

**ANSWERS OF THE CAPITAL MARKETS BOARD OF TURKEY TO CESR
CONSULTATION ON PROPOSED PROSPECTUS STANDARDS (DATED
OCTOBER 16, 2002)**

PART I- MINIMUM INFORMATION

A. REGISTRATION DOCUMENT

EQUITY SECURITIES

Question 1 (paragraph 44)

Do you agree with the disclosure obligations set out in Annex A?

Yes, we agree with the CESR's view on Core Equity Building Block Approach.

RISK FACTORS

Question 2 (paragraph 47)

Do you agree with this approach?

No. We believe that disclosure of risk factors that are specific to the company, to the issued security or to its industry is material to investors. The risk factors section shall be a summary of information discussed in different parts of the prospectus as stated in IOSCO standards and investors who look at this section could have an idea of the risks that the company have. Sometimes because of too much disclosure, "key" information may be lost. We believe that the part of risk factor is one of the "key" information and should be explained in a understandable way. Listing of the risk factors makes the information comprehensible. Because of these reasons, list of risk factors and a summary of these factors shall be included in the prospectus.

PROFORMA INFORMATION

Question 3 (paragraph 51)

Do you agree that pro forma should be mandatory in case of a significant gross change in the size of a company, due to a particular actual or planned transaction?

No. We believe that pro-forma information could be confusing, misleading and even manipulative.

Question 4 (paragraph 52)

Do you agree that pro forma financial information should also be required in all cases where there is or will be a significant gross change in the size of a company?

Consistent with 51, no.

Question 5 (paragraph 53)

Do you agree that 25% is the correct threshold figure? Would a different figure, say 10%, be more appropriate?

Since we are against the proforma information, we are not suggesting any threshold.

Question 6 (paragraph 55)

Do you agree that the competent authority should be able to insist on pro forma information being included where this would be material to investors?

Yes, but only within a restricted area, where this type of information is vital, such as a mergers and acquisition.

Question 7(paragraph 64)

Do you agree with the disclosure requirements in respect of pro forma financial information as set out in Annex B, in particular with the obligation of an independent auditor's report?

We found the Annex B is sufficient in respect of pro forma information in cases the pro forma information would be included in the prospectus (Although we are against the idea of including pro forma information to the prospectus in all cases). Because the care should be taken to avoid misleading information by projecting only favorable items, an independent expert's report shall be included in the prospectus.

Question 8 (paragraph 65)

Would it be more appropriate to restrict the disclosure of pro forma information to the occasions where securities are being issued in connection with the transactions and hence require pro forma information in the securities note?

Yes. As it is stated for the answer of the question raised in paragraph 55, the disclosure of pro forma information to the occasions where securities being issued in connection with the transactions such as mergers would be appropriate.

PROFIT FORECASTS

Question 9 (paragraph 73)

Do you have any comments at this stage about this preliminary definition of profit forecast?

We believe that preliminary definition of profit forecast is sufficient.

Question 10 (paragraph 85)

Should issuers be required to repeat or update outstanding ad-hoc profit forecasts in the prospectus?

Yes. Updating outstanding profit forecasts in the prospectus is important, because it facilitates the analysis the actual and projected amounts and the reasons for any differences between the two.

Question 11 (paragraph 86)

Do you agree with the disclosure requirements in respect of profit forecasts set out in disclosure requirement CESR reference IV.D.3 (a) and (b) of Core Equity Building Block (Annex "A")?

Yes. However, the expert's opinion shall be included in the prospectus when profit forecast is increased significantly (please look at the answer given below)

Question 12 (paragraph 87)

Do you agree with the arguments set out regarding mandatory reporting by the company's financial advisor?

No. The opinion of an independent expert is especially important, if a profit forecast or estimate of an issuer is increased significantly compared to last published report. For these types of situations, an independent experts's report should be included in the prospectuses even if the cost of this report is high. Surely, the threshold for experts opinion requirement in respect of profit forecast should be determined to achieve a disclosure standard used in EU.

DIRECTORS AND SENIOR MANAGEMENT PRIVACY CESR REFERENCE V.A. OF CORE EQUITY BUILDING BLOCK (ANNEX “A”)

Question 13 (paragraph 89)

Do you agree that such information may be material to an investor’s decision to invest? Would the provision of such details breach privacy laws in your jurisdiction?

