

DECREE LAW PERTAINING TO STOCK EXCHANGES

Office Gazette No. : 18183 (rep.)
Official Gazette Date : 06.10.1983

Decree Law Number: KHK/91

The arrangement of the principles of operation and their monitoring of stock exchange institutions and their activities that are required by the Capital Market were resolved on 3/10/1983 by the Council of Ministers based on the power granted by the Law no. 2810 dated 5.4.1983.

SECTION ONE INITIAL PROVISIONS

Objective

Article 1 – The objective of this Decree Law is to ensure that the capital market plays an effective role in the economic development by arranging their foundation, management, principles of operation and their monitoring in order to provide that the stock exchange markets are operating in an open, orderly and honest manner so that the securities are traded in a secure and stable environment.

Scope :

Article 2 –

- 1) Stock Exchanges established and to be established in Turkey are subject to the provisions of this Decree Law.
- 2) In cases for which there are no provisions in this Decree Law, the general provisions shall apply.

SECTION TWO PROVISIONS APPLYING TO FOUNDATION AND BODIES

Foundation :

Article 3 –

- 1) Stock Exchanges are public institutions founded as a legal person authorized to buy and sell stocks and securities, to determine their prices and make declarations about them within the context of the principles written in this Decree Law. The establishment of Stock Exchanges at places deemed necessary is subject to the approval by the Ministry of Finance upon the recommendation of the Capital Market Board .

- 2) Stock Exchanges are under the supervision and control of the Capital Markets Board.
- 3) The Ministry of Finance appoints a Stock Exchange Commissioner to the Stock Exchanges, who is selected from among candidates recommended by the Capital Markets Board. The Stock Exchange Commissioner supervises Exchange activities and ensures that the provisions of the Decree Law and relevant regulations are executed properly. The Stock Exchange Commissioners or his appointed representative attends the annual ordinary and extraordinary General Assembly meetings of companies whose stocks and bills are registered at the Exchange.

Members

Article 4 –

- 1) Real and legal persons who are authorized by the Capital Markets Board to trade on stocks at the exchange are called exchange members.
- 2) The conditions and qualifications required to be a member of a stock exchange, the type of exchange activity these members are to be engaged in, and the regulations pertaining to the rules that must be conformed to in carrying out these activities are prepared by the Capital Markets Board and, upon the recommendation by the Ministry of Finance, come into effect through the Resolution of the Council of Ministers.

Stocks Exchange Members' General Assembly

Article 5 –

- 1) The Stock Exchanges have a General Assembly consisting of members of stock exchanges.
- 2) The General Assembly meets once a year on a date specified by the Capital Markets Board. When deemed necessary, upon the invitation of the Capital Markets Board an extraordinary meeting is held.
- 3) The General Assembly is the superior decision making office of the exchange. Resolutions taken by the General Assembly, come into effect upon approval by the Capital Markets Board, or in the event that this approval is delayed, within 30 days following their presentation to the Capital Markets Board.

Executive Council of the Exchange

Article 6 –A five-member executive council consisting of a chairman and four members is present at the Stock Exchanges.

Chairman of the Executive Council

Article 7 – Stock Exchanges are managed and represented by the chairman of the executive council according to the resolutions taken by the executive council.

Audit Committee

Article 8 – Two auditors selected by the General Assembly supervise the accounts and transactions of the Stock Exchanges.

Regulations Pertaining to the Foundation of the Exchange and Its Bodies

Article 9 – Matters pertaining to the

- a-** Election or appointment and tenure,
- b-** Duties and authorities,
- c-** Responsibilities, and
- d-** Salaries

of the General Assembly, executive committees, chairman and auditors of the stock exchanges, along with the procedures and principles of operation of the exchange bodies, members and officers are indicated in the regulations to be prepared by the Capital Markets Board. These regulations come into effect upon the approval of the Ministry of Finance and its publication in the Official Gazette.

SECTION THREE PROVISIONS WITH RESPECT TO EXCHANGE TRANSACTIONS

Listing at the Exchange:

Article 10 –

- 1)** Regulations concerning the principles pertaining to the listing of the stocks and securities to be traded at the Stock Exchanges are prepared by the Capital Markets Board and, upon the recommendation of the Ministry of Finance, are put into effect by the Council of Ministers.
- 2)** Stocks and securities to be issued by General and Annexed-Budget administrations, local administrations and State Economic Enterprises have to be listed on the exchange upon the request of the Ministry of Finance.
- 3)** The listing of foreign stocks and securities is subject to approval by the Minister of Finance.

Principles to which Exchange Transactions are Subject:

Article 11 –

- 1)** Rules pertaining to buy and sell transactions on the Stock Exchanges are determined by the Stock Exchange Executive Council through a regulation.

This regulation comes into effect upon the approval by the Capital Markets Board. The Capital Markets Board, if necessary, has the right to ask for changes in the regulations prior to approval.

- 2) Other principles designed for halting the trading of securities on the exchange, their delisting, the determination of listing fees and brokerage tariffs and ensuring that the trading on the exchange is executed effectively are contained in the regulations to be issued by the Capital Markets Board.
- 3) In cases where more than one exchange is active, the principles and form for announcing the information pertaining to the organization of inter-market relations and for formation of daily prices of stocks and securities are included in the above regulations.

Guarantee:

Article 12 – In order to protect against the possibility that exchange members may intentionally act during trading in ways that may be harmful, exchange members must deposit a guarantee in the form of cash, a State Bond or a letter of guarantee in the name of the Stock Exchange Executive Council to either the Central Bank of Turkey or at a public bank to be specified by the Ministry of Finance.

