

Restructuring of Borsa İstanbul's Share Market

On 20 January 2014, Borsa İstanbul A.Ş. (the "**Borsa İstanbul**") and NASDAQ entered into a strategic cooperation agreement. The goal of the strategic cooperation agreement is for all markets under Borsa İstanbul to operate under a single trading platform. The first phase of this transition envisages the Shares Market and all submarkets operating thereunder to move to a new trading platform, the NASDAQ Genium INET ("**BISTECH**"). Accordingly, on 13 November 2015 Borsa İstanbul approved a new Listing Directive (the "**Listing Directive**") that sets forth the listing procedures to be carried out after the adoption of the BISTECH platform. Under the Listing Directive; which came into effect on 30 November 2015, the market structure of the Shares Market is reorganised, and changes to the listing and delisting requirements are introduced.

This note provides an overview of the changes in rules and procedures applicable to (i) the operation of the markets, (ii) market structures, (iii) listing and delisting conditions, (iv) qualified investors, (v) SPACs (as defined below) and (vi) dual listing under the new Listing Directive.

1. Changes introduced to the Market Operation, and Procedures

As the Shares Market and other submarkets move onto the BISTECH platform, certain operational changes have been made to previous trading procedures.

Single trading session. Each trading day will now consist of a single session instead of two as previously. However, between 12:30 and 13:30 the market will operate on a single-price basis. During this one-hour period, a new pricing and trading algorithm will be applied and the equilibrium price will be reflected on the data transmission and member representative terminals.

Pricing rules. The pricing rules have also been changed. Accordingly, from now on the base price will be the previous day's closing price, as opposed to the value-weighted average price.

New order types. New order types, such as market, market limitation, balancing and conditional orders (including orders conditional upon pricing, amount and timing) will be available. It will also be possible to make predated orders and to remove pending orders from the order book through suspension without cancelling the order.

New Price Bands. The new system also introduces new price bands. These are to be applied to the base price under the new system as follows:

- 20% for shares and exchange investment funds
- 50% for pre-emption rights and ISKUR.E stock

- no price band for warrants and certificates

2. The New Market Structure

Under the Listing Directive, the existing market structure has changed, and the Shares Market is now organised into seven submarkets. Please see the chart below that describes the new market structure:

MARKET	SCOPE
Star Market (Yıldız Pazar)	Shares of (i) companies with a publicly traded market value of at least TRY 100 million and (ii) other companies listed in the BIST100 will be traded on the Star Market.
Main Market (Ana Pazar)	Shares in companies with a publicly traded market value of at least TRY 25 million but lower than TRY 100 million will be listed on the Main Market.
Developing Businesses Market (Gelişen İşletmeler Pazarı)	Shares of companies currently undergoing their initial public offering and with a publicly traded market value lower than TRY 25 million will be listed on the Developing Businesses Market. ¹
Watchlist Market (Yakından İzleme Pazarı)	Shares in companies that are currently listed in the Watchlist Companies Market, and other companies that are monitored due to their distressed financial positions, will be listed on the Watchlist Market.
Collective Investment Products and Structured Products Market (Kolektif Yatırım Ürünleri ve Yapılandırılmış Ürünler Pazarı)	Shares in investment companies, warrants, certificates and investment fund participation shares will be traded on the Collective Investment Products and Structured Products Market.
Qualified Investor Transactions Market (Nitelikli Yatırımcı İşlemleri Pazarı)	Shares which are issued to be traded exclusively by qualified investors will be traded on the Qualified Investor Transactions Market.
Pre-market Trading Platform (Piyasa Öncesi İşlem Platformu)	Shares in companies that statutorily qualify as publicly held companies but whose shares are not traded on the exchange will be listed in the Pre-market Trading Platform, subject to the approval of the Capital Markets Board.

¹ Shares of companies whose publicly traded market value is below TRY 25 million and whose shares are already publicly traded has now been traded on the Main Market.

2.1 Listing Requirements

Management background. Under the new Listing Directive, new general listing requirements have been introduced. Accordingly, for the issuance of any capital markets instruments other than (i) warrants, (ii) certificates, (iii) ETFs and (iv) capital markets instruments issued to be traded by qualified investors, each member of the board of directors, the general manager and the controlling shareholders of the issuer must certify by way of an independent legal expert report that (i) they have not been convicted of certain crimes listed in the directive, and (ii) they have not been convicted of an intentionally committed crime with a prison sentence that exceeds five years.

Discretionary authority. Additionally, the Listing Directive grants Borsa İstanbul the authority (i) to reject an application for listing or (ii) to place a company's shares in a sub-market that it deems appropriate, even if the applicant meets the listing requirements for another submarket, if Borsa İstanbul concludes that the company's placement on a particular market may have an adverse effect on the reliable, stable, transparent, effective, fair and competitive operation of Borsa İstanbul.

Requirements for publicly held companies. There are also certain additional requirements which must be met by publicly held companies in order for their shares to be traded on the Star Market or the Main Market. Accordingly, a company must have been conducting business for a minimum period of two years since its incorporation in order for its shares to be traded on either of these markets. If a company subsequently changes its form to become a joint stock company, this two-year period will start from the date of the company's establishment in its original form. The two year minimum period limit will not apply to newly established holding companies which hold at least 51% of the shares in another company that has been in operation for over two years.