Yes. No.

CONTROLLING SHAREHOLDERS CESR REFERENCE VI.A.2 OF CORE EQUITY BUILDING BLOCK (ANNEX “A”)

Question 14 (paragraph 91)

Do you think that the additional disclosures of any limiting measures should be required?

Yes.

DOCUMENTS ON DISPLAY

Question 15 (paragraph 93)

Do you feel that issuers should be required to put on display all documents referred to in the prospectus (as set out in CESR reference VIII in Annex A)? Would this cause problems due to privacy laws or practical problems as a result of having to review lots of documents for commercial information?

Yes, but reviewing the material contacts may cause privacy problems regarding commercial information. However, after examining all documents referred to in the prospectus, competent authorities may allow the documents contained commercial information to be excluded.

SPECIALIST BUILDING BLOCKS

Question 16 (paragraph 95)

Do you believe that the building blocks in Annexes D,E,F,G and H are appropriate as minimum disclosure standards?

Generally yes. However, if the information given below is added to the standards, the application of these forms could be clarified and standardised easily:

1. In Annex D, the information to be contained in the valuation report is determined. According to this Annex, all relevant details in respect of each property should be included to the valuation report. However, it is not determined what types of information is necessary. We believe that the information which summarises the details in respect of each property (the address, approximate age, existing use, a brief description etc) should be determined.
2. In Annex E, the threshold which would be used to determine the principal activity of the company should be determined. Otherwise, the criterias to be used could be different. Moreover, if the examples of the exceptional factors to be disclosed are given, the application of the standards will be clarified.

3. In Annex G, it is stated that all relevant details in respect of investment should be included in the prospectus. However, it is not determined what types of information are necessary. We believe that the information to be included in the prospectus in respect of each investment (a brief description of the investment, the cost and the date of the investment and the market value at latest applicable date etc) should be determined.
4. We believe that explanation in detail the business plan of the company and the uses to which the proceeds will be applied should be included in Annex H. Moreover, in all relevant cases, an independent expert report which explain the merits of the company's products, market potential for the company's products etc should be included in the prospectus (if a competent authority insist on this report being included where this would be material to investors).

Question 17 (paragraph 96)

What other specialist building blocks (if any) should CESR consider producing in the future?

We believe that a specialist building block for financial institutions (banks, leasing companies, factoring companies, insurance companies etc) would be appropriate due to the regulations of financial institutions are generally different from the other types of companies.

START-UP COMPANIES

Question 18 (paragraph 100)

Do you agree with the specific disclosure requirements set out in the building block for start-up companies?

Yes.

Question 19 (paragraph 101)

Do you feel that additional disclosure requirements should be included, for example, an independent expert opinion on the products and business plan?

Yes, an independent expert opinion on the products and business plan is material because future success of these companies is based on these two.

Question 20 (paragraph 102)

Do you feel that disclosure of restrictions regarding holdings by directors and senior management etc should be applied to all companies through the core building block? Or should this only be required for all companies where there are such restrictions?

Disclosure of restrictions regarding holdings by directors and senior management etc should be applied to all companies.

SMEs

Question 21 (paragraph 105)

Do you believe that SMEs should only be required to provide details for two years under disclosure requirement II.A?

No, we believe that SMEs should be required to provide details for three years under disclosure requirement II.A. We believe that high level disclosure standards are as necessary for SMEs as for big companies in order to ensure investor protection. Besides,

generally these types of companies have high risk profile, therefore it is vital to supply high disclosure standards for SMEs to achieve market confidence.

Question 22(paragraph 106)

If so, do you believe that all historical information should be restricted to this two year period?

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Question 23(paragraph 107)

Bearing in mind the materiality tests in the disclosure requirements contained in the Core Equity building block, if you believe that there should be some specific disclosure requirements for registration documents for SMEs, please list them.

No, we believe that information given in core equity building block is sufficient also for SMEs.

PROPERTY COMPANIES

Question 24(paragraph 111)

Do you agree that valuation reports as set out in Annex D should be required for property companies?

Yes (Please look at the answer of the question raised paragraph 95).

Question 25(paragraph 112)

Do you consider it appropriate that the date of valuation must not be more than 42 days prior to the date of publication?

