

The Emerging Companies Market ECM

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**ISTANBUL
STOCK
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Yirmi Beşinci Yıl
Twenty Fifth Year

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1. What is the ISE Emerging Companies Market (ECM)?

There are two markets for trading stocks on the ISE:

- The Stock Market (SM)
- The Emerging Companies Market (ECM)

The ECM is established as a distinct market within the ISE to create a transparent and organized platform where securities, issued in order to raise funds from the capital markets by companies with growth and development potential, can be traded.

Securities of the companies registered by the Capital Markets Board of Turkey (CMB), but fail the ISE listing requirements are traded on the ECM. Thanks to the ECM, such companies will have the opportunity to raise funds while presenting themselves better, and adding to their visibility among investors as well as their operational markets.

Securities accepted to the ECM Directory can be traded on the ECM.

2. What are the Major Differences between the Application Procedures of the Stock Market (SM) and the Emerging Companies Market (ECM)?

SM Application

To be traded on the SM, companies apply to the ISE within the framework of the Listing Regulation.

ECM Application

To be traded on the ECM, companies apply to the ISE within the framework of the ISE ECM Regulation¹.

SM Application

Both qualitative and quantitative criteria are sought in the Listing Regulation (such as profitability, operational age, capital amount, market capitalization etc.) for listing and trading on the ISE listed market. Applications for trading on the unlisted markets are evaluated according to the regulating circular² of the relevant market.

ECM Application

Neither qualitative nor quantitative admission criteria are sought for trading on the ECM Regulation.

(1) The ISE ECM Regulation is available at www.ise.org/Regulations/Bylaws.aspx

(2) The Second National Market Principles Circular No:330, dated 08.04.2010.



SM Application

Due examination is done by the ISE. The applying company is admitted to an appropriate listed or unlisted market upon the Executive Council's decision.

ECM Application

Due examination is done by a market advisor and the results are reported to the ISE along with the supporting documents. If the market advisor presents a positive view in the report, the company shares can be admitted to the ECM Directory upon the Executive Council's decision.

SM Application

Shares of the existing shareholders can be traded on the SM.

ECM Application

Only the shares on the ECM Directory can be traded on the ECM.

3. How are ECM Shares Registered, Traded and Settled?

ECM traded shares are registered in the Central Registry Agency (CRA) system in dematerialized form. The custody and settlement of ECM included shares are done in the same method as the shares traded on the SM, and their trading is also carried out on the same electronic platform with the SM. Trades are conducted according to the ECM Regulation and ECM Trading Principles Circular³ on the ISE Electronic Trading System, subject to the Capital Markets Regulations. Mainly, "Continuous Auction with Market Maker" method is used for trading, while "Single Price" method is used for the trading boards without a market maker. Cash and security settlement of trades are completed by the ISE Settlement and Custody Bank (Takasbank). The Exchange members are charged for the transactions made on the ECM at the same rate as the SM.

Delivery and payment of securities & cash are made on T+2 (trade day + 2 business days) via Takasbank and the CRA. ECM trades are TL (Turkish Lira) denominated.

4. Which Shares are Eligible for ECM Trading⁴?

The shares eligible for trading on the ECM include those issued by joint stock companies in capital increases by partially or fully restricting the preemptive rights of the existing shareholders, and in the case of secondary offerings, the shares acquired by using the rights attached to such shares. The shares of the existing shareholders that are not included in the ECM Directory may not be traded on the primary or secondary market of the ECM. Yet, there are no restrictions on the purchase of the shares by the existing shareholders from the ECM primary or secondary market and sales thereof afterwards. This rule aims to channel the funds raised by issuing shares on the ECM to the company and directly contribute to the financial structure of the company.

5. At Which Stages are Shares Traded on the ECM?

Primary and secondary market transactions are carried out on the ECM. Buyers, i.e. investors, meet the share issuing companies directly on the primary market. Funds flow from the investors to the issuing company on the primary market and as a result of primary market sales, a cash capital is injected into the company. On the secondary market, the existing owners of shares sell such shares to other investors for cash, in other words, secondary market does not provide cash to the company; rather, only the ownership of the shares changes. Only the shares exchanged on the ECM primary market and the shares acquired by the rights attached to such shares in the capital increases that follow are eligible for ECM secondary market trading.

