a criminal investigation concerning the responsible persons, upon the request of the Board, their workplaces may be closed temporarily by the highest officials of the civil service and their notices and advertisements may be stopped, and the notices and advertisements may be confiscated with the documents which are in violation of the law.

The employees whose authorities are removed in accordance with subparagraphs (g) and (h) of the first paragraph of this Article shall not be employed as personnel authorized to sign at any capital market institution without the permission of the Board until their lawsuits have been concluded.

Concerning the assets of the capital market institutions where the operations are stopped temporarily according to subparagraph (h) of the first paragraph of this article, the provision in the second paragraph shall be applied from the date the temporary stoppage is decided on by the Board up until the date when permission is once again given to engage in activities.

The Board is exempt from all kinds of guarantees and expenses for the prosecution that shall be made and the lawsuits that shall be filed by the Board within the scope of this article.

Investors' Protection Fund

Article 46/A –The Investors' Protection Fund having legal entity has been established with the objective of meeting the liquidation expenses and to carry out the functions provided for in Article 46/B in accordance with the principles envisioned in this law with respect to intermediary institutions for which a gradual liquidation or bankruptcy decision is made and, on the condition that the provisions of the Banks Law are reserved, the banks in the scope of paragraph (a) of Article 50 of this law the operations of which are stopped by a decree of the Council of Ministers, to cover the cash payment and share delivery obligations arising from share transactions for their customers due to capital market operations and transactions in which they engaged. All intermediary institutions are required to participate in this Fund.

The Fund shall be administered and represented by the Central Registry Organization which has the function of keeping the records of capital markets instruments. The management and operating principles of the Fund shall be determined with a regulation that shall be promulgated by the Board.

The Board is authorized to examine and audit the accounts and transactions of the Fund and to request all kinds of information with respect to such matters. The Board, according to the results of the examination and auditing, may request from the Fund the execution of the matters which it deems necessary and when needed, it may request the Related Minister to transfer the management of the Fund to the Board. The Related Minister is authorized to make a decision to transfer the management of the Fund temporarily or permanently.

The Fund is not subject to the provisions of State Bidding Law No. 2886 and General Accounting Law No. 1050 from the aspect of counter-signatures and official registration and the Supreme Council of Public Accounts Law No. 832. The Fund shall be audited by the Supreme Council of Public Accounts. The income and transactions of the Fund are exempt from all kinds of taxes, stamp dues and expenses.

The revenues of the Fund are composed of:

- a) Annual dues to be deposited by the intermediary organizations,
- b) Administrative fines imposed by the Board, the exchanges on which securities are traded, and the Association of Capital Market Intermediary Institutions of Turkey,
- c) Temporary dues for which the amount is determined by the Board,
- d) The yield of the Fund assets,
- e) From other revenues.

The dues in subparagraph (a) above must be deposited in the Fund account by the end of the second month of the related year and the temporary dues within the period determined by the Board. A fine for delay shall be applied to dues not deposited within these periods at the rate that shall be determined by the Board provided that it does not exceed three fold of the increase in the Consumer Price Index of the State Institute of Statistics for the previous month for each month.

The amount of annual dues that shall be deposited to the Fund by intermediary institutions shall be determined by the Board in a manner that shall not exceed one per thousand of the monetary amount of the annual share transaction volume. The Board is authorized to request that payments are made at rates determined separately according to the type and risk situations of the intermediary institutions, provided that it does not exceed this maximum amount.

In case the assets of the Fund are not sufficient to meet the needs, then dues that shall be paid for subsequent years shall be paid on account up to one per thousand of the monetary amount of the share transaction volumes for the previous year shall be paid temporarily. If the dues received from intermediary institutions are not sufficient to meet the needs, then an advance shall be given to the Fund by the Istanbul Stock Exchange for the remaining portion.

The assets of the Fund may not be used as security, may not be shown for guarantees, and may not be sequestered by third parties.

The principles and methods of use of the Fund assets, the conditions for temporary dues on account and repayment of advances and other subjects shall be determined with a regulation promulgated by the Board.

Gradual Liquidation

Article 46/B – A decision may be made by the Board for the gradual liquidation of intermediary institutions, the authorities of which have been removed in accordance with subparagraph (h) of the first paragraph of Article 46 of this Law. The liquidation operations of these institutions shall be carried out by the Investors' Protection Fund.

