

**COMMUNIQUÉ****Published by the Capital Markets Board****COMMUNIQUÉ ON PRINCIPLES REGARDING FINANCIAL REPORTING OF  
INVESTMENT FUNDS  
(II-14.2)****FIRST CHAPTER****Purpose, Scope, Basis, Definitions and Abbreviations****Purpose**

**ARTICLE 1 – (1)** The purpose of this Communiqué is to determine the procedures and principles of financial reports to be drawn up by investment funds, and of preparation and submission thereof to whom they may concern.

**Scope**

**ARTICLE 2 – (1)** This Communiqué shall apply to preparation of financial reports of investment funds and on submission to whom they may concern.

**(2)** Pension funds established within the scope of the Private Pension Saving and Investment Law dated 28 March 2001 and numbered 4632 shall be subject to the provisions of this Communiqué limited to the first and third paragraphs of Article 5 of the Communiqué with regard to the standards to be taken as basis in preparation of the financial statements and Article 8 of the Communiqué with regard to standards to be taken as a basis in preparation of the daily reports.

**(3)** Housing and asset finance funds shall be subject to the provisions of this Communiqué limited to the first and third paragraphs of Article 5 with regard to the standards to be taken as basis in preparation of the financial statements, the first paragraph of Article 6 with regard to the liability on issuing financial statements and the first paragraph of Article 17 with regard to independent audit of the financial statements.

**(4)** Foreign investment funds shall be liable for submitting to the Board their financial statements, reports, audit report and other periodic reports drawn up within the framework of the national laws that they are subject to and international standards on accounting and financial reporting and for disclosing to public and announcing their financial statements drawn up within

the framework of the international standards on accounting and financial reporting within the framework of this Communiqué; and shall not be subject to other provisions of this Communiqué.

(5) Securities investment companies shall be subject to the principles in Article 9 of the Communiqué with regard to the valuation principles of the assets in their portfolios and in Article 8 of the Communiqué and Annex 1 thereto with regard to the preparation of their price reports and weekly reports.

### **Basis**

**ARTICLE 3 – (1)** This Communiqué is based on Article 14, Article 36, subparagraph (ç) of the first paragraph of Article 54 and subparagraph (ğ) of the first paragraph of Article 128 of the Capital Market Law dated 6 December 2012 and numbered 6362.

### **Definitions and Abbreviations**

**ARTICLE 4 – (1)** For the purposes of this Communiqué, following definitions shall apply:

- a) **“Exchange”**: Systems, market places and foreign exchanges defined in subparagraph (ç) of the first paragraph of Article 3 of the Law numbered 6362,
- b) **“Financial reports”**: Financial statements, statements of liability and portfolio reports,
- c) **“Financial statements”**: Statement of financial position, comprehensive statement of income, cash flow statement and changes in total value/net asset value statement together with their footnotes;
- ç) **“Fund”**: Investment fund,
- d) **“Internal rate of return”**: Daily discount rate equalizing the cash inflows to the cash outflows,
- e) **“Law”**: Capital Market Law numbered 6362,
- f) **“PDP”**: Public disclosure platform,
- g) **“POA”**: Public Oversight, Accounting and Auditing Standards Authority,
- ğ) **“Founder”**: Portfolio management companies established as a joint stock company the main field of activity of which is to establish and manage investment funds within the scope of Article 55 of the Law and founders of the funds which are active at the date of the enforcement of this Communiqué,

- h) **“Board”**: Capital Markets Board,
- i) **“Portfolio reports”**: Price reports and portfolio distribution reports,
- i) **“Umbrella fund”**: Investment fund covering all funds the fund units of which have been issued within a single fund rules,
- j) **“Takasbank”**: Istanbul Settlement and Custody Bank Incorporation
- k) **“CBRT”**: Central Bank of the Republic of Turkey,
- l) **“TAS/TFRS”**: Turkish Accounting Standards / Turkish Financial Reporting Standards which have been put into effect by POA,
- m) **“TCC”**: Turkish Commercial Code dated 13 January 2011 and numbered 6102,
- n) **“TPL”**: Tax Procedure Law dated 4 January 1961 and numbered 213.