(3) The ISE ECM Trading Principles Circular no. 348, dated October 8, 2010.

(4) The ISE ECM Regulation Articles 4-5



6. Is an IPO or Private Placement by Shareholder Sales Possible on the ECM?

The ECM aims that, the proceeds of an IPO or private placement directly satisfy the financial requirements of the issuing company. Thus, IPO or private placement sales by a shareholder are not allowed on the ECM and only new shares which are issued as a result of capital increase can be subject to such transactions.

7. Are the Shares of the Companies, Registered with the Capital Markets Board but not Traded on the ISE, Eligible for ECM Trading without a Public Offering?

The shares issued by a capital increase by restricting the preemptive rights of the existing shareholders of companies registered with the

CMB are eligible for the ECM Directory and can be traded on the ECM. Therefore, CMB registered companies can apply for ECM Directory by following this procedure. Such companies must comply with the requirements stated in Article 5 entitled “Criteria applicable for admission to the ECM Directory and admission of shares to the ECM Directory” of the ECM Regulation. Shares of the existing shareholders not included in the ECM Directory may not be traded on primary or secondary markets.

8. Which Companies Can Apply to the ECM?

Only the shares of joint-stock companies can be traded on the ECM and no quantitative criteria such as profitability, company age, capital or market capitalization size are required for



admission to the ECM Directory. Yet, there is a kind of ceiling constraint that ECM applicant companies should not meet the criteria defined by the Listing Regulation. The applications of such companies are rejected and advised that they should apply for the SM in line with the Listing Regulation.

Provided that the above mentioned requirement is met, a company that has completed the preparatory work with and has a positive report from the market advisor can apply to the ISE for admission to the ECM Directory⁵.

9. What is the ECM Directory?

ECM Directory is the list of the securities that can be traded on the ECM. This directory is published on the ISE web site⁶. Only the shares included in the ECM Directory can be traded on the ECM.

10. How is an Application for Admission to the ECM Directory Made?

Application for admission to the ECM Directory is made by a petition signed by the company and its market advisor. All documents required by the ECM Regulation must be attached to the application. Applications are evaluated only if all the documents are completed.

11. What are the Admission Criteria for the ECM Directory?

For all applications for admission of company shares to the ECM Directory, it is essential that⁷:

1. The company applying for admission of shares to the ECM Directory be a joint stock company, and prove by legal documents that its legal status in

terms of its establishment and operations as well as its shares be in compliance with the legislation to which the company is subject;

2. The application for admission to the ECM Directory be made for the shares to be issued as a result of capital increase through the partial or full restriction of the pre-emptive rights of the existing shareholders, or capital increase through private placement,
3. The company should fail to satisfy at least one of the qualitative or quantitative listing requirements set forth in the Listing Regulation, (such as profitability, operational age, and capital or market capitalization size etc.)
4. The company's articles of incorporation not include any provisions restricting the transfer and circulation of the shares to be traded, or preventing the shareholders from exercising their rights;
5. A market advisory agreement has been signed between the Company and one of the market advisors which is listed on the Market Advisors Directory, and such agreement be effective for a period of minimum two years from the application date;
6. The most recent year-end financial statements as of the application date have been independently audited, and in the event that a period of nine months has elapsed since the date of the independently audited balance sheet, the semi-annual financial statements also be independently audited.

If the market advisor's report on the company sets out a positive opinion, the Executive Council decides whether to admit or refuse the admission of the company shares to the ECM Directory, in consideration of the report and the general circumstances.

(5) The ISE ECM Regulation Articles 4-7.

(6) www.ise.org/Markets/EmergingCompaniesMarket/ECMlist.aspx

(7) The ISE ECM Regulation Article 5.



Shares qualifying for the ECM Directory are those to be issued as a result of capital increase through public offering, or capital increase through private placement. As long as company shares are included on the ECM Directory, any application for inclusion in the ECM Directory submitted by shareholders for shares which are not covered by this article and are not included in the ECM Directory, shall be refused by the Exchange.