The objective of gradual liquidation is to liquidate the cash payments and the delivery obligations of capital market instruments to the customers due to the capital market operations carried out in the framework of the Law by setting aside the amount obtained by transforming the assets to in kind or cash according to their attributes. In the decision and operations of gradual liquidation, the provisions related to liquidation in the Turkish Commercial Code, the Execution and Bankruptcy Law and the other legislation shall not be applied. The principles and method of application for gradual liquidation of intermediary institutions shall be set forth in a regulation promulgated by the Board.

After a decision is made for gradual liquidation, the duties and authorities of the legal organs of the intermediary institutions shall be carried out by the Fund until the liquidation is concluded.

A decision may be made by the Board to transfer to another institution the management of portfolios that are managed by an intermediary institution, including mutual funds and investment company portfolios. However, the provisions of subparagraph (h) of the first paragraph of Article 46 is reserved.

Payments by the intermediary institution for which a gradual liquidation decision is made shall be stopped and as of the date of this decision all its assets may be used only by the Fund. The Fund shall determine the assets and liabilities of the intermediary institution. The cash debts in the scope of the obligations that should be liquidated shall be calculated over the total principal capital and accrued interests at the date of the decision of gradual liquidation; with respect to the obligation to deliver capital market instruments, in cases where it cannot be delivered in kind, the debt shall be calculated based on the market value on the date the delivery went into default otherwise the day that the decision is made for gradual liquidation. The rights and obligations arising from contracts with maturity dates after the date of the decision for the gradual liquidation of the intermediary institution shall be determined as of their maturity dates. Legal default interest shall be applied at the rate envisioned in the third paragraph of Article 2 of Law No. 3095 Related to Legal Interest and Default Interest as of the maturity date of term debts and as of the date of the gradual liquidation decision for the other debts. In accordance with the legislation, guarantees given by the intermediary institution are also taken into consideration in the assets account.

The Fund shall determine the real holders of rights and the amounts of their receivables which are in the scope of liquidation of the intermediary institution based on the records kept by the Board, the records of the intermediary institution, the records of other official and private institutions related to these organizations and other reliable information and documents. In case there is the existence of the conditions described in Articles 278, 279 and 280 of the Execution and Bankruptcy Law, an annulment lawsuit may be opened by the Fund.

For the intermediary institutions which are not subject to gradual liquidation but for which a decision of bankruptcy has been made, payment shall be made from the Fund, with the approval of the Fund management, to the creditors for cash and shares arising from the share transactions on the list by considering the amounts owed which appear on this list. In accordance with the related legislation, the banks for which operations are stopped, in accordance with the related legislation of the bank management, the real holders of rights and the amount owed for cash and shares arising from share transactions are determined by the organization that takes over and, with the approval of the Fund administration, it is taken as the basis for the payments that shall be made from the Fund. For payments that shall be made in accordance with this paragraph, the principles for making payments to the creditors of intermediary institutions subject to gradual liquidation shall be applied.

At the beginning of the gradual liquidation, first of all the capital market instruments shall be distributed to the holders of the rights in the customer settlement accounts. With this objective, the capital market instruments that are settled in the customer account are compared as of the separate accounts and shall be used only for meeting the obligations to these account holders.

For the holders of settlement accounts who have enough to meet what is owed in the account or who do not have any shares, a total of seven billion five hundred million TL of their cash and share receivables shall be paid by the Fund without waiting for the conclusion of the liquidation. However, for those who appear to be creditors of the same institution in the opinion of the Fund who have acted together with the institution, payment is made in the proportion to their receivables provided that it does not exceed the above total. Advance payments shall not be made from the Fund to shareholders, members of the board of directors or board of auditors, personnel authorized to sign and their spouses, blood relatives and relatives by marriage including the third degree, who appear to be debtors of the intermediary institution subject to gradual liquidation. The total payment that shall be made in accordance with this paragraph shall be increased at the rate of the revaluation coefficient that is announced every year.

