

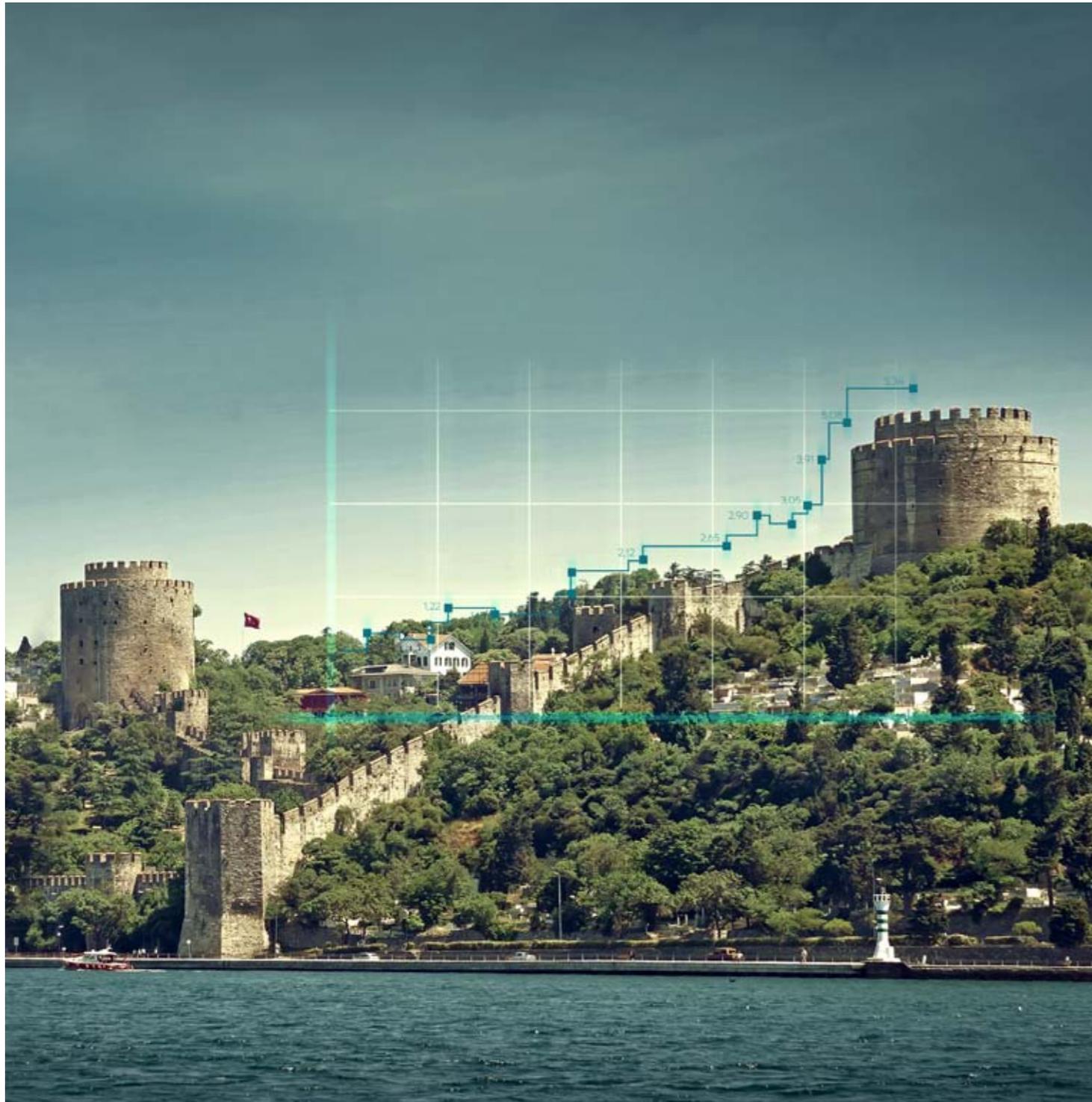
İSTANBUL

INTERNATIONAL FINANCIAL CENTER



BORSA İSTANBUL





THE VISION OF

İSTANBUL INTERNATIONAL FINANCIAL CENTER

AND BORSA İSTANBUL

The capital of civilizations, empires...