Yes.

Question 26(paragraph 113)

Do you agree that it would be more appropriate for such reports to be required when securities are being issued by a property company and hence should form part of the securities note?

No, valuation reports shall be published on a periodic basis where investors can see the developments even if no issue is made.

MINERAL COMPANIES

Question 27(paragraph 116)

Do you agree that expert reports should be required for mineral companies?

Do you agree that it would be more appropriate for such reports to be required when securities are being issued by a mineral company and hence should form part of the securities note?

Yes, expert reports should be required for mineral companies but on a periodic basis where investors can see the developments even if no issue is made.

Question 28(paragraph 117)

Do you agree with the disclosure requirements in registration documents for mineral companies set out in Annex “E”?

Please look at the answer of the question raised paragraph 95.

INVESTMENT COMPANIES

Question 29(paragraph 120)

Do you agree with the disclosure requirements in registration documents for investment companies set out in Annex “G”?

Please look at the answer of the question raised paragraph 95.

SCIENTIFIC RESEARCH BASED COMPANIES

Question 30(paragraph 123)

Do you agree with the disclosure requirements in registration documents for scientific research based companies set out in Annex “H”?

Please look at the answer of the question raised paragraph 95.

DEBT SECURITIES

Question 31(paragraph 129)

Do you consider that the disclosure requirements for debt securities should be identical to those for equity, as set out in Annex A?

No, the risk and characteristics of these two types of investments are totally different so their disclosure requirements should be differentiated.

DISCLOSURE ABOUT THE ADVISERS OF THE ISSUER – CESR DISCLOSURE REF: LB (CORPORATE RETAIL DEBT BUILDING BLOCK)

Question 32(paragraph 134)

Do you consider disclosure about the issuer’s bankers and legal advisers to the extent that the company has a continuing relationship with such entities to be relevant for corporate retail debt?

Yes.

Question 33(paragraph 135)

Do you consider that disclosure relating to the bankers and legal advisers who were involved in the issue of that particular debt instrument to be relevant?

Yes.

HISTORY OF THE COMPANY’S INVESTMENTS – CESR REF: IILB (CORPORATE RETAIL DEBT BUILDING BLOCK)

Question 34(paragraph 137)

Do you consider disclosure about a company’s past investments in other undertakings to be material for an investor to make an investment decision about investing in the company’s debt?

Yes.

Question 35(paragraph 138)

Do you consider that disclosure about a company’s current investments in other undertakings to be material for an investor to make an investment decision about investing in the company’s debt?

Yes.

Question 36(paragraph 139)

Do you consider that disclosure about a company's future investments in other undertakings to be material for an investor to make an investment decision about investing in the company's debt?

Yes.

OPERATING RESULTS, LIQUIDITY AND CAPITAL RESOURCES – IOSCO REF V.A AND V.B

Question 37(paragraph 142)

Do you agree that these different interests should be reflected by different disclosure standards and in particular that retail bondholders do not need the same disclosures as shareholders in respect of these sections of the IOSCO IDS?

As a general basis yes. On the other hand, as stated in the answer of the question raised in paragraph 156, some information currently not included in Annex I are also crucial for the investors in debt securities.

AGE OF THE LATEST ACCOUNTS – CESR REF: VII.H.1 (CORPORATE RETAIL DEBT BUILDING BLOCK)

Question 38(paragraph 145)

Do you consider it necessary for a disclosure requirement that stipulates when interim financial statements should be disclosed in the registration document, to also stipulate what the form and content of these statements should be?

Yes. All statements and financial information given in VII.A of Retail Debt Building Block should also be included for interim reports for providing comparability of interim statements with the other yearly statements. As interim report give the latest comprehensive information regarding the issuer's financial position, it is crucial for the investors in debt securities. The form and content of these statements proposed for equity building block are also acceptable for retail debt building block.

Question 39(paragraph 146)

If you consider that the reduced level of detail is more appropriate, should the same approach be taken for equity?

We do not consider that the reduced level of detail is more appropriate.

DOCUMENTS ON DISPLAY

Question 40(paragraph 148)

Do you feel that issuers should be required to put on display all documents referred to in the prospectus (as set out in CESR reference VIII in Annex A)?