The Fund, after making the advance payments, shall continue the gradual liquidation of the intermediary institution. The liquidation balance of the receivables from the holders of the rights in the

scope of the objective of the liquidation shall be used for the payment of the receivables which are not completely met. However, if the liquidation balance is not sufficient to meet all of these receivables, then payments shall be made by pro rata distribution. After all of these receivables are met, then from the remaining portion, first of all the public receivables and from the remaining amount, the receivables arising from the advances made by the Fund and the liquidation expenses shall be paid. The balance is distributed to the other creditors. If the assets of the intermediary institution are not sufficient to meet the receivables of the holders of rights in the scope of the objective of liquidation, the payments made from the Fund and the liquidation expenses, then the Fund, with the concurrence of the Board, may request the bankruptcy of the intermediary institution.

The gradual liquidation of capital market institutions other than intermediary institutions shall be undertaken by the Board and, other than the provisions related to the Investors' Protection Fund, this article shall be applied for them. The methods of gradual liquidation of the institutions in the scope of this paragraph shall be determined by the Board by taking into account their types.

Penal Liability

Article 47 – In case other law and legislation does not provide a more severe punishment:

A) 1. To benefit to his/her self-owned property or to eliminate a loss so as to damage equal opportunity among the participants operating in capital markets with the aim of gaining benefit for himself/herself or for third parties by making use of non-public information which will be able to affect the values of capital market instruments is insider trading. The chairman and members of the Board of Directors, directors, internal auditors and other staff of the issuers within the scope of Article 11, capital market institutions or of the subsidiary or dominant establishment, and apart from these persons who are in a position to have information while carrying out their professions or duties, and the persons who are in a position to have information because of their direct or indirect relations with these.

2. Real entities, the authorized persons of legal entities and those acting together with them all which trade capital market instruments in order to artificially affect their demand and supply, to give the impression of existence of active market, to hold the prices at the same level, to increase or decrease the prices.

3. Real entities, authorized persons of the legal entities and those acting together with them all which give and those acting together with them all which give and disseminate misleading, false, deceiving, information and news, make comments or do not disclose the information which he/she should disclose.

4. Persons who act in violation of the first and third paragraphs of Article 4 and related real persons and authorized persons of legal entities who engage in capital market activities without permission or through or on behalf of entities whose authorization certificates are annulled or whose operations are temporarily stopped, or using words or expressions in commercial titles, notices or advertisements which create the impression that they are engaged in activities on the capital market or who continue their activities in violation of the first and third paragraphs of,

5. The related real persons and authorized persons of legal entities who sell or use as a security or in whatever manner for the benefit of themselves or someone else, cash or other assets of any kind which are consigned or delivered physically or by registration to capital market institutions by investors in the course of capital market activities or as a trustee or to manage them or who use them as a guarantee or for whatever use, or who conceal or deny or transform and alter records including those kept in a computer environment for such purpose or hide such acts,

6. The authorized persons of legal entities who engage in activities described in the final paragraph of Article 15 of this Law to decrease the profits and/or assets, or those who participate in these acts,

7. The related real persons and authorized persons of legal entities who sell uncovered capital market instruments with the promise of repurchase without returning them,

shall be punished with a prison sentence of from two to five years and a heavy pecuniary fine of from 10 billion TL up to 25 billion TL. If two or more of the cases specified in this sub paragraph are combined in the committing of the crime, then the minimum limit of the prison sentence is three years and the maximum limit is six years.

B) 1. According to this Law, those who do not give the requested information, give incomplete or false information to the Board or those appointed by the Board; those who do not present books and documents to these persons on duty, who conceal, destroy or who prevent the carrying out of their duties;

2. Those who do not keep required books and records, who open accounts or keep records contrary to the facts in official books and records, and engaging in any kind of accounting tricks in connection with such books and records;

3. Those who deliberately prepare independent auditing reports which are contrary to the facts and those who participate in the preparation of such reports;

Those who commit any of the above acts shall be punished with a prison sentence of from one to three years and a heavy pecuniary fine of from 8 billion TL up to 20 billion TL. If two or more of the cases set forth in this subparagraph are combined in the committing of the crime, then the minimum limit of the prison sentence shall be two years and the maximum limit shall be four years.

C. Those who act in violation of the second paragraph of Article 6 of this Law or Articles 7, 9, 10, 10/A, 11 or 12; the fifth paragraph of Article 13; the third paragraph of Article 13/A; the third paragraph of Article 14; the first, second, third, fourth and fifth paragraphs of Article 15; Article 16 or 16/A; subparagraph (a) of Article 25; subparagraph (b) of Article 28; Article 34; 38; 40/B; or Article 45; the second and fifth paragraphs of Article 46; Article 46/A or Article 46/B shall be punished with a heavy pecuniary fine of from 5 billion TL up to 15 billion TL.