The city where shopping, culture and arts and

monuments of belief summit... A metropolis that is

home to millions of young, dynamic, and

enterprising people... İstanbul is now on the scene as

an international economic and commercial center.

Following the global crisis, at a time when international investments fell and the search for a new financial structure is in progress, it is very important for İstanbul to come forward with a competitive structure. In consideration of Turkey's strong presence in terms of economic and financial development in Eastern Europe, Middle East and Central Asia, it is possible to say that İstanbul has the potential to become a regional, and then global financial center. The global business cycle and Turkey's recent performance clearly show that making İstanbul an international financial center with the joint efforts of the financial sector is a realistic vision.

Making İstanbul a financial center is the basic building stone in the vision of the Turkish financial sector for the upcoming development period.

İstanbul International Financial Center (IFC İstanbul) Project was included in the Ninth Development Plan covering the 2007-2013 period, and started to be implemented in accordance with the Medium Term Program for the 2010-2012 period. The Project is implemented in line with the Strategy and Action Plan, under the coordination of the Turkish Ministry of Development.

Criteria for an International Financial Center

A set of criteria must be fulfilled in order to be an "International Financial Center", and to offer a globally competitive business environment. Actually, İstanbul is a global city that satisfies all of these criteria...

Access to International Financial Centers

İstanbul's proximity to both the East and the West is a remarkable advantage. As a geopolitically important center that unites London in the West with Singapore in the East, İstanbul is located at a spot that has the highest potential of bringing together investors and financial companies within the triangle of Central and Eastern Europe, the Middle East, and Central Asia. Thanks to this location, İstanbul has a time difference of maximum two hours with European, Eurasian and MENA countries. Its proximity to centers including London, Frankfurt and Zurich in terms of physical location and time zone is a significant facility for financial institutions that plan to open branches in İstanbul. The city's convenient location in terms of time zone makes it easier for it to work with the world exchanges.



Access to Clients

As a bridge that unites Asia and Europe, İstanbul's central location allows a passenger to fly to 56 different countries and the other financial centers in the region in less than 4 hours. With Turkish Airlines flights, it is possible to access more than 150 international routes directly. In addition to the two airports in the city, the construction of a third airport, which is larger than both, has started.

Thanks to the modern urban life, both the number of international conferences and other activities organized in İstanbul as well as foreign participation in these events have increased. In addition to the congress and convention centers in the city, new congress centers with a capacity of 10,000 persons will be completed by 2014. Furthermore, the meeting halls of five-star hotels offer high-capacity meeting facilities. There are 50,000 hotel rooms in the city, and most of the hotels belong to international chains.

İstanbul is the most crowded city of Turkey, and hosts large companies operating in a variety of sectors.

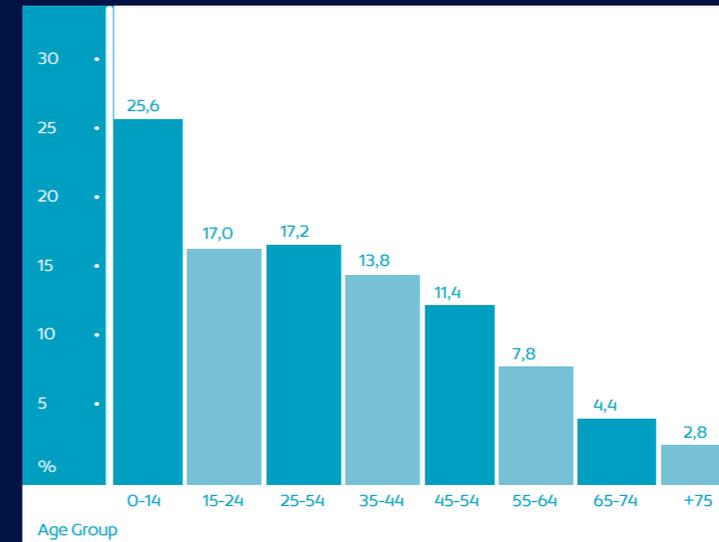




Qualified Labor Force

Turkey has a labor force of advancing education level. 40 percent of Turkey's population of 74 million is younger than 18. 50 percent of İstanbul's 13 million population is under 30. The financial sector employs a total of 180,000 people led by banks, employing 150,000. The target of establishing at least one university in every city led the number of universities in the country to more than double in the last couple of years, increasing to 175. With 40 universities, İstanbul is the leader in terms of the number of higher education institutions.