The amount of the guarantee and the principles according to which payment is to be made from these guarantees is indicated in the regulations to be issued by the Capital Markets Board.

Disputes:

Article 13 – The authorities responsible for resolving any disputes that may arise between exchange members in the course of exchange transactions are the Stock Exchange Executive Councils. Objections against the resolutions taken by the Stock Exchange Executive Councils can be made to the Capital Markets Board. The resolutions reached by the Capital Markets Board with respect to these disputes are considered final.

For disputes arising between the exchange members and their customers, application to the Stock Exchange Executive Council can be made. For these kinds of disputes, the parties' rights to resort to judicial authorities are reserved.

Temporary Closing of Exchanges:

Article 14 – In case of extraordinary negative developments on the Stock Exchanges, a resolution can be taken to close them temporarily .

The decision to temporarily close the exchanges for a period of up to three days belongs to the Chairman of the Exchange Executive Council.

Upon the request of the Exchange Executive Council, the Capital Markets Board is authorized to temporarily close the exchanges up to fifteen days, and upon the request of the Capital Markets Board, the Ministry of Finance is authorized to temporarily close the exchanges up to one month.

The Council of Ministers is authorized to temporarily close the exchanges for periods longer than one month upon the recommendation of the Ministry of Finance.

SECTION FOUR FINANCIAL PROVISIONS

Budget:

Article 15 – Stock Exchanges are administered through private budget. The budget year is the calendar year. The budgets of the Stock Exchanges are finalized through the approval of the Capital Markets Board.

The principles pertaining to the financing of expenditures for the purchase, rental and equipping of buildings are resolved by the Ministry of Finance.

Incomes:

Article 16 – The incomes of Stock Exchanges consist of the following:

- 1 – Admission fees to be collected from exchange members
- 2 – Annual subscription fees to be collected from exchange members
- 3 – Listing fees of stocks and securities
- 4 – Registration fees of exchange transactions
- 5 – Fines collected as a result of disciplinary penalty
- 6 – Shares to be paid to the exchange administration out of brokerage fees
- 7 – Other subscriptions, fees and tariff shares to be determined by the Stock Exchange Executive Council.
- 8 – Other income and donations

Determining the Income Amounts and Rates:

Article 17 – The amount and percentages of the income items indicated in Article 16 above, as well as their collection time and form, is determined by the Exchange Executive Council. They go into effect with the approval by the Capital Markets Board. Income and donations in paragraph 8 of Article 16 are excluded from this provision.

SECTION FIVE DISCIPLINE AND PENALTY PROVISIONS

Disciplinary Penalties:

Article 18 –

- 1) The Stock Exchange Executive Councils are authorized to apply one or more of the following against individuals who disrupt the order and honesty of the Exchange, get involved in cheating during trading, or do not comply with decisions taken to ensure the open, orderly and honest functioning of Exchange transactions:
 - a) Warning
 - b) Reproach
 - c) Fine of up to five hundred thousand Lira
 - d) Temporary or permanent removal from exchange membership

- 2) If the actions requiring penalty have been carried out by members or one of their authorized representatives for personal benefit, the fine mentioned in paragraph c of article 1 shall be applied three times higher than the benefit gained, provided that the total fine be not less than five hundred thousand.

Imprisonment:

Article 19 –

- 1) Exchange members and their authorized representatives who act contrary to the provisions of this Decree Law or the regulations to be issued on the basis of this Decree Law:
 - a) In the event that they are involved in actions that prevent the open, orderly and honest operation of the exchange or otherwise engage in fraudulent practices in trading on the exchange, upon the recommendation of the Stock Exchange Executive Council, the Capital Markets Board applies to the Ministry of Finance to register a complaint with the State Prosecutor's Office.

 - b) The Customers who have experienced loss due to the trading conducted as indicated in the above paragraph have the right to seek judicial redress.

- 2) The courts can issue a prison sentence of up to two years for those who commit these offenses.

Court Procedure:

Article 20 – Cases opened pursuant to article 19 are held at the Criminal Courts of First Instance without regard to location, as specified in the provisions for being caught in the act of crime of the article 1 of Law no. 3005 pertaining to the Follow-up of Witnessed Crimes and without regard to time, in article 4 of the same Law.

SECTION SIX FINAL PROVISIONS

Foreign Currency Exchanges:

Article 21 – The Ministry of Finance is authorized to establish Foreign Currency Exchanges, separately or together with Stock Exchanges, and to determine the principles of operation for these exchanges.

Inspection:

Article 22 – All kinds of transactions, accounts, registrations and accounting books of Stock Exchanges can be inspected by the inspectors of the Ministry of Finance at any time. The Exchanges are obliged to present all accounting books, documents and registrations to these inspectors.

Regulations:

Article 23 – The regulations specified in articles 4, 9, 10, 11, and 12 of this Decree Law are to be issued within one year of the publication of this Decree Law.

Effective Date:

Article 24 –

- 1) Law on the Stocks and Foreign Currency Exchanges No. 1447 dated 16.5.1929 has been rescinded.
- 2) The regulations indicated in articles 9, 11 and 12 in this Decree Law, along with the Resolutions of the Council of Ministers indicated in articles 4 and 10 of same Decree Law come into effect from the date upon which the provisions under Section Five of the Decree Law become legal.
- 3) Until the provisions of the Decree Law, except those in Section V, come into effect, and excluding the changes made in provisions of Article 26 of Law no. 2529 dated 2.10.1981, the provisions of the Law on the Stock and Foreign Currency Exchanges No. 2529 dated 2.10.1981 and their Regulations No. 8171 dated 19.06.1929 continue to be applicable.

Enforcement:

Article 25 – The provisions of this Decree Law are enforced by the Council of Ministers.