In accordance with paragraphs (A), (B) and (C) of the first clause, the heavy pecuniary punishment to be given is not bound to an upper limit, but cannot be less than three fold of the benefits obtained by committing the crime.

In the case of the repetition of the acts subject to the penalties determined in this Article, the penalties given shall be increased them by one half. In order to raise the penalties, execution of the previous penalty is not a condition.

Administrative Pecuniary Punishments

Article 47/A – Real persons and legal entities who are determined to have acted in violation of the regulations, standards and forms or general and special decisions made by the Board based on this Law, a pecuniary punishment of between 2 billion TL and 10 billion TL shall be imposed by the Board stating the justification.

Defense of the related person shall be required before the application of administrative pecuniary punishments. If the defense is not submitted within one month from the delivery of the written defense request, the person to be subjected to have waived the right of defense

In case the acts which require the giving of an administrative pecuniary punishments are repeated, then the pecuniary punishment to be applied shall be increased two fold, and for the second and subsequent repetitions, the pecuniary punishment shall be increased by three fold. In case the same acts which required the giving of an administrative pecuniary punishment are not recommitted within two years as of the date these punishments were given, then the previous punishments are not considered to be repeated.

For the members who do not conform to the responsibilities in the fifth subparagraph of Article 40/C of this Law, a pecuniary punishment of from 1 billion TL up to 5 billion TL shall be imposed by the Board of Directors of the Association of the Capital Market Intermediary Institutions of Turkey. The Association, along with notifying, on the one hand, the relevant party of the punishments given, on the other hand shall also inform the Investors' Protection Fund for the collection and registration of revenues.

In case these punishments are not paid to the Investors' Protection Fund within 30 days as of the date of notification to the relevant parties, then it shall be followed up under the provisions of Law No. 6183 related to the Procedure of Collection of Public Claims and collected by the Fund and registered as revenues.

Increasing the Penalties

Article 48 – The penalties determined in accordance with general provisions for the deeds committed by the chairman and members of the Board of Directors, auditors, managers and other personnel of issuers and capital market institutions, responsible persons and representatives of Mutual Funds concerning the offences committed in relation to the assets, other properties, capital market instruments, accounts, document, files, registers and other documents of the joint stock corporation, institution or the Fund, shall be increased by one half.

Provisions of Procedure

Article 49 – The implementation of a legal prosecution due to the offences identified in Article 47 is conditional upon the written application to be submitted to the Public Prosecutor's Office by the Board. Through this application the Board shall become the intervener at the same time.

Public Prosecutors who have been informed that the provisions of this Law have been violated may request an investigation by informing the Board.

In case the Public Prosecutors decide that a legal prosecution is not necessary, the Board shall be entitled to raise an objection in accordance with the Code on Penal Procedures.

The processes related to offences set forth in this Law shall be considered as urgent matters by the courts and judgements shall be rendered with priority.

SECTION VII MISCELLANEOUS PROVISIONS

Provisions Reserved and Exceptions

Article 50 – a) The banks which go public with their securities and performs activities which have been regulated in Section V of this Law; the bank shall be subject to the provisions of this Law, provided that they are limited with such activities. However, the provisions of this Law related to the number of shareholders shall not be applicable to the banks.

Matters such as minimum amount of funds, accounting records and documentary systems necessary for banks engaging in capital market activities shall be regulated by a Decree issued by the Board with the concurrence of the Undersecretariat of Treasury.

The Related Ministry is authorized to determine the principles for dividends to be distributed by banks whose shares are publicly held and the utilization of their revaluation fund.

Banks and insurance firms are subject to the provisions of their special laws with respect to matters such as establishment, auditing supervision, accounting, standard of financial statements and reports.

b) The provisions concerning joint stock corporations which have been established based on special laws are reserved.

c) Article 4 of Law No. 440 shall not apply to the purchase and sale of shares which shall be effected by banks that are subject to Law No. 440, dated March 12, 1964, as intermediaries in accordance with the provisions of this Law.

d) The provisions of Law No. 1211 on the Central Bank of the Republic of Turkey and Law No. 7397 concerning the Auditing of Insurance Companies are reserved.