The new target is to add to the qualified labor force for IFC İstanbul. Towards this purpose, universities are encouraged to train finance experts through post graduate programs. Also, effort is made to attract highly qualified labor force from abroad.



Regulatory Environment

In order to position İstanbul as an international financial center, novelties and improvements were planned in many fields, and a significant part of these have been already realized. The new Capital Markets Law is one of the most important steps taken in this respect.

The new Turkish Commercial Code, on the other hand, went in force on July 1, 2012. As a country in EU-accession process, Turkey has already taken a long way with respect to the harmonization of the Turkish capital markets regulation with the EU acquis. New bilateral agreements that encourage cross-border investments and that prevent double-taxation are signed every day. The target is to harmonize tax, legal infrastructure, transparency and information mechanisms as well as financial sector regulations with international arrangements and practices, especially the EU acquis.

Business Infrastructure Facilities

Business infrastructure is the synthesis of a business plan and a business process. It consists of human resources, business process and operational infrastructure. As part of IFC İstanbul strategy, the living quality, security and transportation facilities in İstanbul will be improved, and the physical conditions that will satisfy the infrastructure requirements of financial institutions will be provided. New investments are made continuously in order to strengthen Turkey's technology and communication infrastructure; offering fast, reliable, uninterrupted and low-cost electronic communication facilities.

The most important feature of a financial center is bringing together supply and demand at a common spot. Financial products and services play a key role in this respect. Strategy and Action Plan for IFC İstanbul envisages that the necessary infrastructure be established for financial products and services, which have not yet been offered or have not reached adequate trading volumes in Turkish markets, that have high growth potential and that could make İstanbul an attractive financial center.

A Fair Business Environment

Efforts are in progress to establish an independent and autonomous “arbitration center” in Istanbul. Such arbitration center will be internationally competitive with respect to cost, speed, and finalization process of decisions. Parties will be allowed to select arbitrators of their choice, including those that are not included in the list of arbitrators accepted by the Arbitration Center. Provisions on arbitration in the Code of Civil Procedure and those of the International Arbitration Law will be combined and a single set of arbitration regulations will be prepared. Mediation system will also be improved so as to settle disputes in a short time, without referring to the court. The arbitration center will also offer corporate mediation. These draft regulations are expected to contribute to the IFC Istanbul project, and effort is made in order to accelerate their enactment.

Turkey’s current taxation system, which is quite complicated, requires consultation services. However, the government is planning to put various regulations in force. Large companies are highly ethical taxation-wise. In general, Turkey acts within the framework suggested by the OECD. Effort is made in order to eliminate the discrepancies in implementing the laws. Market participants suggest specialized courts.

Corporate Tax Regime

The government is working towards making both the tax regulations and secondary legislation simple, comprehensible, predictable, and sustainable in order to;

- encourage financial transactions in Turkey,
- establish a sustainable and stable tax regime suitable for the macroeconomic conditions,
- clearly define legal arrangements to secure the certainty and predictability of law,
- decrease the share of indirect taxes in total tax revenues and to make the financial sector free from unfair competition due to unregistered operations,
- put in place an efficient taxation policy

Tax advantages are applied for angel investors, with tax discounts of up to 75% of their investments. Withholding tax will be discounted for long term investments while for investment funds 75% of whose assets are invested in shareholders’ equity, no withholding tax is applied. Corporate tax in Turkey stands at 20%, which is quite reasonable compared with international practices.