12. What are the Documents to be Submitted by the Market Advisor for ECM Application⁸⁾?

- 1) A petition for admission to the ECM Directory, signed by the company and its market advisor,
- 2) Registration Certificate obtained from the CMB,
- 3) A notarized “letter of approval and consistency declaration” signed by the market advisor and the company,
- 4) Market Advisor Report,
- 5) A notarized “letter of undertaking for being traded on the Exchange” signed by the company,
- 6) A market advisory agreement signed by the company and the market advisor,
- 7) A company information form signed by the company and the market advisor,
- 8) The most recent year-end financial statements and the independent audit report thereof. If a period of nine months has elapsed since the date of the audited balance sheet, the independently audited semi-annual financial statements,
- 9) If the issue is realized via a public offering, CMB-certified prospectus and circular, or if the issue is realized via a private placement, then ECM Trading Information Form,
- 10) Copies of the agreements with intermediary institutions if there are any,
- 11) Notarized signature circular of the representatives of the company and the market advisor,
- 12) Copies of the Turkish Trade Registry Gazettes where the articles of association of the company and amendments have been published, and the articles of association of the company reflecting the most recent status, prepared as a single document and signed by the authorized signatories of the company,
- 13) Information about the share groups set forth in the articles of association, and privileges attached to or restrictions imposed on such groups,
- 14) If there are registered shares amongst the shares which are included in the ECM Directory application, then a board of directors’ decision that blank endorsement is acceptable in the transfer and assignment of such shares,
- 15) Results of the sales via public offering or private placement,
- 16) The web site address through which the company shall make public disclosures and use for investor relations;
- 17) A certificate evidencing that the shares included in the ECM Directory application have been registered by the CRA;
- 18) The firm, applying for its shares to be accepted to ECM list, being a joint-stock company and judiciary opinion document proving that the judicial position of the firm in terms of establishment and operation and of shares are in line with the regulations they are related,
- 19) Application for Public Disclosure Platform Certificate,
- 20) Other information and documents that may be requested by the Exchange,
- 21) Additional acceptance form for ECM List.

(8) The ISE ECM Regulation Article 7. These documents and explanations are available at www.ise.org/initialpublicoffering/IPO_EmergingCompaniesMarket/ecm_ApplicationDossier.aspx



In principle, the documents attached to the application should be drawn up and signed by the market advisor and the company representatives. The company management and the market advisor are jointly responsible for the accuracy of the information and the documents submitted. The issuer must present all the information and documents that may be requested by the market advisor or the ISE.

13. What are the Rules of Exclusion from the ECM Directory⁹?

The company shares listed in the ECM Directory may be excluded from the Directory upon the decision of the ISE Executive Council, if:

- 1) An application submitted for the listing of the company shares on any one of the submarkets of the SM is accepted;
- 2) The Exchange is notified of a decision on the bankruptcy of the company, or the dissolution of the company for any reason such as liquidation or expiration;
- 3) Trading of the company shares is suspended for a period of four months for any reason whatsoever,
- 4) The company is in breach of its public disclosure obligations, fails to remedy such breach promptly and/or commits such breach on several occasions,
- 5) The company fails to pay the ECM Directory fees and to meet its obligations against the Exchange;
- 6) The agreement executed by the company with the market advisor is terminated for any reason whatsoever and an agreement is not signed with a new market advisor in four months following the suspension of the trading of the company shares due to absence of a market advisor;
- 7) Any permit, license or agreement of the company, necessary for its operations, is cancelled or invalidated;
- 8) The independent audit reports prepared for the last two terms of the company set forth an adverse opinion, or the independent auditor gives a disclaimer of opinion in such reports,
- 9) The company fails to adhere to the other regulations of the Exchange.

The ISE Executive Council may issue a warning and extend a time period to the company for fixing the problems prior to taking a decision to exclude it from the ECM Directory.

14. How are the Shares to be Traded on the ECM Sold to Investors?

Shares to be accepted to the ECM Directory can be sold to investors via a public offer¹⁰ or via a private placement¹¹ to predetermined investors without offering publicly on the ISE primary market. Unlike the SM conduct, a trading board is commenced on the secondary market of the ECM for the shares that are sold to a limited number of investors by a private placement.

In private placements, prospectus and circular are not required. In the case of private placements for real and judicial persons, the number of buyers can not exceed 100 and the transaction should be executed on the relevant market of Exchange¹¹.

15. What are the Sales Methods at Public Offerings?

Companies, whose shares will be traded on the ECM must use “sales on the Exchange” method^{10,11}. Such companies cannot use the “book building” or “without book building” methods defined in the CMB regulations.

