

# **REGULATION ON PRINCIPLES OF FOUNDATION, ACTIVITIES, OPERATIONS AND AUDIT OF EXCHANGES AND MARKET OPERATORS**

**(Published in the Official Gazette edition 28712 on 19/07/2013)**

List showing the amendments and revisions in the Regulation:

- 1) Regulation revising the Regulation on Principles of Foundation, Activities, Operations and Audit of Exchanges and Market Operators has been published in the Official Gazette edition 29150 on 19/10/2014.
  
- 2) Regulation revising the Regulation on Principles of Foundation, Activities, Operations and Audit of Exchanges and Market Operators has been published in the Official Gazette edition 29459 on 28/08/2015.

## **FIRST PART General Provisions**

### **Purpose**

**ARTICLE 1 – (1)** The purpose of this Regulation is to regulate the procedures and principles relating to establishment and capital structure of exchanges where capital market instruments, foreign exchange, precious metals and precious stones and other agreements, certificates and assets deemed fit by the Board will be traded, and relating to the exchange activities to be carried out by the exchanges under the Law, and supervision and audit of such activities, and temporary or permanent suspension of their operations, and market operator.

### **Scope**

**ARTICLE 2 – (1)** This Regulation regulate the principles of establishment, activities, operations and audit of exchanges where capital market instruments, foreign exchange, precious metals and precious stones and other agreements, certificates and assets deemed appropriate by the Board will be traded, and of market operators.

### **Grounds**

**ARTICLE 3 – (1)** This Regulation has been issued and published in reliance upon Articles 65, 67 to 73 of the Capital Markets Law no. 6362 dated 6/12/2012.

### **Definitions and abbreviations**

**ARTICLE 4 – (1)** For the purposes and in the context of this Regulation:

- a) “Exchange” refers to systems and market places authorized in accordance with Law and established in the form of joint stock corporations that are operated and/or managed by themselves or a market operator to ensure smooth and secure trading of capital market instruments, foreign exchange, precious metals and precious stones and

- other contracts, documents and assets deemed appropriate by the Board under free competition conditions and to determine and declare the prices formed, which operate on a regular basis to bring together purchase and sale orders so as to execute them or to facilitate bringing together of such orders; and
- b)** “Exchange Regulations” refers to regulations to be issued by the Exchange and approved by the Board pursuant to and under the Capital Markets Law no. 6362 and this Regulation; and
  - c)** “Related Minister” refers to the Minister to whom the Capital Markets Board is related and affiliated; and
  - ç)** “Instruments to be traded” refers to capital market instruments, foreign exchange, precious metals and precious stones and other agreements, certificates and assets deemed appropriate by the Board as further defined in the Law; and
  - d)** “Law” refers to the Capital Markets Law no. 6362; and
  - e)** “Board” refers to the Capital Markets Board; and
  - f)** (Added by the Regulation published in the Official Gazette edition 29459 on 28/8/2015)<sup>1</sup> “Central counterparty service” refers to central counterparty service as defined in İstanbul Settlement and Custody Bank Joint-stock Company Central Counterparty Regulation published in the Official Gazette edition 28375 on 14/8/2013; and
  - g)** “Partner Having Significant Influence” refers to a partner holding shares which directly or indirectly represent 5% or more of capital or voting rights in an exchange or a market operator or shares which, even if below this threshold, give the privilege of nomination of directors to board of directors, except for exchanges established pursuant to the Law and the Republic of Turkey, Prime Ministry, Treasury Undersecretariat; and
  - ğ)** “Market Operator” refers to Joint stock corporations managing and/or operating exchanges or markets under exchanges; and
  - h)** “CBRT” refers to and stands for Central Bank of the Republic of Turkey; and
  - ı)** “TCC” refers to and stands for the Turkish Commercial Code no. 6102 dated 13/1/2011; and
  - i)** “Member” refers to those who are authorized to trade in the Exchange; and
  - j)** “Executive” refers to President and Members of Board of Directors, General Manager and his Deputies, and person or persons responsible for internal control, risk management, audit and surveillance departments.

## **SECOND PART**

### **Principles of Establishment and Activities**

---

<sup>1</sup> By this revision, subparagraph (f) has been added after subparagraph (e) of first paragraph of Article 4, and other subparagraphs have been renumbered accordingly.

## **Establishment**

**ARTICLE 5 – (1)** The establishment of exchanges and market operators is permitted by the Council of Ministers upon the assent of the Board.

## **Conditions of establishment**

**ARTICLE 6 – (1)** For eligibility for a establishment permission, exchanges and market operators:

- a) are required to be established in the form of a joint-stock company; and
- b) all of their shares must be registered; and
- c) their shares must be issued for cash; and
- ç) their capital is required not to be less than the amount determined by the Board, and is required to have been fully paid; and
- d) their founders or partners directly or indirectly having significant influence on the exchange or market operator are required to meet the conditions listed in Article 44 of the Law; and
- e) their articles of association is required to be in compliance with provisions of the Law and other applicable laws and regulations; and
- f) their ownership structure is required to be transparent and clear.

**(2)** In permitting the establishment of exchanges and market operators, general situation and systemic risk elements of domestic and international financial markets shall be considered.