## **SECOND CHAPTER**

### **Financial Reports**

#### **Standards to be taken as basis in preparation of the financial reports**

**ARTICLE 5 – (1)** Funds shall take the TAS/TFRS published by the POA as basis in preparation of the financial statements.

**(2)** Funds shall prepare the portfolio reports within the framework of the principles set forth under Chapter III of the Communiqué.

**(3)** In order to ensure the principles, procedures and basis of the financial reporting become clear and comprehensible or to provide the stability of implementation, the Board shall take decisions within the framework of Article 14 of the Law when deemed necessary in order to determine the implementation. Funds are liable to comply with these decisions.

#### **Liability to draw up financial report**

**ARTICLE 6 – (1)** Funds are liable to draw up annual financial statements in accordance with the principles set forth under this Communiqué.

**(2)** Funds are liable to draw up their price reports daily; portfolio distribution statements monthly in accordance with the principles set forth under this Communiqué.

(3) Without prejudice to the provisions of the relevant legislation, price reports of the funds which are not obliged to disclose daily price, shall be drawn up in the period of disclosure of the fund unit price.

### **Liability statements in financial reports**

**ARTICLE 7 – (1)** The founder and the members of Board of Directors of the founder subject to their faults and the requirements of circumstances shall be liable for preparation, in accordance with the provisions of this Communiqué, submission and authenticity and accuracy of the financial statements and the portfolio reports to be disclosed to public together with the financial statements. The Board of Directors of the founder shall take a separate decision regarding the acceptance of the financial reports to be drawn up within the scope of this Communiqué.

(2) The statements of the founder's member of Board of Directors liable for the internal control and of the fund manager comprising the declarations set forth below shall be included in the financial statements and the portfolio reports to be disclosed to public together with the financial statements:

- a) That the financial statements and the portfolio reports have been examined by them,
  - b) That, within the framework of the information they have in the scope of their duty and responsibility, the financial statements and portfolio reports do not comprise any declaration contrary to facts on material matters or any deficiency which may be misleading as of the date on which the declaration has been made,
  - c) That, within the framework of the information they have in the scope of their duty and responsibility, the financial statements drawn up in accordance with this Communiqué honestly reflect the facts relating to the assets, liabilities, financial position and profit and damages of the fund and that the portfolio reports have been drawn up in accordance with the fund rules, the prospectus/issue document and the legislation.
- (3) Officers who have signature liability shall be liable to notify their critics and advice regarding the internal control system of the fund, as well as their system for obtaining data, to the Board of Directors of the founder and the independent audit institution auditing the fund and to provide information regarding the internal control system they have used in examination of the report.

### **THIRD CHAPTER**

#### **Portfolio Reports**

#### **Price reports**

**ARTICLE 8 – (1)** Price reports shall be drawn up in accordance with Annex 1 of the Communiqué in a way to comprise the portfolio value statement and total value/net asset value statement which are the basis in calculation of the unit price.

**(2)** Portfolio value statement shall be drawn up in accordance with the principles set forth in this Communiqué, with the purpose of the determination of the portfolio value.

**(3)** Portfolio value shall be calculated in accordance with Article 9 of the Communiqué.

**(4)** Total value/net asset value statement shall be drawn up in accordance with the principles designated by the Board, with the purpose of determination of the total value/net asset value and fund unit price.

**(5)** Total value/net asset value shall be calculated by way of addition of the other assets and receivables if any to and deduction of the debts from the portfolio value; fund unit/share price shall be calculated by way of division of the total value/net asset value to fund unit/share number.

