

FOURTH SECTION

Exchanges in Capital Markets

Association of Capital Markets of Turkey and Other Institutions

FIRST CHAPTER

Exchanges

Exchanges and market operators

ARTICLE 65 – (1) The establishment of exchanges and market operators shall be authorised by the Council of Ministers upon the assent of the Board. The launching of the activities of these institutions is subject to the permission of the Board.

(2) In order to obtain permission for establishment, exchanges and market operators must;

- a) Be established as a joint-stock corporation,
- b) Have all of their shares in the registered form,
- c) Have their shares issued for cash,
- ç) Have capital not less than the amount determined by the Board,
- d) Have their founders or their shareholders having directly or indirectly a significant influence on the exchange or the market operator meet the requirements listed in Article 44,
- e) Have their articles of association conforming to the provisions of this Law and related regulations.

(3) Applications for permission for establishment and operation can be made by the exchange, market operator or by the market operator on behalf of the exchange. In granting permission for establishment to exchanges and market operators, the general status of domestic and foreign financial markets as well as systemic risk factors shall be considered.

(4) An exchange which has been granted permission for establishment must apply to the Board to obtain permission for operation within one year at the latest after receiving permission for establishment. The Board shall decide on applications made for obtaining permission for operation within a maximum period of six months starting from the full submission of necessary information and documents to the Board and the state of affairs shall be notified to the interested persons. The permission for establishment granted to an institution which fails to apply to the Board within one year or which has not been deemed appropriate to be granted permission for operation as a result of its application, shall be withdrawn. This period may be extended for one year by the Board in case of the existence of compulsory conditions or in cases where the failure to apply is due to reasons which cannot be attributed to the institution that has obtained the permission for establishment. The provisions of Article 41 shall be applicable to the withdrawal of the permission for operation granted by the Board.

(5) Exchanges may make an agreement with one or more market operators for the operation and/or management of markets. This agreement shall be null and void without the approval of the Board. Upon the approval of the Board, market operators, within the framework of the agreement made with the exchange, shall use the rights that the exchange holds and shall ensure in the framework of the agreement made with the exchange, the fulfillment of the obligations provided for the exchange in this Law and related legislation.

(6) Managers of exchanges or market operators must meet the conditions listed in the first paragraph of Article 44 other than the condition of financial strength as well as the conditions of experience and education to be determined by the Board. In cases where a change occurs in the managers of the exchange or market operator, the situation shall be notified immediately to the Board. In the event it is determined that managers of exchanges or market operators do not meet the conditions mentioned in this Law or related legislation during their terms in office or in cases where they lose these conditions, the Board shall request that they resign from office and this request shall be executed by the exchange organs holding the power of appointment.

(7) 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 register 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.

(8) Exchanges shall determine necessary principles and procedures in order to monitor regularly and effectively the adherence to exchange rules by capital market institutions carrying out activities in their markets, issuers of capital market instruments traded on the exchange and real persons or legal entities placing orders or trading, and to prevent violations. In the event that their rules are violated with gross negligence and intention, exchanges shall notify the Board.

(9) Without prejudice to the provisions of this Law, principles and procedures regarding the establishment of exchanges, their capital structure, exchange activities that will be carried out in the context of this Law and the supervision of these activities, the suspension and permanent cessation of their activities as well as the principles and procedures concerning the market operator shall be established with a by-law to be issued by the Board. The related issues can also be determined with a by-law prepared by the relevant exchange and approved by the Board.

(10) Without prejudice to the provisions of this Law, exchanges are subject to private law provisions and shall independently fulfill the duties and exercise the authorities granted by this Law under their own responsibility. Exchanges shall determine their budgets and personnel through the organs indicated in their articles of association. In administrative and financial matters, exchanges, their parent companies and affiliates and market operators shall not be subject to legislative provisions, restrictions and practices concerning public administration or state owned companies, enterprises and institutions.

(11) Law suits to be filed against exchanges shall be heard by judicial courts. Labour courts shall be in charge regarding conflicts between exchanges and their staff employed in accordance with the Labor Law dated 22/5/2003 and numbered 4857.

(12) Investigations on the chairman of the exchange, members of its board of directors and its senior management due to their activities regulated in this Law shall be subject to the written permission of the Board.

Other organised market places

ARTICLE 66 – (1) Principles and procedures regarding the establishment, authorisation, capital, capital market instruments to be traded, competition conditions and operation principles of alternative trading systems, multilateral trading facilities and other organised markets outside exchanges, which bring together buyers and sellers of capital market instruments, provide intermediary services in purchase and sale transactions, establish and operate systems and facilities for these purposes shall be established with by-laws to be published by the Board. The Board is the surveillance and supervision authority of these markets.

Principles regarding exchange activities

ARTICLE 67 – (1) In order to ensure trading of capital market instruments, foreign exchange and precious metals as well as precious stones and other contracts, documents and assets deemed appropriate by the Board in a reliable, transparent, effective, stable, fair and competitive environment, principles and procedures related to the following matters shall be determined with by-laws to be prepared by the related exchange and approved by the Board:

- a) Listing, delisting as well as trading and suspension of trading in the exchange,
- b) Transmitting and matching orders,
- c) Performing in due time obligations related to executed trades,
- c) Granting authorisation to trade in the exchange,
- d) Executing discipline regulations,
- e) Exchange revenues and their collection,
- f) Resolution of disputes,
- g) Preventing potential conflicts of interest between the exchange, shareholders of the exchange and/or market

operators,

ğ) Operation, audit and surveillance systems of exchanges,

h) Establishing, operating and managing markets.