(9) The ISE ECM Regulation Article 14.

(10) The CMB Communiqué Serial: VIII, No: 66 Principles Regarding Sales Methods of Capital Market Instruments Through Public Offering, Article 12.

(11) The CMB Communiqué Serial: I, No: 40 on Principles Regarding Registration with the Board and Sale of Shares, Article 13.



16. How Can the ECM Companies Transfer to Sub-Markets of the SM?

i) Compulsory Application: If an ECM traded company meets the ISE Listing requirements as indicated by its latest annual audited financial statements and has 250 or more shareholders, it must apply to be traded on one of the SM sub-markets¹².

ii) Discretionary Application: An ECM company may apply to the ISE in order to be considered for trading on a sub-market of the SM.

17. Can a Company Voluntarily Get Its Shares Removed from the ECM Directory and Annul CMB Registration?

A company may apply to the ISE to get its shares removed from the ECM Directory. While evaluating the Company's application for removal of its shares from the ECM Directory, the ISE Executive Council may require the applicant company to take precautions in order to prevent the infringement of the investors' rights¹³.

In its July 30, 2010 dated and 22/675 numbered meeting, the CMB determined the principles and procedures to be followed by the firms whose shares are traded on the Exchange, if they would like to leave the Exchange at their own will¹⁴.

(12) The ISE ECM Regulation Article 13.

(13) The ISE ECM Regulation Article 15.

(14) The CMB weekly bulletin including the abovementioned decision can be reached at the following internet address:
<http://www.spk.gov.tr/apps/haftalikbulten/displaybulten.aspx?yil=2010&sayi=31&submenuheader=null>



The prerequisite for being removed from the CMB registration for a company is being not traded on the ISE. The procedure for removal from the CMB registration for companies that are not traded on the ISE is regulated by the CMB Communiqué on Principles of Issuer Exemption Criteria and Removal From CMB Registration Serial: IV No.39.

18. What is a Market Advisor and Its Duties¹⁵?

Market Advisor is an institution authorized by the ISE to serve as a “market advisor” as defined by the ECM Regulation. Within the framework of the CMB and the ISE regulations, the market advisor is obligated to assist the company to complete the preparations necessary for the application for admission to the ECM Directory and attest, jointly with the company, the accuracy of the information and documents submitted to the ISE and disclosed to the public; to write the company report to be submitted to the ISE along with the ECM application; and after admittance to the ECM Directory, to provide advisory services to the company to comply with the capital markets regulations and the ISE regulations.

19. Which Companies Can Be a Market Advisor?

Intermediary institutions holding an “Investment Advisory License” or “Public Offering Intermediation License”, portfolio management companies holding an “Investment Advisory License”, “Venture Capital Investment Companies”, and “Institutions Authorized to Audit in the Capital Markets” are eligible to be market advisors¹⁶. Such institutions may apply to the ISE for authorization as a market advisor.

A list of Authorized Market Advisors is available on the ISE web site¹⁷.

20. What Should be Taken into Consideration When Choosing a Market Advisor?

While choosing a market advisor to work with, companies intending to apply to be traded on the ECM should sort out the services they will need during the application process and after commencement of trading on the ECM, make their choice from among the authorized market advisors, capable of providing such services. Market advisors’ previous work experience and achievements in similar works should also be taken into consideration. As market advisory fees are set by the parties freely, costs to be incurred would also be a factor.

21. The ECM and Investors

The ECM allows investors to discover companies with high growth potential and the promising projects of such companies, to allocate their portfolio investments to such companies and to fulfill their financing requirements by becoming shareholders. Intermediaries must get the “ECM Risk Notification Form”¹⁸, which introduces the ECM to investors and states the Market’s main differences and risks, signed by investors before providing brokerage services for trading ECM shares.

(15) The ISE ECM Regulation & the Circular on Principles and Procedures Regarding Market Advisory at the ISE ECM no. 327, dated March 5, 2010.

(16) The Circular on Principles and Procedures Regarding Market Advisory at the ISE ECM no. 327, dated March 5, 2010 Article 3.