Supplementary Article 1 – The Accounting Standards Board of Turkey, having public legal entity, administrative and financial autonomy, is established to encourage the development and the adjustment of national accounting standards for rendering required financial statements in a correct, dependable, equivalent, comparable and understandable manner and to determine and publish national accounting standards, which shall be applied for public interest. This Board shall be a related institution of Prime Ministry.

The Accounting Standards Board of Turkey shall be composed of nine members, one from each the Ministry of Finance, the Ministry of Industry and Commerce, the Council of Higher Education, the Undersecretariat of Treasury, the Capital Market Board, the Banking Regulation and Supervision Board, the Commodity Exchanges and the Association of Chambers of Commerce, one self-employed accountant and one certified financial consultant from the Union of Chambers of Self-Employed Accountants, Financial Consultants and Certified Financial Consultants of Turkey. The term of duty of the members of the Board is three years. The related institution shall appoint a member in lieu of a member who quits prior to the completion of his term.

Members of the Accounting Standards Board of Turkey shall either have at least a bachelor's degree in economy, finance, political sciences, business administration, economics and administrative sciences, and equivalent branches or members who have a bachelor's degree in other branches shall have a master's degree and at least twelve years of experience in the above-mentioned branches. The Board shall elect its Chairman and Vice Chairman from among its members. Members of the Board shall be paid an attendance fee equivalent to the attendance fee paid by the Higher Planning Board to the Directors of State Economic Enterprises.

The income of the Board shall be composed of 2% of the income of the Union of Chambers of self-employed Accountants, Financial Consultants and Certified Financial Consultants of Turkey and royalty rights of the created accounting standards and contributions of the related institutions and income from other activities. The Board shall not be subject to the provisions concerning the approval and registration of General Accounting Law No. 1050, Supreme Council of Public Accounts Law No. 832, State Bidding Law No. 2886 and Expense Law No. 6245 and Public Fees Law No. 492. Income and expenditures of the Board shall be audited by the Supreme Council of Public Accounts.

The Board may employ personnel to perform its regular activities and may request personnel from related institutions if deemed necessary. The Board shall form working commissions to regulate the accounting standards in collaboration with representatives of related institutions.

Principles concerning the work of Accounting Standards Board of Turkey and principles concerning the quality and scope of the applications of the standards shall be determined by regulations of the Council of Ministers.

Enforcement

Article 51 – This law shall enter into force on the date of its publication [*but see certain transition provisions below and see also Article 30 of the amending law (set out below) with respect to effective dates applicable to Article 10/A, subarticle a) of Article 28, Article 46/A, and Article 46/B.*]

Execution

Article 52 – The provisions of this Law shall be effected

PROVISIONAL ARTICLES

Interim Provisions 1-5– Repealed.

Interim Provision 6– After Article 10/A of this Law goes into effect, certificates may not be issued to represent the capital market instruments for which it has been decided by the Board that registration in accordance with that article shall apply. However, for the issues up until end of the third year following the date Article 10/A enters into force, the holders of the rights may request the issuing organizations to print certificates. The period of carrying out these requests, the method and the principles of application shall be determined by the Board.

Certificates for capital market instruments which has been decided by the Board that registration in accordance with Article 10/A of this Law shall apply and which are printed in accordance with the first paragraph of this article or prior to the entering into effect of this law, shall, before the end of the sixth year following the date that Article 10/A enters into force, be delivered to the issuing organization, the intermediary institutions which have been authorized for this purpose, or to the Central Registry Organization which shall keep the recordation of the capital market instruments. The certificates received in this manner shall be collected at the Central Registry Organization pursuant to rules and regulations determined by the Board and shall be annulled and destroyed. The rights which the instruments represent shall be recorded at the Central Registry Organization in accordance with the provisions of this Law.

Certificates for capital market instruments which are not delivered before the end of the period stated in the second paragraph shall not be traded on exchanges after this date, can not be intermediated by intermediary institutions, and shall not be used in connection with repurchase certificates. The financial rights connected to these instruments shall be monitored at the Central Registry Organization and, in case the certificates are delivered according to the principles in the second paragraph, then they shall be transferred to the accounts of the holders of the rights and the rights related to management shall be recorded by the Central Registry Organization.