**(3)** Partners directly or indirectly having significant influence of the legal-entity founding partners of exchanges and market operators are also required to satisfy the conditions set forth in first and second paragraphs of Article 10 of this Regulation. Furthermore, legal-entity founders, other than public legal entities, and partners having a substantial effect are also required to submit their financial statements of the last three years audited by an independent auditor.

**(4)** Notary-certified translations of information and documents certified by the concerned authorities of the home country, proving that the same conditions as sought for natural persons and legal entities resident in Turkey are, to the extent required, sought also for founders and partners resident abroad of exchanges and market operators, or such information and documents certified to be valid as adopted by the applicable laws or international agreements are required to be submitted.

## **Establishment procedures**

**ARTICLE 7 – (1)** Applications for establishment permission may be filed by exchange, market operator or by market operator on behalf of exchange.

(2) Founders make an application to the Board together with articles of association to be prepared in accordance with the foundation conditions, and other documents of proof as stipulated in Articles 6 and 10 of this Regulation.

(3) Following receipt of foundation permission for exchange or market operator pursuant to Article 5 of this Regulation, an application is filed to the Ministry of Customs and Trade for completion of foundation procedures within the frame of TCC.

### **Capital structure**

**ARTICLE 8 – (1)** Capital structure of exchanges is determined by their articles of association.

### **Transfer of shares and amendments to articles of association**

**ARTICLE 9 – (1)** Amendments to the articles of association of exchanges and market operators, their share transfers or all kinds of transactions which result in a direct or indirect transfer of control even if a share transfer is not in question, shall be subject to the permission of the Board. Amendments to the articles of association as well as share transfers or transactions resulting in transfer of control which are not allowed by the Board shall be null and void on the exchange or market operator in administrative terms. Share transfers in violation of this provision shall not be recorded in the share registry and the records made so shall be null and void. The principles and procedures regarding the implementation of this paragraph shall be determined by the Board.

(2) In share transfers, natural persons or legal entities taking over the shares are, to the extent required, obligated to satisfy all of the conditions listed in Article 10 of this Regulation.

### **Conditions sought for in founders, partners having significant influence, executives and specialized personnel**

**ARTICLE 10 – (1)** Founders, partners having significant influence, executives, and specialized personnel as will be determined and defined by exchanges, of exchanges and market operators:

- a) are required not to be bankrupt, and not to have declared composition with their creditors, or not to have been subject to a decision of postponement of bankruptcy; and
- b) should not be among the persons held liable for the event requiring this sanction, in institutions one of the operating licenses of which is cancelled by the Board; and
- c) should not have any finalized sentence due to the crimes listed in the Law; and
- ç) a liquidation decision must not have been taken about them or the institutions where they were a partner according to the Decree Having the Force of Law dated 14/1/1982 and numbered 35 on the Transactions of Bankers in Payment Difficulty and its annexes; and

- d) even if the periods set forth in Article 53 of the Turkish Criminal Code no. 5237 dated 26/9/2004 have elapsed, must not have been sentenced to imprisonment for a term of five years or for a longer period due to crimes committed with malice aforethought, or must not have been convicted for offenses against state security or offenses against constitutional order or modus operandi of such order, or for such crimes as embezzlement, malversation, bribe, theft, corruption, extortion, fraud, abuse of confidence, fraudulent bankruptcy, or for bid rigging in official bid tenders and public procurements, using fraud or trickery in performance of obligations, prevention or distortion of information system, destruction or alteration of data, abuse of debit or credit cards, laundering proceeds of assets derived from crime, smuggling, tax evasion or unjustified benefit; and
- e) must have the honesty and reputation required for business.

For the purposes of this paragraph, the conditions specified in subparagraph (a) are not taken into consideration after lapse of ten years following the date of finalization of the decision as to removal or closing of bankruptcy or as to approval of a proposal for entering into composition with creditors, and the conditions specified in subparagraph (b) are not taken into consideration after lapse of ten years following the date of finalization of the decision relating thereto. If and when a legal entity is appointed as a director, the conditions stipulated hereinabove are sought for also in the designated representative of legal entity.

(2) Founders and partners with substantial effect must further have the required financial power.

(3) In the case of a change in executives of exchanges or market operators, such change is reported to the Board, together with the reasons of resignation, in the first business day thereafter. If, at any time during their term of office, it is determined that the executives of exchange or market operator do not in fact satisfy the conditions stipulated in the Law or in this Regulation, or they lose any of the said qualifications, then and in this case, such executives are dismissed by the relevant exchange or market operator. Exchanges or market operators are under obligation to check and monitor whether their executives lose the qualifications referred to in this Article or not. If this determination is made by the Board, the Board requests the dismissal of such executives, and this request is fulfilled by the relevant authorized bodies of the exchange or market operator. If the person requested to be dismissed is a director, the general assembly of shareholders of the relevant exchange or market operator is called by the Board for an extraordinary meeting with the agenda of dismissal of the relevant director within no later than thirty days thereafter.

(4) If it is later determined or proven that any of specialized personnel of exchange or market operator does not satisfy any one of the required conditions, the relevant personnel is dismissed by a decision of the body authorized to appoint the same.