(17) www.ise.org/initialpublicoffering/IPO_EmergingCompaniesMarket/MarketAdvisorList.aspx

(18) The ECM Risk Notification Form is available at www.ise.org/datum/gip/ECMriskForm.pdf



22. What are the Public Disclosure Requirements for the ECM?

The companies whose shares are on the ECM Directory are obligated to produce and publicize the year-end financial reports and the independent audit report thereof; and semi-annual financial statements (which do not need to be independently audited). The financial report set includes financial statements, board of directors' operation report and representation letter¹⁹.

It is also mandatory that the company disclose important events and developments, which are likely to affect the value of its shares or the investors' decisions regarding investments or exercising of rights²⁰.

Companies disclose statements conveyed to them by market advisors for announcement as well as the conditions of the market advisory agreements, as required by the ECM Regulation²¹.

The company's web site should be available and operational while the company shares are on the ECM Directory, and all sorts of information and documents required by the ISE should be published there as well, after being announced on the ISE Public Disclosure Platform (KAP).

Public disclosure is realized via the KAP system on the Internet²² by using digital certificates and signatures.

23. What is the Public Disclosure Platform²³ (KAP)?

KAP is an electronic system through which the announcements required by the capital markets or the ISE regulations are transmitted and publicized.

KAP was collectively developed by the CMB and the ISE, and is operated by the ISE Public Disclosure Platform Administration Department.

KAP allows collection of all announcements of companies with shares traded on the ISE, Exchange traded funds and intermediary institutions via the Internet in a paperless medium, without a go-between, and with secure digital signature. Independent audit firms are also in the KAP domain, limited to signing related financial statements. All announcements of the ISE, the CMB, Takasbank and the CRA, previously published via the ISE Bulletin to inform investors, are also broadcast by the KAP.

KAP announcements are made by using digital certificates. Companies are obligated to keep an adequate number of valid digital certificates within the framework of the CMB Communiqué Serial: VIII No. 61. Companies are required to get digital certificates in order to have their shares admitted by the ISE to the ECM Directory.

KAP system can be accessed at www.kap.gov.tr. Training and support services for operation of KAP are provided by the ISE.

(19) The ISE ECM Regulation Articles 23-26, The CMB Communiqué on Principles of Financial Reporting at the Capital Market Serial: XI, No: 29.

(20) The CMB Communiqué Serial: VIII, No: 54 on Principles Regarding Public Disclosure of Material Events.

(21) ISE ECM Regulation Article 20.

(22) www.kap.gov.tr

(23) www.ise.org/PublicDisclosurePlatform/PublicDisclosurePlatform.aspx?sfopl=true



24. Corporate Governance and Compliance Report

Corporate governance principles²⁴, first published in July 2003 and revised in February 2005, consist of four main sections; namely, shareholders, public disclosure and transparency, stakeholders and board of directors. Those principles on company management, relations between the shareholders and other stakeholders, rights and responsibilities of parties and the decision processes of the company, call for the operation of a company by taking into account aspects of good governance such as equality, social responsibility, transparency, independence, responsibility, discipline and accountability.

Compliance with corporate governance principles is optional for companies whose shares are traded on the ISE, yet within the framework of the CMB decision²⁵ dated December 10, 2004, it is mandatory to have their “declaration of corporate governance compliance” and “corporate governance compliance report” in their annual reports and on their web sites.

25. What are the Rewards of Being ECM Traded?

Source of Financing

The ECM primarily offers access to capital via an organized, transparent, orderly functioning and reliable market. Unlike borrowing, the alternative source of finance, equity does not have principal and interest repayment obligations that may pressure the cash flow of a company. As a company’s debt increases, its borrowing capacity weakens; on the other hand, equity ratio strengthens the borrowing ability, therefore allowing the company to obtain financing more easily and at better rates. Thus, it

is acknowledged that the financial structures of companies with a falling debt/equity (leverage) ratio get stronger and become more resilient against possible financial difficulties or crises.

Creditors provide loans effortlessly and faster to the Exchange traded companies that regularly disclose their financial and other information, and are audited independently. Companies with a good performance following an IPO can raise further capital with secondary offerings relatively easier. In this manner, ECM traded companies are expected to grow, mature over time and transfer to a submarket of the SM and realize larger public offerings there.