#### **Portfolio valuation principles regarding price reports**

**ARTICLE 9 – (1)** Value of the assets in the portfolio shall be determined in accordance with the principles below:

**a)** Assets purchased to the portfolio shall be recorded with their purchase prices. The purchase price of the assets in terms of foreign currency shall be found by way of multiplication of its value in foreign currency on the date of purchase, by the CBRT selling rate of foreign exchange.

**b)** Starting from the purchase date, from among the assets in portfolio;

**1)** Those which are traded on the exchange, shall be valued by the weighted average prices or rates formed at the last session of the exchange on the valuation date. In so far, prices formed in the closing session and in cases where no price is formed at the closing session, weighted average prices formed in the last session at the exchange shall be used in valuation of the assets which are traded on the markets that have closing session.

**2)** Those which are traded on the exchange however which are not subject to trading at the exchange on the date of valuation, shall be valued by the exchange price on the last trading

date; debt securities, reverse repos and repos shall be valued over the internal rate of return on the last trading date.

3) Fund units shall be valued on the basis the latest prices announced as at the valuation date.

4) Deposit accounts shall be valued by way of adding the interest accrued through using compound interest rate to the capital amount.

5) Those which are in terms of foreign exchange, shall be valued over the buying rate designated by the CBRT for the relevant foreign exchange.

6) Assets which have been granted as guarantee due to derivatives shall also be indicated in the portfolio value statement. These assets shall be valued within the framework of the principles in this Article by taking the type of the guarantee into consideration.

7) Over-the-counter repo and reverse repo contracts shall be valued in a way to reflect the market price correctly and by a reliable and verifiable method.

8) Those which are out of those mentioned under the subparagraphs numbered (1) to (7), shall be valued by taking the TAS/TFRS published by POA into consideration. Basis of valuation shall be decided upon in written form.

9) Decisions with regard to the methods set forth under the subparagraphs numbered (7) and (8) shall be taken by the Board of Directors of the founder.

c) From among the assets which are within the portfolio of index funds; assets, which are within the scope of the index taken as basis, shall be valued within the framework of the principles used in calculation of the index, whereas the other assets shall be valued within the framework of the principles set forth under subparagraph (b).

(2) Other assets and liabilities of the fund shall be determined by taking the TAS/TFRS published by POA into consideration. In so far, liabilities of the fund in terms of foreign exchange shall be valued by multiplication with the selling rate of exchange designated by the CBRT for the relevant foreign exchange.

### **Portfolio distribution reports**

**ARTICLE 10 – (1)** Portfolio distribution reports shall be drawn up in accordance with the format set forth under Annex 2 of the Communiqué.

(2) It is obligatory to include the securities lending transactions and derivative securities transactions in the portfolio distribution reports.

(3) It is obligatory to include within the portfolio distribution reports, the correlation parameters calculated as of the last month and three-month periods for the index funds, and tracking difference and the tracking faults calculated for the last one year for the exchange traded funds, and information regarding the basis of the difference in cases where the tracking difference and the tracking faults increase to a significant extent.

(4) Trading details relevant to the related month may not be included within the copies of the report to be submitted to the investor.

#### **FOURTH PART**

##### **Submission of the financial reports to interested persons**

##### **Public disclosure of the financial reports**

**ARTICLE 11 – (1)** Annual financial statements of the funds shall be disclosed to public within 60 days following the finalization of the relevant financial statement period or investment period, if any.

(2) In cases where the last day for notification of the financial statements corresponds to a public holiday, the first business day following the public holiday shall be the last date for notification.

(3) Financial statements relevant to hedge funds shall also be sent to investors via the most appropriate means of communication, within 10 business days following the disclosure to be made in accordance with the first paragraph of this Article.

(4) Portfolio distribution reports shall be disclosed to public within six business days following the relevant month.