### **Activity permission**

**ARTICLE 11 – (1)** Applications for activity permission may be filed by exchange or market operator or by market operator on behalf of exchange.

**(2)** An exchange or market operator permitted to be founded is under obligation to file an application for activity permission to the Board within no later than one year following the date of receipt of the foundation permission within the frame of Article 5 hereinabove. Applications for activity permission are concluded by the Board within six months following the date of complete submission to the Board of all of the information and documents sought for at the time of application, and the result is notified to the relevant applicants. If no application is filed to the Board within one year following the date of foundation permission, or if the application for an operating license is rejected, then the foundation permission is also cancelled. This term may be extended by the Board by one year in the case of force majeure events or if the failure in application for an operating license is caused by reasons not attributable to the holder of foundation permission.

**(3)** For eligibility for an operating license, in accordance with the regulations of the Board, an accounting recording, information and documentation system and an adequate organization for regular flow of business and communication must have been established, and the required technical equipments must have been provided, and internal control, audit and supervision units and systems must have been created and made operative, and all of the required security actions, also including the insurances needed for protection of material assets and properties of exchange or market operator, must have been taken.

### **Data processing infrastructure**

**ARTICLE 12 – (1)** Exchanges and market operators establish and make operative all of the data processing systems and technological infrastructures required for trading of instruments in a reliable, transparent, efficient, stabilized, fair, honest and competitive environment, and issue all of the required regulations in connection therewith, and take all kinds of actions, also including protection of the data processing infrastructure from malware. Principles pertaining to data processing systems and technological infrastructures are regulated by the Exchange Regulation. However, if and when deemed necessary, the Board is authorized to issue regulations in connection therewith.

### **Operational principles of exchanges**

**ARTICLE 13 – (1)** During their operations, the exchanges are required to comply with the following principles:

- a)** To ensure that instruments are tradable easily and safely under free competition conditions; and
- b)** To develop fair treatment principles applicable on instruments of the same kind in the markets, and to take actions for creation of an environment fit for healthy pricing; and

- c) To regularly disclose by appropriate means the exchange information of adequate nature and scope as may be required to facilitate decision making process of investors, particularly the determination and announcement of prices therein; and
- ç) To make audit and surveillance on compliance of the exchange members with the exchange laws and regulations, and to apply sanctions on breaches of laws as detected as above if and to the extent they are under the authority of the exchange, and to report other breaches of laws and the exchange members whose financial structure is determined to have weakened to the Board and if required, to the relevant central settlement and custody organizations and to Union of Capital Markets of Turkey; and
- d) To take the required actions within the borders of their area of authorization for minimization of probable conflicts of interests between exchange members and other market participants, and to submit information and suggestions to the Board on all issues which may contribute to development of market, also including those outside the borders of their area of authorization; and
- e) To establish mechanisms for regular and systematic flow of information between the exchange and its members and other market participants and between the exchange and the Board; and
- f) To allocate an adequate financial resource and to create an adequate organization for ensuring compliance with the regulations; and
- g) Not to make any non-equitable discrimination among investors, issuers, members or other market participants in the exchange regulations and in implementation of these regulations; and
- ğ) To carry out the businesses and affairs of exchange in coordination and cooperation with the Board and other participants of financial markets; and
- h) To work in coordination and cooperation with the Board and the market participants in order to contribute to development of capital markets; and
- ı) To act in compliance with the market practices and not to apply overcharge in fees to be claimed in consideration of the services; and
- İ) To determine procedures and principles relating to discipline of members, and to behave equitably, fairly and equally in implementation of them; and
- j) To disclose to public in regular intervals the information about financial structure, organization and market activities of the exchange; and
- k) To make the revisions and amendments demanded by the Board in the exchange regulations within the frame of first paragraph of Article 72 of the Law.

(2) Without prejudice to the principles listed in the preceding first paragraph, exchanges will perform their duties and use their powers independently under their own responsibility.

(3) **(Added by the Regulation published in the Official Gazette edition 29150 on 19/10/2014)** In order to engage in activities which arise out of any legislation other than the capital markets laws, or which do not arise out of any legislation, the exchanges receive a prior permission of the Board, and amend their articles of association so as to clearly cover

said activities if and to the extent they are continuous, and include such amendments in agenda of next meeting of their general assembly of shareholders.

### **Special provisions as to market operator**

**ARTICLE 14 – (1)** Exchanges may enter into an agreement with one or more market operators for operation and/or management of markets. This agreement does not become effective without a prior approval of the Board. Upon approval of the Board, and within the frame of agreement signed with the exchange, market operators use the rights of the exchange and ensure that all of the obligations of the exchange specified in the Law and the applicable laws and regulations are performed. In the case of an agreement signed with a market operator, the exchange continues to be jointly liable and responsible under the relevant laws and regulations, and this is included in the agreement to be signed between the parties. The agreement cannot contain any provisions contrary to this Regulation. The Board may request revisions and changes in the said agreement.

(2) Market operator may be replaced by a decision of the exchange's board of directors and upon approval of the Board.

(3) Where the Law and the relevant applicable laws remain silent about market operator, the provisions of this Regulation pertaining to exchanges are applied by analogy. Rights and/or obligations of market operator arising out of regulations and transactions are at the same time considered and treated also as rights and/or obligations of the relevant exchange.