(2) With the exception of exchanges where related derivative products are traded, opinions shall be obtained from;

a) The Undersecretariat of Treasury for the by-law establishing principles concerning the granting of authorisation to trade in exchanges where foreign exchange and precious metals as well as precious stones are traded and the obligations of those who have been authorised,

b) The Ministry of Energy and Natural Resources and the Energy Market Regulatory Authority for the by-law establishing principles concerning the granting of authorisation to trade in exchanges where energy products are traded and the obligations of those who have been authorised.

(3) Exchanges are tasked with and authorised to publish and enforce regulations related to the duties and authorities granted to them with this Law and other legislation, to supervise the compliance of institutions and bodies subject to these regulations and the accuracy of information submitted to them.

Listing in the exchange

ARTICLE 68 – (1) Capital market instruments may only be listed in the exchange when conditions specified in regulations published on the basis of this Law have been met.

(2) Exchanges shall make regulations in order to ensure that issuers of listed capital market instruments fulfill their obligations of public disclosure. In relation to access to information to be publicly disclosed, exchanges must comply with rules determined by the Board.

(3) Exchanges and market operators shall make necessary arrangements for regularly monitoring that listed capital market instruments fulfill conditions for staying listed.

(4) A capital market instrument listed in an exchange can also be listed in another exchange in the framework of this Law and other related regulations.

Suspension of trading and delisting

ARTICLE 69 – (1) In the event that conditions specified in their regulations occur, the exchange or market operator may suspend trading in the relevant capital market instrument or delist it. This shall be notified immediately to the Board and publicly disclosed.

(2) The authority of the Board to suspend trading of capital market instruments in the exchange and to delist them shall be reserved.

Resolution of disputes and surveillance of exchange transactions

ARTICLE 70 – (1) Principles and procedures regarding the resolution of disputes among investment firms or with their customers due to exchange transactions defined in sub-paragraphs (b) and (c) of the first paragraph of Article 67 shall be determined by the boards of directors of exchanges. In the event the amount mentioned in the related decisions of the board of directors exceeds the amount taking place in the fifth paragraph of Article 84, an objection can be made to the Board against this decision.

(2) For the purpose of ensuring reliable, transparent, effective, stable, fair, honest, and competitive execution of transactions and of identifying transactions executed in violation of the Law, exchanges shall establish necessary surveillance systems within their organisation and may take any the preventive measures. Exchanges shall also fulfill other duties that shall be assigned to them by the Board regarding surveillance.

(3) Exchanges may perform the tasks specified in the second paragraph by outsourcing services. Issues indicated in the second paragraph shall take place among the activity fields of institutions that would provide such services. Principles concerning the activities and supervision of these institutions shall be determined by the Board. These institutions may provide services to a single exchange or to more than one exchange. The fact that exchanges receive services from these institutions shall not eliminate their responsibilities regarding their duties.

Cooperation

ARTICLE 71 – (1) With regard to exchange activities deemed necessary, exchanges are authorised to request information and documents from capital market institutions that are authorised to carry out activities in the markets within exchanges, issuers of capital market instruments traded on exchanges, founders as well as real persons and legal entities placing orders or trading and to perform examinations. Regarding issues within the scope of duties of exchanges, parties from which information and documents have been requested may not refrain from providing information by relying on the privacy and confidentiality provisions in their special legislation.

(2) For the purposes of preventing, monitoring or supervising criminal activities and market abuse acts regulated in this Law as well as of effective implementation of regulations based on this Law, exchanges and other related institutions are obliged to provide and receive all kinds of technical assistance, to provide support to each other and to share information in the framework of principles and procedures determined by the Board. Exchanges are authorised to cooperate and share information in the framework of the principle of reciprocity with foreign exchanges and international institutions in the context of their surveillance and supervision activities. Operations and actions carried out within this framework shall not constitute a violation of secrecy and confidentiality provisions of this Law and other laws.

Supervision of the financial and information systems of exchanges and market operators

ARTICLE 72 – (1) The Board is the regulation, surveillance and supervision authority for exchange activities of exchanges and market operators. In this context, the Board may request from exchanges, market operators and other related institutions to carry out the issues it deems necessary, to send all kinds of information and documents upon its request or regularly and to provide all kinds of technical support.

(2) The financial audit of exchanges and market operators shall be performed by independent audit firms that are on the list announced by the Board.

(3) Principles and procedures concerning the audit of information systems of exchanges and market operators as well as the institutions to carry out the audit shall be determined by the Board.

Other issues

ARTICLE 73 – (1) Exchanges shall make necessary arrangements and take necessary precautions for the secure management of their systems. Exchanges are obliged to form the necessary internal control units and systems.

(2) Assets in the guarantee fund established according to regulations published by the Board with the guarantees kept by exchanges and clearing institutions for the purpose of preventing clearing risks, cannot be used for purposes other than that for which they were deposited, shall not be attached even for public receivables, shall not be pledged, shall not be affected by liquidation decisions of administrative authorities, shall not be included in the bankruptcy estate and shall not be subject to cautionary injunction

(3) First and second paragraphs of Article 17 shall be applicable by analogy to exchanges, market operators and other organized market places in what concerns corporate governance principles.