Price Discovery and Liquidity

The ECM enables price discovery by providing a transparent and reliable trading platform and offers liquidity for company shares. As a result of this, company shareholders may use Exchange traded shares as collateral for credit transactions, and can therefore transform that dormant asset into a financing generating instrument. Share price discovery in the market forms a robust basis for establishing company value at mergers & acquisitions or secondary offerings.

Alternative Exit Route

The ECM establishes a benchmark for company valuation by providing share price discovery for venture capital or similar investors investing in companies especially at foundation stages, with the goal of exiting by selling their stakes in the future. Although only the shares issued by a new capital increase can be traded on the ECM, shareholders may sell their shares not listed in the ECM Directory to third parties off the Exchange. On the other hand, if the company transfers to a submarket of the SM eventually, all its shares become tradable on the ISE, and therefore, shareholders can easily sell their shares to exit.

(24) The corporate governance principles published by the CMB are available at www.spk.gov.tr/displayfile.aspx?action=displayfile&pageid=66&fn=66.pdf

(25) The related CMB decision is available at www.spk.gov.tr/apps/haftalikbulten/displaybulten.aspx?yil=2004&sayi=51



Visibility and Credibility

Trading on the ECM makes a company subject to media news and analysis, as well as intermediary institutions' reports. Within the scope of transparency and public disclosure function of the ISE, a large amount of information is distributed to local and international investors through Exchange Bulletins, data vendors, media institutions and KAP. Important financial and other information of a company is followed by creditors, suppliers and business partners along with investors. A company gets better recognition both in its operational sector and in the financial markets thanks to reliable, regular and steady information flow. This helps the company access financing, facilitates the marketing and sales of its products and services, helps find qualified human resources and build business partnerships.

Institutionalization

ECM traded companies can institutionalize faster as a result of disclosing financial and other material information as required by the capital markets regulations, by making regular and timely reporting, and by becoming subject to investor and shareholder interest and scrutiny. Institutionalization can significantly contribute to the reinforcement of the company organization and breaking of the company success and continuity away from the founder shareholders or family.



26. What Kind of Advantages are Offered by the ECM?

In order to facilitate it for the companies to raise funds through the ECM and encourage going public, exceptions are granted in many areas; including fee cuts, requirement alleviations, and incentives. Advantages offered by the ECM are summarized under the headings below.

Requirements for Exchange Trading:

No quantitative criteria such as profitability, operational age, and capital or market capitalization size are sought for admission of shares to the ECM Directory. Companies can access the capital markets much more easily through the ECM.

Fees: In order to provide cost advantage for ECM companies, the CMB, the ISE, and the CRA cut their fees to 1/10th of the fees applied in the other ISE markets. On the other hand, while companies traded on the SM are charged on the basis of their total capital amounts by the ISE, ECM fees are charged only on the basis of the amount of shares on the ECM Directory. The ECM also offers the most advantageous structure for companies in terms of access to the capital markets and maintenance costs.

Sales Methods²⁶: In order to be traded on the SM, company shares must be sold by a public offering, as required by the CMB regulations and the ISE admission requirements. The ISE also demands for the listed market that the shares are sold to a minimum of 250 investors in public offerings. Shares sold by a private placement are also admitted to the ECM Directory along with publicly offered shares, and the minimum number of investors criterion is not sought. The ECM offers lower cost alternative sales methods for companies to access the capital markets.

Prospectus Issuing Requirement: It is mandatory to issue prospectus and circular at public offerings, but private placement sales of shares issued by a capital increase is also possible on the ECM, and according to the CMB regulations, there is no obligation to issue prospectus and circular at private placements²⁷.

Independent Audit Requirement²⁸: For public offerings outside the ECM, the ISE and the CMB require independent audit reports for the financial reports of the latest 3 years, and limited audit reports for the 6 or 9 months interim financial reports, depending on the offer date. On the other hand, for trading on the ECM, only an independent audit report for the latest year and, if 9 months has elapsed since the date of such report as of the issue date, 6 months interim audit report is required. Furthermore, companies traded on the ISE, with the exception of the ECM, must get their semiannual financial reports independently audited as well as their annual financial statements²⁹. ECM traded companies must get only their annual financial statements independently audited.

(26) The ISE ECM Regulation, The CMB Communiqué Serial: I, No: 40 on Principles Regarding Registration with the Board and Sale of Shares, The CMB Communiqué Serial: VIII, No: 66 Principles Regarding Sales Methods of Capital Market Instruments Through Public Offering.