(4) Upon occurrence of non-resolvable disputes between the exchange and the market operator in such manner to prevent the safe, consistent and stable operation of the markets, the Board may request the exchange to perform the duties of market operator and/or to enter into agreement with another market operator.

(5) Procedures and principles for prevention of probable conflicts of interests among the exchange and its shareholders and/or market operator are determined by the Exchange Regulation.

## **THIRD PART**

### **Bodies, Committees and Personnel of Exchange and Market Operator**

#### **General assembly**

**ARTICLE 15 – (1)** Shareholders use their rights relating to exchange businesses and affairs in general assembly.

(2) General assembly meets for ordinary (regular) and extraordinary (special) meetings. Ordinary meetings of general assembly are held within three months following the end of each activity period, while extraordinary meetings of general assembly of shareholders are



held at any time needed in the course of the exchange businesses upon a call of the board of directors, or in cases mentioned in TCC, upon a call of minority shareholders, or if deemed necessary, upon a call of the Board with an agenda determined also by the Board.

(3) General assembly meeting agenda and letter of invitation (call), together with all kinds of information, documents and exhibits relating to the issues to be discussed in the agenda, will be sent to the Board by registered mail, return requested, no later than three weeks prior to the date of meeting.

(4) A representative of the Board may attend the general assembly of shareholders without the right to vote.

(5) The board of directors may invite the non-partner members and issuers to the general assembly meeting without the right to vote.

(6) The minutes of the general assembly meeting are sent to the Board in the first business day after they are signed by the chairmanship committee. All kinds of information, documents and exhibits relating to the issues discussed in the agenda, and if directors are elected in the general assembly meeting, the information and documents proving that the elected directors have the qualifications sought for in Article 10 and in first paragraph of Article 16 of this Regulation, are sent to the Board within no later than five business days following the date of meeting. The Board may request additional information and documents relating to the said decisions of the general assembly of shareholders. If and when the decisions of general assembly relating to election of directors are in contradiction with the laws, the exchange or the market operator is requested to remedy such breach of laws.

### **Structure of board of directors**

**ARTICLE 16 – (1)** Directors are required to hold a graduate or post-graduate degree in any one of business administration, economics, finance, public administration, international relations, law, engineering, capital markets or banking fields, and to have a past vocational experience of minimum ten years after higher education.

(2) Directors are elected for a maximum term of office of three years. Any director whose term of office is over may be re-elected. In the case of a vacancy in a directorship before the end of the term of office, the board of directors elects a new director to take office until the next meeting of the general assembly of shareholders within the frame of provisions of TCC.

(3) A decision of the board of directors relating to election of directors is reported to the Board within five business days following the date of decision, together with documents proving that the elected directors bear the qualifications sought for in this Article and in Article 10 of this Regulation.

**(4)** The board of directors includes a sufficient number of Independent Directors within the frame of the Corporate Governance Principles to be determined by the Board for exchanges pursuant to Article 73 of the Law.

**(5)** General Manager is a natural member of the board of directors.

#### **Duties and powers of board of directors**

**ARTICLE 17 – (1)** In addition to its duties and powers determined in TCC, the board of directors is authorized and liable:

- a)** to finalize the text of regulations required to be issued by the exchange; and
- b)** to take decisions on listing and delisting and on trading and cancellation of trading in the exchange; and
- c)** to create markets, platforms or systems where the instruments will be traded in the exchange, and to ensure that they are operated regularly and properly; and
- ç)** to decide on exchange membership applications, and if and when required, to decide on temporary or permanent exclusion of exchange members from membership; and
- d)** to ensure that all trades are regularly executed in the exchange in accordance with the applicable laws and rules; and
- e)** to establish the supervision system specified in this Regulation; and
- f)** to establish committees specified in the regulations or that may be needed in the course of business, and elect their members, and regulate their operating principles; and
- g)** to inflict disciplinary punishments on members who distort the order and contravene the honesty in the exchange; and
- ğ)** to ensure that decisions of the board of directors are notified to the relevant persons, and are duly and properly enforced, and to monitor the enforcement thereof; and
- h)** to publish the exchange bulletin, and to ensure that all information required to be disclosed by the exchange and all prices and statistics of the exchange are regularly published and disclosed; and
- ı)** to prepare and issue yearly activity report and financial statements of the exchange; and
- ı)** to take decisions on budget and staff members of the exchange; and
- j)** to determine amounts and rates of, and timing and method of collection of, income items of the exchange; and
- k)** to determine authorized signatories of the exchange and their limits of authorization; and
- l)** to appoint the exchange employee; and
- m)** to enter into agreements with local and foreign institutions and international organizations on issues within the area of authorization of the exchange; and
- n)** to examine and resolve the disputes that may arise out of the exchange transactions; and

- o) to approve, and if required, change and revise the yearly work programs and schedules of service organization units; and
- ö) to evaluate the results of operations and activities of the exchange organization and service units, and to finalize supervision, audit, review, inspection and investigation reports, and to ensure that the results and suggestions are implemented if and to the extent deemed necessary; and
- p) to finalize surveillance, audit and investigation reports, and to ensure that the results and suggestions are implemented if and to the extent deemed necessary; and
- r) to perform other duties vested in it by this Regulation and other applicable laws and regulations.