The periods envisaged in the first and second paragraphs of this article may be extended to one fold by a Decree of the Council of Ministers.

Interim Provision 7 – Once capital market instruments are recorded, payment prohibitions and annulment decrees relating to capital market instruments shall be notified to the Central Registry Organization by the courts and the issuers.

Interim Provision 8 – The Statutes of the Association of Capital Market Intermediary Organizations of Turkey shall be put into force within one year from the date that this Law goes into effect. The intermediary organizations engaged in capital market activities are obliged to the Board for membership in the Association of Capital Market Intermediary Organizations of Turkey within this period.

These membership applications shall be concluded by the Board. The Board shall summon the Association members to their first general assembly meeting within one month after the Statutes go into force.

Interim Provision 9 – A total of ten trillion TL shall be deposited in the Fund account by the Istanbul Stock Exchange with the objective of forming the initial assets of the Investors' Protection Fund.

By taking as the basis the financial amount of the volume of transactions of shares for 1998 of the intermediary institutions, the annual dues which they are obliged to deposit to the Investors' Protection Fund in accordance with Article 46/A of the Law, shall be deposited to the Fund account by these institutions.

The dues required to be paid in accordance with this article are required to be deposited to the Fund account within one month following the entering into effect of the regulations that shall be made by the Board related to the Fund. In case the payments are not made within this period, a delay penalty for the portion of the payment that goes into default shall be applied at the rate provided in Article 46/A and collected by the Fund.

Pursuant to the provisions of Article 40 of this Law, the amount that shall be calculated based on the revenues shown in the financial tables of December 31, 1998 of the Istanbul Stock Exchange, shall be deposited in the Board account within one month following the date on which this Law enters into force.

CERTAIN OTHER PROVISIONAL ARTICLES

Decree by Law No. 311 dated by January 14, 1988

Provisional Article 2- The members of the Board will be appointed in two months. Present members shall go on their duties until these appointments.

Law No. 3794 dated by April 29, 1992

Provisional Article 1 – The provisions of this Law related to the registration of capital market instruments shall apply to the issuance and public offering applications made after the Law becomes effective.

Provisional Article 2 – The rights of being engaged in activities and stock exchange membership regulated in sub-paragraph (a) and (b) of the first paragraph of Article 30 of [a predecessor Law] for intermediary institutions which had (A) type of Certificate of Stock Exchange Banker and in sub-paragraph (b) of the same paragraph for the (B) type of Certificate of Stock Exchange Banker before the effectiveness of the Law are reserved. However these intermediary institutions are required to exchange the Certificates of Stock Exchange Banker they hold for certificates of authorization by applying to the Board within 6 months after the date [a predecessor Law] becomes effective.

Law No. 4487 dated December 15, 1999

Provisional Article 1 – The Chairman, Deputy Chairman and members of the Board on duty on the effective date of this Law shall complete their term of duty of three years. The title “Deputy Chairman” has been amended to “Second Chairman” on the effective date of this Law.

At the end of the term of duty of the Chairman, Deputy Chairman and members of the Board who are on duty on the effective date of this Law between the members except the Chairman who shall be appointed under the provisions of Capital Market Law No. 2499 as amended in lieu of two members to be appointed by lot at the end of the second year and two members to be appointed by lot at the end of the fourth year among the remaining members under the prior provisions of Capital Market Law No. 2499. Prior to the formation of the decision organs of the Banking Regulation and Supervision Board and the Association of Capital Market Intermediary Institutions of Turkey, nominees to be appointed by the Banking Regulation and Supervision Board shall be appointed by the Related Ministry and nominees to be appointed by the Association of Capital Market Intermediary Institutions of Turkey shall be appointed by the Union of Banks of Turkey

Provisional Article 2 - A special fund is established to reimburse claims of creditors, arising from capital market activities of intermediary institutions whose all certificates of authorization have been cancelled prior to the effective date of this Law. A bankruptcy suit filed against such debtors prior or following the effective date of this Law and a certificate of insolvency concerning such debtors during the liquidation is required in order to disburse payments from the fund to the above-mentioned creditors of intermediary institutions.