Would this cause problems due to privacy laws or practical problems as a result of having to review lots of documents for commercial information?

Yes, but reviewing the material contacts may cause privacy problems regarding commercial information.

Question 41(paragraph 149)

On review of the list of documents set out CESR ref VIII.E of the corporate retail debt building block in Annex “I”, please advise with reasons: (1)

Whether or not there are any documents that are listed that you consider do not need to be put on display? (2) Whether or not there are any documents that are not listed that should be put on display?

We believe that the list of documents set out CESR ref VIII.E or the corporate retail debt building block in Annex “I” is sufficient and appropriate.

Question 42(paragraph 150)

Please give views on which if any of the documents that are not in the language of the country in which the public offer or admission to trading is being sought should be translated.

We believe that all the documents displayed should be translated to the language of the country in which the public offer or admission to trading is being sought.

ADDITIONAL INFORMATION – IOSCO REF: - X.I

Question 43(paragraph 153)

On a review of the equity disclosure requirements (CESR ref VIII.G of the Core Equity Building Block) set out in Annex “A”, please advise which if any of these requirements you consider to be relevant for retail corporate debt.

Please give your reasons.

All of them excepts:VIII B3, VIII B4, VIII B8, as they are related to equity holders only.

Question 44 (paragraph 154)

Do you agree with the CESR disclosure proposals for corporate retail debt as set out in Annex “I”?

We generally agree with the CESR proposal on this issue except the suggestions given below.

Question 45 (paragraph 155)

Please advise which if any items of disclosure should not be required for corporate retail debt. Please give your reasons.

We generally agree with the CESR disclosure proposals for corporate retail debt as set out in Annex I.

Question 46 (paragraph 156)

Please advise if there are any items of disclosure for corporate retail debt that are not set out in the schedule, but should be. Please give your reasons.

We believe that information explained below should be added to the Corporate Retail Debt Registration Document.

1. In Annex I, it is stated that the company shall provide selected historical financial data regarding the company, which shall be presented for the two most recent financial years. However, we believe that financial data for the three most recent

financial years shall be included in the registration statement since the clear historical information about the company including its financial statements is important for investors in debt securities like for investors in equity securities.

2. In III.A.5. of Annex I, examples of recent event that should be disclosed is limited from that of the standards of equity securities. However we believe the information given in III.A.5 of Annex A is also crucial for the investors in debt securities because the events disclosed at this section have direct impact on the company's ability to repay its obligation to the investor. Because of this reason, the information like the nature and results of any reclassification should be included in the III.A.5 section of Annex I.
3. The information regarding the principal markets of the issuer given in III.C.2. of Annex I is very limited compared to that section of Annex A. However, we believe that some information given in Annex A is material to investors in debt securities. For example, the information regarding seasonality of the company's main business is crucial to see the possible effects of seasonality on issuer's ability to repay its obligation. Because of that reason we believe that looking over this section may be useful.
4. There is no information regarding operating results of the debt issuer in Annex I. However, we believe that the issuer's operating results including material changes in net sales and revenues after last published financial reports are vital for the investors in debt securities.
5. We believe that information on the borrowing requirements and funding structure of the company, the maturity and risk profile of debt, currency and interest rate structure should be added the IV of Annex I because these information have direct impact on issuer's payment capacity .
6. As stated before, the latest three financial statements should be included in VII of Annex I because the investor need to see the history of the company and one of the main information regarding this issue is financial data.
7. Where a debt securities offer guaranteed by one or more legal persons, the information regarding these persons (general information -name, registered office, its date of incorporation, legal names, principal activities etc- and financial position of these guarantors) should be included in Retail Debt Registration Document.

DERIVATIVE SECURITIES (PARAGRAPH 157-234)

In Turkey there is no derivative securities market, so the questions related to derivative markets which are given between paragraph 157 and 234 are not answered.

B. SECURITIES NOTE

Question 47(paragraph 249)

Do you consider it an appropriate approach to obtain flexibility by creating specific building blocks on particular characteristics of some issuers, offers, markets and securities?

Yes.

FORMAT OF THE SCHEDULES

Question 48(paragraph 250)

Is the format of the three main schedules suitable? These schedules are composed of (i) common items and (ii) specific items for each type of securities, amalgamated in one single document. Is this approach sensible or should the common items and the specific items form distinct blocks?