(2) The board of directors may delegate in writing to general manager its duties and powers, other than the duties and powers which are exclusively and solely vested in it pursuant to TCC and the duties and powers listed in subparagraphs (a), (ç), (e), (f), (g), (ı), (i), (j), (n), (ö) and (p) of first paragraph of this Article, providing that the limits of such delegation are clearly specified, and it is explicitly permitted in the articles of association.

#### **Meeting and decision quorums of board of directors**

**ARTICLE 18 – (1)** The board of directors meets and takes its decisions within the frame of pertinent provisions of TCC. Agenda, date and time of meetings of the board of directors are determined by the president of board of directors, and board meetings are managed by the president of board of directors. General manager may, if required, request the president of board of directors to convene the board of directors.

(2) The Board may request inclusion of heavier meeting and decision quorums in the exchange articles of association.

#### **Committees**

**ARTICLE 19 – (1)** A sufficient number of committees are founded in the exchange to the extent required in the course of business to help the board of directors in performance of duties vested in the board of directors by this Regulation and the applicable laws.

(2) Principles pertaining to establishment of committees, election of their members, and their operating procedures are regulated by the Exchange Regulation.

#### **General Manager**

**ARTICLE 20 – (1)** General Manager carries out the management and representation-related duties vested in or delegated to him in accordance with the applicable laws and the relevant decisions of the board of directors.

(2) General Manager must have a past vocational experience of minimum ten years in financial markets, economics, finance, business administration, capital markets, banking or finance fields after higher education.

(3) Appointment of general manager is required to be reported to the Board, together with documents proving that the appointed general manager bears the qualifications sought for in second paragraph of this Article and in Article 10 of this Regulation. General Manager may be appointed only if the Board does not express a negative opinion within fifteen business days following the date of receipt of the said notice.

(4) General Manager is required to have been appointed solely for this position.

(5) General manager may be appointed as president or member of board of directors in institutions having managerial, supervisory or capital relations with the exchange, or in institutions which are directly or indirectly under managerial, supervisory or capital control of those institutions, or in exchanges and organized markets, and settlement and custody organizations, and other financial institutions deemed fit by the Board, providing that such other duties are not executive positions and do not cause any weakness in performance of his duties in the exchange.

#### **Organization and employee of exchanges**

**ARTICLE 21 – (1)** With respect to performance of duties and use of powers vested in the exchanges by this Regulation and other applicable laws, the organization, service units and departments, job definitions, powers and responsibilities of exchanges, and operational procedures and principles of their officers and employees are regulated in an organization directive to be issued and put into force by the board of directors upon a proposal of general manager.

(2) Recruitment, dismissal, qualifications, promotion, performance criteria, duties, functions, responsibilities and obligations of, and prohibitions inflicted on, and disciplinary issues relating to, the exchange personnel are regulated in a directive to be issued and put into force by the board of directors upon a proposal of general manager.

#### **Confidentiality obligation**

**ARTICLE 22 – (1)** Executives, committee members and all employee and auditors of the exchanges are under obligation to keep in strict confidence all confidential information about the exchange or other institutions, organizations and all and any natural persons or legal entities having relations with the exchange, which come to their knowledge due to their positions and duties in the exchange, and not to disclose such confidential information in any manner whatsoever to any person or entity other than the legally authorized persons or entities, and not to use the same in the interest of or to the detriment of themselves or third

parties. This confidentiality obligation continues also after the end of their term of office in the exchange.

(2) As a part of their surveillance and audit activities, the exchanges are entitled to enter into cooperation and exchange of information with foreign exchanges and international organizations within the frame of the principle of reciprocity. Such acts and transactions do not constitute a breach of secrecy obligations and confidentiality rules stipulated in the Law and other laws.

### **Prohibitions**

**ARTICLE 23 – (1)** Executives and personnel of the exchange and their spouses and children under their custody cannot execute trades in the markets, platforms and systems of the Exchange or in markets of other exchanges where the exchange acts as a market operator.

(2) All personnel, including general manager, of the exchange are under obligation to dispose of by selling or transferring, within thirty days following the starting date of their term of office in the exchange, to persons other than their spouses and children under their custody, all kinds of stocks or other securities of corporations listed in the exchange or their affiliates and subsidiaries, other than pension fund units and instruments issued by CBRT or the Treasury Undersecretariat or asset lease companies, established and founded within the frame of the Law on Regulation of Public Finance and Debt Management, no. 4749, dated 28/3/2002, which are owned by them before they take office in the exchange.

(3) Upon detection of any directors breaching the provisions of this Article, the Board calls the general assembly of shareholders of the exchange for an extraordinary meeting with the agenda of dismissal of the relevant directors within no later than thirty days thereafter. Other executives and personnel of the exchange are deemed to have resigned from the exchange as of the date of detection of breach of the provisions of this Article.

