



**Honourable Chairman, Honourable Deputy Chief of Netherlands Embassy, Distinguished Guests, Dear Colleagues,**

I would like to welcome you all to the presentation meeting of the joint Project on efficient supervision on listed companies and intermediary institutions.

The Capital Markets Board of Turkey has committed to providing regulatory rules and practices that adhere to the highest international standards and thus creates a strong basis for investor confidence.

Negotiations between the EU and Turkey for membership have been initiated on October 3<sup>rd</sup>, 2005. Since then the CMB has taken important steps in harmonizing capital market legislation with the EU *legislation*. Needless to say, quick and effective compliance with the EU *legislation* has great importance on the progress of negotiations between Turkey and the EU.

Beyond the negotiation process, in the dynamic state of the financial markets today, markets must be able to offer diverse investment tools tailored to the needs of investors from all over the world to remain competitive. Equally important is the achievement of investor protection, efficiency and transparency in securities markets by the effective implementation of regulations that foster investor confidence without creating a burden on market participants. As a dynamic and growing economy, Turkey receives a considerable amount of fund inflows and in this environment, efficient markets with high levels of investor



confidence are essential for the ability of Turkish markets to compete and for overall economic stability.

The CMB contributes to this by providing high quality regulation and supervision in the securities markets. In this context, achieving compliance with the EU *legislation* goes beyond the negotiation process for EU membership and adds to the strength of Turkish securities markets.

We at the CMB believe in the importance of active cooperation among regulatory authorities in transforming securities markets to meet EU standards and the commitment of the CMB in cooperation has so far been demonstrated in its involvement in various international initiatives. One such effort has been the involvement of the CMB since the year 2002, in the Capital Market Regulatory and Supervisory Consultative Group. The Consultative Group was established in the year 2001 by the securities market regulators from candidate States for EU Membership, with the objective of the exchange of information on the experience of the authorities in implementing and understanding the EU regulations and directives. Many of the original members of the Consultative Group have become EU Members in the recent years; nonetheless the Consultative Group continues to meet regularly with the participation of its old members as well as new members aspiring to join the EU.

Although the CMB has been involved in international cooperation for a long time, a very substantial step of the CMB in harmonizing capital market legislation with the EU *legislation* was the launching of the EU funded Twinning Project with the German Federal Ministry of Finance in February 2006. This project has the far reaching goal of the preparing



capital market legislation complying fully with the EU *legislation* that is ready for implementation, devising guidelines on regulatory impact assessment, training and improving the administrative capacity of the CMB. Since the Project was launched, we have been able to draw up draft regulation in compliance with the EU *legislation* in many important subjects such as prospectus requirements, market abuse, takeovers, investor compensation and auditing. Work on drafting regulation in compliance with more EU Directives and Regulations will be completed by the end of the Project in November.

The present joint project is another critical step as it aims at improving the supervisory capacity of the CMB and complements legislative compliance. Specifically, this project focuses on “creating an effective supervision system on financial reporting of the listed companies and on the conduct of business rules of intermediary institutions” and has formulated jointly with AFM. We appreciate very much of the eagerness of the AFM for such a close cooperation and the Dutch Ministry of Economic Affairs for its financial support.

The representatives of the CMB and the AFM will provide details with regard to the intended outputs of the project; however I would like to briefly present the background in relation to the Project components.

The first component of the Project focuses on the supervision of financial reporting by listed companies. The CMB has been in charge of supervising the financial statements of publicly held companies since its establishment in 1982 and currently supervises the 334 companies that are listed on the Istanbul Stock Exchange. The companies listed on the Istanbul Stock Exchange have been preparing their financial statements in



accordance with the International Financial Reporting Standards since the year 2005. The introduction of international standards on accounting and financial reporting as well as the related EU Directives brings up a need for more thorough examination of financial reports and more efficient supervision by the CMB to ensure the presentation of adequate information to investors in order to enable informed investment choices.

The second Project component focuses on the supervision of the conduct of business rules of intermediary institutions. The CMB is in charge of all licensing, monitoring and supervision concerning the activities and the conduct of business of brokerage houses. Whereas according to current regulations banks are only allowed to perform very limited activities in the securities markets and the CMB is authorised for licensing and supervision only in relation to those activities. At the moment there are 104 brokerage houses and 41 banks. With regard to the conduct of business rules of intermediary institutions, drafting of regulation implementing the Markets in Financial Instruments Directive (MiFID) is being carried out in the context of the Twinning Project. The draft regulation implementing MiFID will be completed by November and the subsequent implementation of these regulations will change the conditions applying to intermediary institutions thereby creating a need for change in the supervision conducted by the CMB.

**Ladies and gentlemen,**

As I mentioned in the beginning, the preparation and promulgation of the legislation in conformity with the EU *legislation* has great importance in both the enhancement of Turkey's negotiation process with



the EU and in the improvement of the competitive strength of our markets.

This is by no means an easy task, in that it requires in depth knowledge and expertise on the regulations and practices adopted by European supervisory authorities. We are therefore grateful for the opportunity to have the support of competent experts of the AFM who have a great deal of experience in these respects.

Before ending, I would like to thank the officials of the Dutch Authorities namely the EVD for contributing to the EU harmonisation in Turkey and particularly the Chairman Mr. Docters van Leeuwen and AFM, for their willingness in sharing their valuable knowledge and expertise. I would also like to extend my warmest thanks to my colleagues from the AFM and the CMB for all their work for this purpose. I firmly believe that due to their efforts this Project will prove to be very successful in enhancing supervision by the CMB. I am also confident that this Project serves as a first step in forming a basis for longlasting cooperation between the CMB and the AFM.

Thank you for listening and for your participation.

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