(27) The CMB Communiqué Serial: I, No: 40 on Principles Regarding Registration with the Board and Sale of Shares, Article 13.

(28) The CMB Communiqué Serial: I, No: 40 on Principles Regarding Registration with the Board and Sale of Shares, Article 33.

(29) The CMB Communiqué on the Principles of Financial Reporting at the Capital Market Serial: XI, No. 29



27. What are the Steps of the ECM Admission Process?

The major steps that a company passes through for trading on the ECM are summarized below.

Set Up a Team in the Company

A team in charge should be set up in the company to carry out the due work for ECM application. As it will be essential to fulfill company responsibilities and to manage relationships with the CMB, the ISE, the CRA, market advisor, and investors after the admission of the company shares to the ECM Directory, it would be a good idea to include staff to perform such functions in the set-up team.

Market Advisor Agreement

Companies planning to be traded on the ECM must sign an agreement with a market advisor to carry out the due preparations³⁰. The minimum requirements for that agreement are set by the Exchange³¹.

Choose an Intermediary Institution

Companies may make an agreement with an intermediary institution³² at their own discretion to sell their shares by a public offering³³ or private placement³⁴ method.

Choose an Independent Audit Firm

A company intending to be traded on the ECM must sign an agreement with an independent audit firm authorized by the CMB³⁵ to audit and write an opinion report for its financial statements constructed according to the capital market regulations.

Capital Increase & Amendment of Articles of Incorporation

The articles of incorporation of a company should comply with the capital markets regulations and a capital increase decision should be taken by the authorized body of the company. The general assembly of the company should be convened³⁶ to take the necessary decisions on amendment of articles of incorporation to make it consistent with the capital markets regulations³⁷. The capital increase decision should be taken by the general assembly if the company is subject to the “paid-in capital system” or by the company board if it is subject to the “registered capital system”³⁸.

Price Setting

If the sales price of company shares is different from their face value or the Exchange value, then a price calculation report should be formed and publicized³⁹.

(30) The list of market advisors authorized by the ISE is available at www.ise.org/initialpublicoffering/IPO_EmergingCompaniesMarket/MarketAdvisorList.aspx

(31) The Circular on the Principles and Procedures Regarding Market Advisory at the ISE ECM no. 327 and dated March 5, 2010 Article 19.

(32) The list of intermediary institutions holding CMB licenses is available at www.spk.gov.tr/apps/afd/mevcutyetkiler.aspx?tur=tumak

(33) The CMB Communiqué Serial: VIII, No: 66 Principles Regarding Sales Methods of Capital Market Instruments Through Public Offering, Article 12.

(34) The CMB Communiqué Serial: I, No: 40 on Principles Regarding Registration with the Board and Sale of Shares, Article 13.

(35) The list of independent auditors authorized by the CMB is available at www.spk.gov.tr/apps/msd/iletisim.aspx?ctype=bds&show=all

(36) The CMB Communiqué Serial: I, No: 40 on Principles Regarding Registration with the Board and Sale of Shares.

(37) The CMB Communiqué Serial: IV, No: 2 on Amendments Required to Be Made in Articles of Incorporation According to the Law No. 2499 and Required Quorums.

(38) Companies subject to the paid-in capital system can only increase their capital by a general assembly decision within the jurisdiction of the Turkish Commercial Law. Transfer to the registered capital system is subject to the CMB permission, and such companies can increase their capital up to a predetermined ceiling by a board of directors' decision. The CMB Communiqué Serial: IV, No: 38 on Principles Regarding Registered Capital System.

(39) The CMB Communiqué Serial: I, No: 40 on Principles Regarding Registration with the Board and Sale of Shares, Article 27.



Application Dossier Arrangement

The company and its market advisor arrange dossiers including the reports and documents required for the ISE and the CMB applications. The company and its market advisor are jointly responsible for the truthfulness of the prepared documents and in that respect they should seal and sign the relevant documents in the application dossier. In principle, required information and documents should accompany the ISE application⁴⁰.

ISE and CMB Applications

Applications are made simultaneously to the CMB for registration and to the ISE for admission to the ECM Directory for company shares. Submitting the application dossier in its entirety will allow these institutions finalize their assessment faster.