## **FOURTH PART**

### **Principles on Exchange Members**

#### **Exchange members**

**ARTICLE 24 – (1) (Revised by a regulation published in the Official Gazette edition 29150 on 19/10/2014)** CBRT, and investment firms holding an activity permission received from the Board for investment services and activities covered by subparagraphs (a), (b) and (c) of first paragraph of Article 37 of the Law, and institutions holding a foundation permission or an operating license received from other concerned institutions and authorities, may become a member of exchanges if and to the extent they are deemed fit by the Board.

(2) Procedures and principles relating to application for membership, acceptance as a member, exchange membership certificate, representation of members, qualifications and

conditions to be sought for in member representatives, obligations of members and member representatives and disciplinary punishments to be inflicted on them, principles of notification of changes in their status, resignation from membership, exclusion from membership, preventive suspension of member transactions and similar other issues are regulated by the Exchange Regulation to be prepared and issued by the exchange board of directors upon approval of the Board.

**(3) (Added by the Regulation published in the Official Gazette edition 29150 on 19/10/2014)** The exchange board of directors may grant an authorization to trade in the exchange on the basis of markets, platforms and systems without becoming a member of the exchange.

### **Membership guarantee**

**ARTICLE 25 – (1)** As a security for the damages they may cause to their customers or other exchange members or the exchange itself due to their exchange transactions, the exchange members are under obligation to deposit a security deposit in the form of Turkish Lira, foreign currencies freely traded by CBRT, Turkish Lira and foreign exchange demand / time deposits blocked in the name of the exchange, precious metals, government debt securities or bank letter of guarantee. Other assets that may be accepted as a guarantee hereunder will be determined by the exchange board of directors and approved by the Board.

**(2)** Procedures and principles relating to amount of guarantee deposited, collection of guarantees, completion, use or release of guarantees, and timing and conditions of return of membership guarantee in the case of termination of exchange membership for any reason whatsoever, and other provisions relating thereto will be regulated by the Exchange Regulation.

### **Indemnification of damages**

**ARTICLE 26 – (1)** For the damages caused by exchange members to their customers or other exchange members or the exchange itself due to their exchange transactions, to the extent not indemnified by themselves, upon written demand of the injured party, and as a result of an investigation to be conducted by the exchange, the board of directors decides to make payments out of their membership guarantees. The amount of such payment will be limited by the amount of guarantee of the relevant member.

**(2)** If and to the extent the membership guarantee does not cover the actual damages, the injured party is notified that it can have its actual damages indemnified pursuant to general law provisions.

**(3)** Procedures and principles pertaining to indemnification of damages out of guarantees are determined by the board of directors.

**FIFTH PART**  
**Trading and Settlement Principles**

**Instruments to be traded in exchanges**

**ARTICLE 27 – (1)** In exchanges, the capital market instruments, foreign exchange, precious metals and precious stones, and other agreements, documents and assets deemed appropriate by the Board, as determined by the Board upon a proposal of the exchange board of directors or ex officio, may be traded. The Board may determine the instruments to be traded separately for each exchange.

**Listing and trading in exchange**

**ARTICLE 28 – (1)** Instruments to be traded may be listed or accepted for trading only if and when the conditions determined in the regulations issued in reliance upon the Law are satisfied. Capital market instruments issued by CBRT and the Treasury Undersecretariat are required to be listed upon application.

(2) It is in the sole discretion of the board of directors of the relevant exchange to decide to or not to list the instruments or to or not to accept them for trading in the exchange.

(3) Exchanges issue regulations aimed to ensure that the issuers of listed or traded instruments perform their public disclosure obligations as determined and imposed by the Board. Exchanges are under obligation to comply with the rules determined by the Board with respect to access to the information to be disclosed to public.

(4) Exchanges and market operators take the necessary actions order to regularly check and review the compliance of the listed or traded instruments with the relevant conditions.

(5) An instrument listed or traded in an exchange may also be listed or traded in another exchange within the frame of the Law and other relevant applicable laws.

(6) Procedures and principles relating to the conditions of listing or trading in an exchange, determination of different conditions of listing and/or trading according to types of issuers or instruments to be traded or on the basis of markets, platforms or systems, listing or trading applications, information and documents to be requested at the time of application, investigations to be made by the exchanges, conditions of remaining in listing, and other relevant issues are determined and shown in the Exchange Regulation.

**Order and trading principles**

**ARTICLE 29 – (1)** Principles as to exchange orders, transactions and cancellation of them are regulated in the relevant Exchange Regulation.

### **Suspension of trading and/or delisting**

**ARTICLE 30 – (1)** The exchange or market operator regulates in the Exchange Regulation the principles relating to suspension of trading and/or delisting of instruments traded in the Exchange. Upon occurrence of events specified in the said Regulation, the Exchange may suspend trading or delist the relevant instrument. This is immediately reported to the Board and disclosed to public.

(2) The Board reserves its right to suspend the trading of and to delist the instruments to be traded.

(3) **(Revised by a regulation published in the Official Gazette edition 29150 on 19/10/2014)** Upon occurrence of extraordinarily negative events in the exchange, it may be decided to temporarily suspend trading in the relevant exchange. The board of directors is authorized to decide temporary suspension of trading in the exchange for a period of up to five trading days. This is immediately reported to the Board and disclosed to public.