We find the format of the schedules appropriate.

COMPLEX FINANCIAL INSTRUMENTS

Question 49(paragraph 251)

In order to ensure adequate disclosure for securities that do not fall within just one of the three main types, do you agree that the Competent Authority should (as envisaged by Article 21(4)(a) of the amended proposal for a Directive of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, be able to add specific items of another schedule to the main schedule chosen, that it considers necessary having regard to the characteristics of the securities offered, as opposed to their legal form?

Yes.

SECTION I.2.

Question 50(paragraph 252)

Should advisers be mentioned in all cases, or only if they could be held liable by an investor in relation with the information given in the prospectus?

We believe that advisers should be mentioned in all cases.

SECTION I.5.

Question 51(paragraph 253)

Under Section I.5., the securities note should mention any other information in the prospectus besides the annual accounts, which have been audited or reviewed by the auditors. Should the securities note contain the “auditors report relating to this information”?

The securities note should mention about such reports but giving the whole opinion in the securities note also, would duplicate the same information given in the prospectus. Because of that, we believe that including auditors report to the securities note is unnecessary.

SECTIONS I.6. AND I.7.

Question 52 (paragraph 254)

Sections I.6. and I.7. both concern the responsibility attached to drawing up a prospectus. Although under the proposed directive it is possible to choose a format consisting of three documents (Registered Document, Securities Note and Summary), these three documents are considered as making one prospectus. Is it therefore correct to assume that responsibility for each of these three parts must rest with the same persons?

We believe that it is not always correct to assume that responsibility for each of the three parts must rest with the same persons. For example, the persons responsible for these parts must be changed because of practical reasons (the auditing company might change after the registered document is prepared).

SECTION III.A.

Question 53(paragraph 255)

Under Section III.A., all securities notes must contain a statement of capitalization and indebtedness. Is such a statement necessary for derivatives?

Questions related to derivatives are not answered.

SECTION III.B. (III.B.1. FOR THE DERIVATIVES SCHEDULE)

Question 54(paragraph 256)

Section III.B. asks to list the reasons for the offer and the use of proceeds. While this is an important item for shares and bonds, is it also the case for derivatives?

Questions related to derivatives are not answered.

SECTION III.C.2.(D)

Question 55(paragraph 257)

Section III.C.2.(d) requires inclusion of a worked example of the “worst case scenario”.

- 1) Does this information provide material information for investors?***
- 2) Are there circumstances in which an example of the worst case scenario is not appropriate?***
- 3) Would the disclosures as set out below be an appropriate alternative:***
 - a) a risk warning to the effect that investors may lose the value of their entire investment, and/or***
 - b) if the investor’s liability is not limited to the value of his investment, a statement of that fact, together with a description of the circumstances in which such additional liability arises and the likely financial effect.***

We believe that the worst case scenario provides material information for investors and can not think of a circumstance where it is not appropriate.

SECTION IV.A.

Question 56(paragraph 258)

Under Section IV.A., the interests of experts in the issue or the offer must be disclosed. These interests encompass those of any expert or counselor who “has a material, direct or indirect economic interest in the company”. Is it necessary in the case of derivatives?

Questions related to derivatives are not answered.

SECTION V.A.

Question 57(paragraph 259)

Section V.A. lists the items to be disclosed in -order to give a description of the securities that are offered or admitted to trading.

Should the following additional items be added to Section V.A.:

- a) Legislation under which securities have been created; b) Court competent in the event of litigation; c) Redress Service available for investors, if any”?***

Should information about the rating of the issuer or of the issues be mentioned under that item?

If yes, which one of the following wording would be more appropriate:

- *“Rating assigned to the issue or to the securities by rating agencies and /or commercial bank lenders pointing out the name of the rating organization whose rating is disclosed and explaining the meaning of the rating. If a rating does not exist, to the knowledge of the issuer, it is required to disclose the fact that there is no rating”, or*
- *“Rating assigned, at the issuers requests or with its co-operation, to the issue or to the securities by rating agencies and /or commercial bank lenders, pointing out the name of the rating organization whose rating is disclosed and explaining the meaning of the rating”.*

Yes and the first alternative seems more appropriate.