Amount of credit of cash and stocks based on a certificate of insolvency during the liquidation shall be converted to U.S. Dollars equivalent calculated by applying the foreign exchange purchase rate of Central Bank of Turkey on the date the certificate of authorization of the intermediary

institutions was cancelled. Following the bankruptcy of the intermediary institution, payments during the liquidation shall be converted to U.S. Dollars equivalent calculated by applying the foreign exchange purchase rate of Central Bank of Turkey and shall be deducted from the principal credit. The calculated outstanding amount shall be converted to Turkish Liras equivalent calculated by applying the foreign exchange purchase rate of Central Bank of Turkey on the date that a certificate that they are unable to pay their debts has been written and shall be paid to the holders of the rights in accordance with the principles indicated in paragraph 3.

The amount of the payment to creditors prior to December 31, 2000 may not exceed 2 billion Turkish Liras. This amount may be increased after January 1, 2001, at the rate of the revaluation coefficient that is announced every year. However the maximum amount of payment to holders of the rights shall be determined by converting payments on dollar basis deducted under paragraph 2 from the Turkish Lira equivalent of the main credit calculated by applying the foreign exchange purchase rate of Central Bank of Turkey on the date that a certificate that they are unable to pay their debts has been obtained and deducting this amount from the maximum amount of payment.

Within two months following the effective date of this Law, the Istanbul Stock Exchange shall grant 10 trillion Turkish Liras to this Fund. This Fund shall be invested in the deposit account of a public bank or in government paper by the Presidency of Istanbul Stock Exchange. This Fund shall not be used for any purpose other than payments to be made in accordance with the provisions of this Article. In case the amount of the Fund becomes insufficient to meet the necessary payments, an additional amount to be determined by the Council of Ministers and not exceeding 5 trillion Turkish Liras shall be provided by the Istanbul Stock Exchange. After all the necessary payments within the scope of this Article are determined to be completed by written declarations of the related bankruptcy administrations, the remaining amount shall be the property of the Istanbul Stock Exchange.

The payments which shall be made from the Fund are made to the bankruptcy administrations by the Chairmanship of the Istanbul Stock Exchange with the concurrence of the Capital Market Board, based on the certificate that they are unable to pay their debts which is presented by the related bankruptcy administrations. The Capital Market Board, to assure that the payments are made in accordance with the provisions of this article, has the right to reciprocally examine, based on the definite list, the documents in the bankruptcy file and the documents which shall be requested from the bankruptcy administration and the bankruptcy department and to reject requests for payment which are contrary to the provisions of this article and other related legislation.

Payments to the holders of the rights are realized by the bankruptcy administrations. In the scope of this article, payments shall not be made to the shareholders, members of the board of directors and board of auditors, the personnel authorized to sign and their spouses, blood relatives and relatives by marriage including the third degree, who appear to be debtors of the intermediary institution or capital market institution. The Chairmanship of the Istanbul Stock Exchange is the successor to the rights for the payments made to those who have a certificate that they are unable to pay their debts. Creditors' rights arising from the general provisions are reserved with respect to rights exceeding payments made pursuant to this article.

The Council of Ministers is authorized to determine and adopt regulations concerning the principles and methods related to the application of this article.

Provisional Article 3 – In case the aggregate amount of monthly wages including all sorts of payments to be determined for the Chairman and the members and the personnel of the Board pursuant to paragraph (a) of Article 28 of the Capital Market Law No. 2499 as amended by Article 13 of this law are less than the aggregate amount of monthly wages including all sorts of payments of the last payment prior the effective date of this law, the difference between these amounts shall be paid as compensation without being subject to tax or deduction until the termination of this situation.

Validity

Article 30– This Law enters into effect as follows:

Article 1 [of the amending law, which adds Article 10/A above] is valid from the date of publication and effective from the date on which the Central Registry Organization is established,

Articles 23 and 24 [of the amending law, which rewrite Articles 46/A and 46/B as set out above] are valid from the date of publication and effective following the promulgation by the Board of regulations concerning the Investors Protection Fund after the establishment of the Central Registry Organization.

Article 13 [of the amending law, which amends subparagraph (a) of Article 28 as set out above] and Provisional Article 3 [set out above] shall become effective on January 1, 2005.

The other articles are effective on the date of publication.

[NOTE: The date of publication of the amending law was December 18, 1999.]