(4) **(Revised by a regulation published in the Official Gazette edition 29150 on 19/10/2014)** The Board is authorized to decide suspension of trading in the exchange for a period of more than five trading days upon demand of the board of directors.

### **Clearing transactions, clearing center, trading collaterals, default and guarantee fund**

**ARTICLE 31 – (1)** Clearing transactions may be conducted in the exchange organization, or a central clearing house may be assigned for settlement procedures. Decision of the exchange in connection therewith is subject to a prior approval of the Board.

(2) If clearing transactions are conducted in the exchange organization, the exchange is subject to the provisions of the General Regulation on Principles of Foundation and Operation of Central Clearing Houses published in the Official Gazette edition 28662 on 30/05/2013, and issues regulations on trading collaterals, default and guarantee fund and other relevant regulations. By considering the provisions of the General Regulation on Principles of Foundation and Operation of Central Clearing Houses, different principles may be determined for settlement operations of precious metals, stones and similar other commodities.

(3) If and when an institution other than the exchange is determined as the clearing center, an agreement will be signed by and between the exchange and the central clearing house in order to determine the mutual rights, obligations and powers of both parties, and this agreement will be subject to approval of the Board, other than mutual financial obligations and liabilities of the parties towards each other.

## **SIXTH PART**

### **Other Provisions**



### **Budget and staff**

**ARTICLE 32 – (1)** Exchanges determine and regulate their budgets and staff themselves through their bodies specified in their articles of association.

### **Revenues**

**ARTICLE 33 – (1)** Fees and commissions, also including exchange transaction fees, charged by the exchange in consideration of its basic services, in reliance upon its status of being the sole provider of these services, and the timing and method of collection of these fees and commissions, will be determined by the board of directors and presented to the approval of the Board. Decision of the board of directors of the Exchange relating to the fees and commissions submitted to the approval of the Board becomes effective if no negative opinion is expressed by the Board within thirty days. If the information and documents submitted by the exchange in the application are incomplete, or if additional information and documents are needed, the exchange is informed thereabout and asked to complete the deficiencies within a period of time to be determined by the Board. In this case, the period of thirty days starts to count as of the date of submission of the said incomplete or additional information and documents to the Board.

(2) Fees to be charged in consideration of non-mandatory basic services of the exchanges are determined by the board of directors and presented to the information of the Board. Training services provided by the exchanges are covered by this paragraph even if they are made obligatory for members.

### **Audit and regulation powers of exchange**

**ARTICLE 34 – (1)** The exchange determines the procedures and principles for regular and efficient monitoring of compliance of capital market institutions operating in the markets within its organization, and of issuers the capital market instruments of which are quoted, listed and traded in the exchange, and of natural persons or legal entities giving orders or trading in the exchange, with the exchange rules and regulations, and for prevention of breaches therein. The exchange is authorized and liable to request information and documents from its members on the issues deemed necessary with respect to its businesses and affairs, and to conduct inspections and audits in its members, and to impose sanctions with regard to breaches of laws detected during such inspections and audits. In the case of breach of its own rules and regulations by gross negligence or malicious misconduct, the exchange reports such breach to the Board.

(2) The exchange is authorized and liable to issue and implement regulations with respect to the duties, responsibilities and powers vested in it by the Law and other applicable laws, and to check and audit whether the institutions and entities governed by these regulations comply with these regulations or not, and whether the information given to it is true and accurate or not.

(3) The exchange issues the required regulations and takes the required actions for safe management of its systems.

### **Surveillance of exchange transactions**

**ARTICLE 35 – (1)** The exchange establishes the required surveillance system in its own organization and takes all kinds of preventive actions and measures in order to ensure that the transactions are realized in a reliable, transparent, efficient, stabilized, fair, honest and competitive manner, and to detect the transactions executed in contradiction with the provisions of the Law and other applicable laws and regulations. The exchange further performs other duties and functions to be vested in it by the Board with respect to supervision.

(2) The exchange may use outsourcing for performance of its duties and functions covered by first paragraph of this Article. The fields of business of the service provider must contain the functions mentioned in first paragraph of this Article. Principles relating to activities and audit of these service providers are determined by the Board. These service providers may provide their services to a single exchange or to more than one exchange. Outsourcing of these functions to these service providers does not relieve the exchange from its liabilities and responsibilities relating to its duties.

### **Audit of exchanges and market operators**

**ARTICLE 36 – (1)** The Board is the regulation, surveillance and audit authority of exchange activities and operations of exchanges and market operators. If and when deemed necessary, the Board is authorized to conduct inspections and audits in the exchanges with respect to the activities and operations specified in the Law. The exchange is under obligation to provide an appropriate work atmosphere to the audit personnel. The Board may request the exchanges and market operators and other relevant institutions to take the necessary actions with respect to exchange activities and operations, and to send all kinds of information and documents upon demand or regularly, and to give all kinds of technical supports to the extent required.

(2) Exchanges and market operators are financially audited by independent audit firms included in the list published by the Board. Independent audit report is sent simultaneously to the relevant exchange and to the Board.

(3) Procedures and principles relating to audit of information systems of exchanges and market operators, and audit institutions will be determined by the Board. Exchanges and market operators may be held obliged to have their information systems audited by independent audit firms, the specifications of which will be determined by the Board, at least once a year or in shorter intervals. Independent audit report is sent simultaneously to the relevant exchange and to the Board.