ECM Directory Admission and Commencement of Trading on the ECM

CMB registered shares are admitted to the ECM Directory following the public offering or private placement upon the ISE Executive Council's decision and commence trading on the ECM two days following the announcement of the decision.

28. What are the Major Obligations Brought to Companies by Being Exchange Traded?

Public Disclosure: Companies must disclose the events which are likely to affect the value of their shares or investment decisions or the exercising of the rights by the investors, in a timely fashion. Disclosure of material events is regulated by the Communiqué Serial: VIII, No: 54 of the CMB and the principles of announcement of financial reports are regulated by the Communiqué Serial: XI, No: 29 of the CMB, the ECM Regulation and other ISE regulations. Disclosure activities are carried on the KAP system electronically.

Independent Audit: Companies must get their annual financial statements audited independently and disclose such statements. Semiannual financial statements need not be audited, but should be disclosed.

Dividend Payment: Publicly traded companies must pay dividends at ratios set by the CMB. According to the CMB Communiqué Serial: IV, No: 27, dividend ratio cannot be less than 20% of the distributable profit. Exchange traded companies are free to do one of the following for dividend, in line with their general assembly decisions: a) Distribute all in cash b) Distribute all as shares c) Distribute a certain percent in cash, a certain ratio as shares and retain the balance d) Retain the dividend without distributing cash or shares. The CMB decided on January 27, 2010 by its resolution no. 02/51 not to oblige exchange traded companies to distribute minimum dividends over their profits from 2009 operations⁴¹.

Fee Payments: Companies must pay admission, registration, and process fees for the services rendered by the ISE, the CMB, the CRA and similar institutions.

29. What is the Obligation to Call to Buy Shares at Publicly Traded Companies?

As required by the CMB regulations, as a general rule, whoever, single-handedly or with persons acting together, acquires by any method, the controlling shares of a publicly traded company must make a call to buy the shares of the other shareholders (there are exceptions defined for some cases)⁴².

(40) The ISE ECM Regulation Article 7.

(41) www.spk.gov.tr/apps/haftalikbulten/displaybulten.aspx?yil=2010&sayi=4

(42) The CMB Communiqué on Principles of Accumulation of Company Shares by a Call Serial: IV, No. 44.



30. What are the Costs for ECM Application & Trading?

CMB Registration Fee: A 0.02% registration fee is paid to the CMB over the sales value of the shares registered.

Exchange Fee: Companies pay 0.01% fee on admission to the ECM Directory, and $\frac{1}{4}$ of 0.01% in the following years over the nominal value of their shares included in the ECM Directory. However, ECM companies are exempt from these Exchange fees until 2013.

CRA Fees: The CRA charges a 0.01% membership fee (shall be in 200 TL and 5000 TL range) over the capital and 0.005% process fee for registered capital increases over the nominal value for ECM companies.

Independent Audit Fee: Paid to the contracted audit firm for the annual independent audit report.

Market Advisor Fee: A fee payable to the contracted market advisor, which is set by the parties freely.

Legal Counsel Fee: A fee may be paid for legal counsel if obtained, to document the legal status of the company for ECM application.

Intermediation Fee: Fee payable to an intermediary institution executing the public offering or private placement.

Other Fees: Expenses that the company may incur for application arrangements, publicity activities etc., excluding the above listed fees.

31. KOSGEB Subsidy

There is an ongoing work by the Small and Medium Sized Enterprises Development and Support Administration of the Ministry of Industry and Trade (KOSGEB) to support firms through subsidy packages for the costs they would encounter in the process of going public at the ECM.



Notes

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**Istanbul Stock Exchange
The Emerging Companies Market
Department**

Phone: +90 212 298 22 97

Fax: +90 212 298 25 00

E-mail: gelisen@imkb.gov.tr



**ISTANBUL
STOCK
EXCHANGE**



*Yirmi Beşinci Yıl
Twenty Fifth Year*

Istanbul Stock Exchange
IMKB - Resitpasa Mah. Tuncay Artun Cad.
Emirgan 34467 Istanbul, TURKEY
Phone: +90 212 298 21 00
Fax: +90 212 298 25 00
<http://www.ise.org>
ISBN: 978-975-6450-33-8
December 2010