Individual Tax Regime

Individual tax rates are up to 35% of salaries, while 50% of dividend income is taxable. For Istanbul to become a financial center, the taxation regime must be simple, comprehensible, consistent, practical and measurable. Currently, the taxation regime is undergoing a change. The Strategy and Action Plan for IFC Istanbul project, prepared by the Turkish Ministry of Development, envisages a simple and efficient taxation system. Revisions are planned in the arrangements for foreign investors, and improving the taxation system as a whole is envisaged..





Access to Professional Service Providers

Consultancy and support services by professionals are required for financial centers and participants. Such professionals include lawyers, accountants, tax consultants, advisors, arbitrators, and information technology teams. Numerous international companies prefer Istanbul for their regional administration offices since it is one of the most suitable cities of East Europe, Middle East and Central Asia in terms of access to professional services.

The number of service providers for the financial sector is increasing rapidly. Turkish information technology provides services worldwide. On the other hand, there are improvements in the accounting services. The legal sector is enhancing. An increasing number of graduates of high quality universities join the legal sector.

Quality of Life

Istanbul is a prominent metropolitan city that has served as the capital of Roman, Byzantine and Ottoman Empires. People of many different cultures have been living in the city for centuries. Turkey's education system is making a rapid progress. The government offers many education facilities in addition to numerous high-quality private schools. The health system comprises public and private institutions, with 42% of a total of 1,200 hospitals belonging to universities and 250 to the private sector.

With its 57 museums, 145 theatre halls, and 124 art galleries, Istanbul was designated as a Capital of Culture by the European Union in 2010. The city offers vast shopping opportunities while beaches are an hour drive way, and ski centers are 2-3 hours away from the city. Istanbul has a vivid night life with 900 restaurants and 1,840 bars. There are also four golf courses at international standards.

The living cost in Istanbul is appropriate for financial sector employees. There are numerous hotels and congress centers. Istanbul has hosted many important events so far, and construction of new congress centers in the city is in progress.

According to a survey by Financial Times in 2011, Istanbul ranks first among livable cities. The survey takes into consideration cities' current potential and improvement level, and Istanbul left behind New York and London. With an annual number of visitors in excess of 10 million, Istanbul was elected as "the coolest city" by Newsweek.

Bus and underground are popular in mass transportation. Efforts to improve mass transportation are in progress. Construction of a new railway system between Europe and Asia is in progress. The underground network is growing rapidly. Construction of a third airport as well as a third bridge between the two continents is under way. High speed train between the capital Ankara and Istanbul as well as Marmaray, which is a railway system to run between the two continents under the Bosphorous, will be in service on October 29, 2013.

Opportunities and Quality of Commercial Real Estate

Turkish real estate sector is growing rapidly. According to Sunday Times, Turkey is the 5th most attractive country for investment. Foreigners are now attracted to the metropolitan area rather than tourism areas. High-quality residential and office areas are offered. Demand is rising rapidly; the occupancy rate for high quality office buildings stands at 88%. As a result of the legal revisions, citizens of foreign countries are no more subject to limitations in acquisition of residential buildings. Construction technologies that will minimize earthquake and security risks will be used in regions where financial institutions will be operating and employees will be residing, so that the required office and residence stock will be provided, and real estate investments applying new technology will contribute to the city's quality of life.

Construction of the complex in Ataşehir, which will host the headquarters of gigantic public banks such as Ziraat, Halkbank, and Vakıfbank currently based in Ankara, as well as those of Banking Regulation and Supervision Agency, Savings Deposit Insurance Fund and Capital Markets Board is in progress, and expected to be completed in 2015. This complex includes skyscrapers for

private sector offices, hotels, residences and social facilities.

Operational Costs

In consideration of the current economic conditions, operational costs, including real estate and labor force costs, may influence finance companies' decisions on location.

As the costs in financial centers located in developed countries are higher in general, financial centers in some emerging countries may offer more competitive conditions.

In spite of the fact that Turkey does not rank in higher echelons in terms of ease of doing business, its investment circle is expanding rapidly. Domestic and foreign investors are subject to the same legislation.