##### **Procedure in public disclosure of the financial reports**

**ARTICLE 12 – (1)** Financial reports drawn up within the scope of this Communiqué shall be disclosed at PDP together with the independent audit report, after these being arrived to the founder attached to a letter with the signature of the person authorized to represent and bind the independent audit institution, until the close of the sixth business day following the date of decision by the Founder's Board of Directors regarding the public disclosure of the financial reports.

(2) Public disclosure of the funds the units of which have are traded on the exchange is obligatory to be made after the closing of the final session of the relevant day.

(3) Public disclosure of the portfolio distribution reports by way of sending to the PDP is also obligatory.

**Other liabilities for announcement and notification**

**ARTICLE 13 – (1)** Financial reports except the portfolio reports shall be published on the web site of the founder after the public disclosure, in a way to be easily accessed by the investors. It is obligatory that such data is disclosed to public on the related web site for a period of at least five years.

**(2)** Such financial reports shall also be kept available for examination of the investors, at the headquarters of the founder and at the locations where fund units are sold.

**(3)** Price report shall be sent to the portfolio depositor and to Takasbank as of the appraisal date; other financial reports shall be sent to the portfolio custodian on the first business day following the public disclosure. Public disclosure of the price reports is not required.

**Extension periods in public disclosure of the financial reports**

**ARTICLE 14 – (1)** In cases of reasonable grounds which may be accepted by the Board, an extension period may be provided for disclosure of the financial reports to public, provided that an application has been made by the founder.

**FIFTH CHAPTER  
Miscellaneous Provisions****Implementation principles**

**ARTICLE 15 – (1)** All transactions which are the basis of preparation of the financial statements of the funds shall be subject to accounting as of the date they have been performed, in accordance with the account plan in Annex 3 of the Communiqué.

**(2)** The accounting records shall indicate, for each transaction, the amount, the unit price and the total amount of the transaction performed and shall include the required explanations. In so far, it is obligatory that the required legal books and documents on the transactions shall contain the qualifications set forth in TCC and TPL.

**(3)** In case that the daily transactions in the accounting records are recorded in the legal books with their total amounts, the details of the transaction shall be indicated in the subsidiary books and records. It is obligatory that the explanation of the transaction, number of journal entries and accounting receipts and the counter account are indicated in the subsidiary books and records.



### **Safekeeping of the documents and term of safekeeping**

**ARTICLE 16 – (1)** In order for the validity of the accounting records, funds shall obtain the documents stated in TPL and TCC and shall keep them for the terms stated under this legislation. However, in cases where the financial statements have been drawn up in accordance with this Communiqué, even where the related legislation does not deem necessary, funds shall be obliged to obtain the documents required for the validity of the items of the financial statements to be drawn up in accordance with this Communiqué and to keep these documents for the term stated under TCC.

**(2)** The founder shall take the required measures in order to procure that the information set forth in the documents under the first paragraph are not modified and are protected.

### **Independent audit of the financial reports**

**ARTICLE 17 – (1)** In independent auditing of the financial statements to be drawn up in accordance with this Communiqué, Board regulations on independent auditing shall be complied with.

**(2)** Portfolio reports drawn up on the last day of the relevant accounting period in which there is a liability to draw up financial statements shall be subject to independent audit together with the financial statements.

**(3)** Funds shall be subject to special independent audit as of the date of liquidation and capital guaranteed and capital protected funds shall be subject to special independent audit as of the end of the investment term.

**(4)** In respect of the capital guaranteed and capital protected funds, within the terms in which independent audit is being performed, a separate report shall be prepared for each of the subparagraphs below including the relevant information and the opinion of the independent audit and such reports shall be submitted to the Board together with the independent audit report.

**a)** As to whether the assets in the fund portfolios are under custody in accordance with the principles designated by the Board,

**b)** As to whether the unit value has been calculated in accordance with the legislation and valuation principles stated under Article 9 of the Communiqué, including the determination as to whether the methods stated in the fund prospectus/issue documents in order for providing the compliance with the qualifications designated by the Board are implemented in respect of the contracts signed except with the Exchange,

c) As to whether the internal control system including the risk control system involves the minimum principles and procedures stated under the legislation.