SECTION V.B.12, FIRST INDENT OF ANNEX M

Question 58(paragraph 260)

Section V.B.12, first indent of Annex M requires a statement concerning the past performance of the underlying and its volatility. Is this disclosure necessary? Should the requirement for disclosure vary depending upon whether the underlying instrument is admitted to trading on a regulated market and the nature of the market? Should the requirement for disclosure vary depending upon the nature of the underlying instrument?

Questions related to derivatives are not answered.

Question 59(paragraph 261)

For the three main schedules, please identify those items that you deem unnecessary.

We believe that there is no unnecessary item in the main schedule.

Question 60(paragraph 262)

For the three main schedules, please list those items that are missing and that should be in the securities notes.

We did not find any missing items that should be in the securities note.

PART TWO - INCORPORATION BY REFERENCE CHARACTERISTICS OF THE DOCUMENTS INCORPORATED BY REFERENCE LEVEL 2 ADVICE

Question 61(paragraph 281)

Do you think that the above illustrative list is acceptable?

Yes.

Question 62(paragraph 282)

Should further technical advice be given on the documents that can be incorporated by reference in the prospectus? In the case of an affirmative answer please indicate which technical advice should be given.

No.

B. DOCUMENTS THAT CAN BE INCORPORATED BY REFERENCE FOR ANNUAL UPDATING OF THE REGISTRATION DOCUMENT

Level 2 ADVICE

Question 63(paragraph 289)

Should other aspects concerning the accessibility of the documents incorporated by reference be considered?

No, the given aspects are sufficient.

Question 64(paragraph 290)

Should CESR give other technical advice on further aspects of incorporation by reference? In the case of an affirmative answer please indicate which technical advice should be given.

No.

PART THREE-AVAILABILITY OF THE PROSPECTUS

A-AVAILABILITY IN AN ELECTRONIC FORMAT

Question 65(paragraph 307)

Should there be technical implementing measures at Level 2 further defining what is deemed to be “easy access” and which specific file formats are accepted for this purpose?

No, we believe that the principles regarding the prospectus in electronic format are sufficient and there is no need for additional technical implementing measures. Every competent authority may decide the system and file format to be used are whether appropriate or not before approving the prospectus.

B. AVAILABILITY VIA THE PRESS

Question 66(paragraph 314)

Are there any additional factors and/or requirements that should be taken into account at Level 2 concerning the availability via the press?

No, we do not suggest any additional factors and/or requirements.

C. ADDITIONAL TECHNICAL ADVICE

Question 67(paragraph 325)

Do you consider appropriate the requirement to publish the said notice in the absence of a specific provision in the Directive proposal?

Yes. But sometimes the issuer might not have a web-site. In that circumstance, publishing the prospectus on competent authorities' web-site is more sufficient.

Question 68(paragraph 326)

Should the minimum content of the notice be determined at Level 2 legislation?

Yes.

Question 69(paragraph 327)

When the prospectus is made available by its insertion in one or more newspapers or in the form of a brochure, besides the publication of a specific notice, should the list available at the web-site of the competent authority (see Introduction) mention where the prospectus is available?

Yes. An important benefit of listing the place of prospectuses on the web-site of the competent authorities is that investors could be able to examine all current issues in the same place.

Question 70(paragraph 328)

In case of an affirmative answer to the previous question, should the indication in the website of the competent authority be considered enough and, consequently, should it be considered as an alternative to the publication of a formal notice by the issuer/offeree?

No, issuer/offeree should publish a formal notice even if the place of prospectus is made available on the web-site of the competent authority.

PUBLICATION IN THE FORM OF A BROCHURE

Question 71(paragraph 331)

Which other issues regarding the availability of the prospectus in the form of a brochure should be covered by CESR's technical advice?

No, level 2 advice on that issue is sufficient.

DELIVERY OF A PAPER COPY

Question 72(paragraph 334)

Do you agree that the issuer should not ask the investor the payment of the deliver or mail costs?

No, total deliver or mail costs of the prospectus might be too high. Besides, as the prospectus is also published electronically, every interested person could easily access to it.

Question 73(paragraph 335)

Should additional issues regarding the delivery of a paper copy of the prospectus be dealt with by Level 2 legislation?

Yes.