### **Resolution of disputes**

**ARTICLE 37 – (1)** Procedures and principles relating to resolution of disputes due to exchange transactions defined in sub-paragraphs (b) and (c) of first paragraph of Article 67 of

the Law among the exchange members or between the exchange members and their customers are determined by the exchange board of directors. For examination of an application for resolution of dispute, the exchange board of directors may decide to charge a service fee with a prior consent of the Board. If and when the amount of the decision of the board of directors relating to resolution of dispute is higher than the amount set forth in fifth paragraph of Article 84 of the Law, then an objection may be raised against this decision to the Board through the exchange within fifteen days following the date of notification of the decision.

(2) Disputes may further be resolved by way of arbitration within the frame of provisions of subparagraph (g) of second paragraph of Article 74 of the Law.

### **Suspension of activities and cancellation of activity permission of exchanges**

**ARTICLE 38 – (1)** In the case of loss of qualifications sought for establishment and operation of exchanges as stipulated in Articles 6, 11, 12 and 13 of this Regulation and in the case of breach of provisions of this Regulation, the Board may temporarily or permanently and fully or partially suspend the activities and operations of the exchange by considering the nature and significance of such act.

(2) The operating license granted by the Board may be cancelled pursuant to provisions of Article 41 of the Law.

### **Cooperation**

**ARTICLE 39 – (1)** Exchanges are authorized to request information and documents from and to conduct inspections and audits in capital market institutions authorized to operate in the markets within their organization, and of issuers the capital market instruments of which are quoted, listed and traded in the exchange, and of founders and natural persons or legal entities giving orders or trading in the exchange, with respect to the issues deemed necessary in connection with the exchange activities. The relevant persons or entities are under obligation to permit such inspections and audits, and to help and assist the personnel assigned by the exchange, and to provide all kinds of information and documents, and to sign the memoranda. If and when they refrain from signing, the reasons thereof must be clearly specified in the memorandum. The persons or entities from whom information and documents are requested cannot refrain from giving information on issues within the fields of business of exchanges in reliance upon confidentiality and secrecy provisions of the special laws pertaining to them.

(2) With the purpose of prevention, supervision or audit of crimes, offenses and market abuses listed in the Law, and with a view to ensuring efficient and effective implementation of the regulations issued in reliance upon the Law, and within the frame of procedures and principles determined by the Board, the exchanges and other relevant institutions are under obligation to give and receive all kinds of technical supports and assistances, and to make an exchange of information.

### **Corporate governance principles**

**ARTICLE 40 - (1)** With respect to corporate governance principles, the provisions of first and second paragraphs of Article 17 of the Law are applied on exchanges and market operators by analogy.

### **Codes of practice**

**ARTICLE 41 – (1)** The Board, as the surveillance and audit authority, is authorized to interpret the provisions of this Regulation, and to decide on the issues which are not dealt with or are not clearly specified in the Regulation by also taking into consideration the general law provisions, and to regulate and direct the implementation thereof.

### **Transitory provisions on Borsa İstanbul A.Ş.**

**TEMPORARY ARTICLE 1 – (1)** Borsa İstanbul A.Ş. will be deemed to have received the license for foundation and operation of exchanges and market operators as stipulated in Article 65 of the Law.

**(2)** For the existing executives of Borsa İstanbul A.Ş. the Board does not request information and documents proving that they meet and satisfy the conditions of election or appointment as an executive.

**(3)** The provisions of eleventh paragraph of Article 138 of the Law are applicable in audit of accounts and transactions of Borsa İstanbul A.Ş.

**(4)** Article 8 and Third Part of this Regulation, except for fifth and sixth paragraphs of Article 15, and first and third paragraphs of Article 16 and Article 22, are not applicable and enforceable on Borsa İstanbul A.Ş. The provisions of the articles of association of Borsa İstanbul A.Ş. are applicable on these issues. Said article 8 and Third Part provisions are valid and applicable for exchanges and market operators to be established after the date of publishing of this Regulation.

### **Compliance with the regulation, and issuance of regulations specified in the regulation**

**TEMPORARY ARTICLE 2 – (1)** Borsa İstanbul A.Ş. will adapt itself to the provisions of this Regulation within one year following the date of publishing of this Regulation. The Board may, if deemed necessary, extend this period of time.

**(2)** Regulations required to be issued by Borsa İstanbul A.Ş. pursuant to this Regulation will be issued within six month following the date of publishing of this Regulation.

**(3)** Provisions of the existing regulations pertaining to İstanbul Exchange and İstanbul Gold Exchange which are not contrary to this Regulation will be continued to be enforced until the regulations to be issued pursuant to this Regulation are put into force.

**(4)** References made to İstanbul Exchange and İstanbul Gold Exchange in the applicable laws and regulations will be deemed to have been made to Borsa İstanbul A.Ş. as the case may be.

**Effective date**

**ARTICLE 42 – (1)** This Regulation will become effective as of the date of publishing.

**Enforcement**

**ARTICLE 43 – (1)** The provisions of this Regulation will be enforced and executed by the Capital Markets Board.