### **Public disclosure of the financial reports which are not in accordance with this Communiqué**

**ARTICLE 18 – (1)** Financial reports and data contained in these reports which have not been drawn up in compliance with this Communiqué shall not be used in the public disclosures to be made by the funds in any manner.

### **Exemptions**

**ARTICLE 19 – (1)** In respect to the funds which are associated with an umbrella fund and the investment period, if any, of which is more than one year, financial statement shall not prepared at the end of the accounting period, which is one year as of the starting date of the investment period.

**(2)** Funds which sell their units to only qualified investors are exempt from the liability of preparation of portfolio distribution report.

## **SIXTH CHAPTER**

### **Special Principles on Umbrella Funds, Real Estate Investment Funds and Venture Capital Investment Funds**

#### **Principles on umbrella funds**

**ARTICLE 20 – (1)** Regarding umbrella funds, financial statements shall be drawn up in a way to include each fund, units of which have been issued in association with an umbrella fund.

**(2)** Price reports shall be drawn up separately in respect of the fund units which have been issued in association with an umbrella fund.

**(3)** It is possible to draw up the portfolio distribution reports as a single report, in a way to include information on fund units which have been issued in association with an umbrella fund.

#### **Special provisions on real estate investment funds and venture capital investment funds**

**ARTICLE 21 – (1)** Real estate investment funds and venture capital investment funds are liable for drawing up annual and semi-annual financial reports.

**(2)** Information on developments within the period and valuation reports, prepared in accordance with the relevant regulations of the Board; on real estate investments for the real estate investment funds and on venture capital investments for the venture capital investment

funds shall be attached to the annual and semi-annual financial reports. Valuation reports shall not be subject to independent audit in accordance with Article 17 of the Communiqué.

(3) Price reports shall be drawn up quarterly for the real estate investment funds and the venture capital investment funds and shall be submitted to the Board within 10 business days following the end of the period.

(4) In preparation of the price reports of the real estate investment funds and the venture capital investment funds, data included in the latest financial statements shall be used.

(5) Real estate investment funds and the venture capital investment funds shall be exempt from the liabilities on public disclosure of the financial reports, announcement and notification, regulated under Articles 11, 12 and 13 of the Communiqué.

(6) With respect to the real estate investment funds and the venture capital investment funds; annual financial reports shall be submitted to the Board within 60 days following the end of the account year; and semi-annual financial reports shall be sent to the Board within 30 days following the end of the interim period. Such reports shall also be submitted to investors via the most appropriate means of communication, within 10 business days following the notification to be made to the Board in accordance with this paragraph.

## **SEVENTH CHAPTER**

### **Final Provisions**

#### **Repealed communiqués**

**ARTICLE 22 – (1)** Communiqué on Principles and Rules regarding the Securities Investment Funds Financial Statements and Reports (Serial: XI, No: 6) published in the Official Gazette dated 28 February 1990 and numbered 20447 and other Communiqués amending this Communiqué have been repealed.

(2) References made to the Communiqués repealed by this Communiqué shall be deemed made to this Communiqué.

#### **Transitory provisions**

**TEMPORARY ARTICLE 1 – (1)** The term set forth under the first paragraph of Article 11 of this Communiqué shall be extended for 30 days in respect of the financial statements of the year 2013.

(2) Duties nominated to the founder's Board of Directors under subclause (10) of the subparagraph (b) of the first paragraph of Article 9 of this Communiqué shall be fulfilled by the fund board until the date of 30 June 2014.

**Effective Date**

**ARTICLE 23 – (1)** This Communiqué shall enter into force on 31 December 2013.

**Execution**

**ARTICLE 24 – (1)** The provisions of this Communiqué shall be executed by the Board.