Shares in companies that have suspended their activities for more than a period of three months in

the preceding two-year period, or are currently undergoing liquidation, composition or bankruptcy claims, cannot be traded on the Star Market or the Main Market. Additionally, EBITDA must have been positive in the previous two annual financial statements. However, for companies in the financial sector, net income - rather than EBITDA - must have been positive in the previous two annual financial statements. For newly established holding companies that hold at least 51% of the shares in another company that has been in operation for over two years, the EBITDA requirement must have been fulfilled by the subsidiary of the holding company.²

The Star Market and the Main Market are both divided into two groups. Accordingly, a company must fulfil the requirements reflected in the following table.

	Star Market Group 1	Star Market Group 2	Main Market Group 1	Main Market Group 2
Minimum Market Value of the Offered Shares (TRY)	250,000,000	100,000,000	25,000,000	25,000,000
Minimum Total Market Value (TRY)	1,000,000,000	400,000,000	-	-
Minimum ratio of the nominal value of shares being offered to the capital	5%	10%	15%	25%
Minimum equity to capital ratio	Higher than 0.75	Higher than 1	Higher than 1	Higher than 1.25

² If the holding company has multiple subsidiaries, the EBITDA requirement must be fulfilled by the subsidiary having the highest ratio to the total amount of net sales of the holding company.

2.2 Delisting under the New Market Structure

Forced delisting. Under the Listing Directive, if company whose shares are traded on either the Star Market, Main Market, the Developing Businesses Market or the Watchlist Market:

- fails to comply with the public disclosure requirements and the regulations and decisions of Borsa İstanbul;
- provides insufficient or untruthful information or documentation;
- ceases its activities for longer than one year for reasons other than those deemed acceptable by Borsa İstanbul;
- is declared bankrupt or is terminated for any other reason;
- is unable to carry out its activities due to financial distress;
- does not make the required payments to Borsa İstanbul within one year of the due date of the relevant payments;
- loses the entirety of its capital;
- has been provided with a negative opinion in its three latest independent audit reports or if the independent auditor refrained from expressing an opinion; or
- is found to have non-commercial debts in an amount exceeding 50% of its assets,

then the relevant company may be delisted from the relevant market. The board of directors of Borsa İstanbul may also (i) issue a warning to the relevant company, (ii) provide it with a grace period to cure the relevant non-compliance (iii) resolve to move the company to the Watchlist Market, where applicable, or (iv) take other measures, at its own discretion.

3. Other Changes provided under the Listing Directive

3.1 Qualified Investors

Requirements for the Qualified Investor

Transactions Market. Further conditions apply in order for the shares of a company to be traded on the Qualified Investor Transactions Market. Accordingly, (i) an issuance certificate must be approved by the Capital Markets Board and the articles of association of the relevant company must not include any reservation that restricts the trading or circulation of the shares in the company, (ii) an independent legal expert must certify that in their opinion there are no pending legal disputes which may materially impair the business activities of the company, (iii) the company must be in compliance with the rules and regulations applicable to its business activities, and (iv) the most recent annual and quarterly independent audit reports of the company must include an affirmative opinion.

Current shareholders' position. The Listing Directive permits current shareholders of companies listed on the Qualified Investor Transactions Market to sell the shares they currently hold on the Qualified Investor Transactions Market even if they are not considered qualified investors, but that they cannot conduct any other trading activities on the Qualified Investor Transactions Market.

3.2 Special Purpose Acquisition Companies

Under the new structure introduced by the Listing Directive, special purpose acquisition companies ("**SPAC**") can be listed on Borsa İstanbul subject to certain conditions.

An SPAC is established for the exclusive purpose of publicly offering shares corresponding to at least half of its total paid or issued capital in order to merge with or acquire a privately owned company following such public offering. In order for a company to be considered a SPAC under Turkish Law its commercial title must include the phrase "special purpose acquisition company".

Listing requirements for a SPAC. For a SPAC to be listed on Borsa İstanbul, the market value to be publicly traded following the public offering must be TRY 200 million or higher and correspond to at least 50% of the total paid or issued capital of the company. Additionally, a minimum 80% of the offered shares must be sold to corporate investors. It is also required that the total amount of shares held by the board members and managing personnel of the company prior to the public offering must correspond to at least 10% of the total capital of the company and such board members and personnel must undertake not to sell their shares on Borsa İstanbul or through other means until the merger and for a twelve-month period immediately following the merger.

SPAC shares can also be traded on the Qualified Investor Transactions Market subject to the approval of the Capital Markets Board.

Delisting of a SPAC. Shares of a SPAC may also be delisted from Borsa İstanbul (i) if the company fails to merge with/acquire another company using at least 80% of its income from the public offering within twenty-four months of the approval of the prospectus (or, if another time frame is set forth under the prospectus, within such time frame), (ii) if the merger is not approved by their shareholders, (iii) if it does not disclose its cash governance policies, investments or the information regarding the merger to Borsa İstanbul or the general public as required, (iv) the SPAC is terminated for any reason, or (v) it does not make the required payments to Borsa İstanbul within one year of the due date of those payments. The board of directors of Borsa İstanbul may also (i) issue a warning to the relevant company, provide a grace period in order for it to cure the relevant non-compliance or (ii) take other measures, at its own discretion.

3.3 Dual Listing

Requirements for a dual listing. Pursuant to the Listing Directive, an expedited listing procedure will be applicable to shares that are presently being traded on certain foreign exchanges to be listed on the Borsa İstanbul by the board of directors of Borsa İstanbul. Accordingly, these shares will be listed on Borsa İstanbul subject to the approval, by the Capital Markets Board, of the prospectus or issuing certificate for the relevant shares. No other criteria

will be required to be fulfilled for such shares. When determining the market on which the relevant shares will be listed, the total value of shares that are publicly traded on the foreign stock exchange(s) will be taken into consideration against the aforementioned thresholds.

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