The government applies incentives on investment, which are valid for both Turkish and foreign investors. Incentives include facilitating company incorporation, getting loans, and doing business with international companies.

Culture and Language

Istanbul hosts numerous international festivals, biennials, concerts, exhibitions and all kinds of artistic activities in its museums, art galleries, halls and cultural centers.

Education reforms are adopted to facilitate foreign language education. Foreign language curriculum in primary education is improved. An intensive education of English, German and French is offered in both public and private schools, which multiply every day.



• Mark Devlin, a lawyer from the law firm Baker McKenzie (said at a workshop which is organized by Main Finance Association on July 12, 2012 in Frankfurt)

'The fiscal conditions in Turkey are excellent for a financial center and even have advantages compared to the German tax system.'

The fiscal conditions in Turkey are excellent for a financial center and even have advantages compared to the German tax system. The only hurdle that makes investing in Turkey difficult for foreign investors is the application for a tax identification number, which makes it unnecessarily complicated for potential investors to access the Turkish capital market.

• Martin Spurling, chief executive of HSBC Bank in Turkey, (said at a finance conference on June 13 in Istanbul.)

"I had no idea how big Istanbul was until I was appointed here. I was shocked. In terms of its location, history, culture, human potential and hospitality, Istanbul's a great candidate to be an international finance center. We have to explain it to the world a little better."

• INCIEF Chairman & CEO Daud Vicary Abdullah (said at "Islamic Finance Instruments: Prospects and Opportunities for Turkey" meeting on June 21)

"In a historical perspective, Istanbul is an important commercial center due to its location and it's the capital of the Ottoman Empire, so the roots of Islamic finance lie here. Today, the economies of Istanbul and Turkey are very strong, and also Turkey has close commercial relations with the region. It would be reasonable for the city to extend to

the Gulf region, Central Asia, and North Africa."

"Istanbul would be an ideal center. It would be wise to work on growth and improving participation banking."

• Deloitte Senior Manager Tom Shave (said at "Bridging East and West - Istanbul as an International Financial Centre" panel which organized by City UK on April 23.)

"Istanbul satisfies the majority of the criteria of a financial center".

• Fraser Howie - a former managing director in the derivatives unit at CLSA, is the co-author of two books on China, Red Capitalism and Privatizing China. (ForumIstanbul)

'Istanbul is a financial center of a large country. There are 75 million Turks. It's a large domestic base which is always important if you are trying to be a financial center. It has great location for the time wise between Asia, Europe and America. There's no reason, Istanbul can not be a bigger financial center and bigger in global role at all.'

• William Howarth – IFC İstanbul Chief Operational Strategist (6th Istanbul Fashion Conference)

'I think Istanbul has tremendous advantages in terms of location, in terms of the ability of the civility and the democracy and the way the academy is developed in terms of the partnership with the government. And I think the financial system is very strong today. It evolved from the point where it is. It is well regulated and sound. So I think there's a fantastic foundation that Istanbul and Turkey can build on making Istanbul a financial center. That's a great start.'

• EBRD Managing Director – Olivier Descamps (Transformation of Turkey as a Business and Investment Hub Panel at EBRD Annual Meeting and Business Forum)

First Turkey is and Istanbul are on the radar screen quite a lot of investors in the World. Number two overall story where Turkey is going is a very good one in the global context. Three you do have I think a culture of entrepreneurship. The banking system which is robust. These are good advantages.

• Carlos Bronzatto – Executive Director WAIPA (The World Association of Investment Promotion Agencies)

(Transformation of Turkey as a Business and Investment Hub Panel at EBRD Annual Meeting and Business Forum)

About the advantages of Istanbul to be a financial center:

With the fact that Turkey is a large economic player, has a diversified economy, it is located strategically from the geographic stand point, but specifically it bridges a cultural gap between East and West in many ways. That can play its role as an international financial center. It can easily look at more products or offerings that are more of a modern finance standpoint. That can culturally draw back Islamic finance.





Borsa İstanbul's Place in Istanbul International Financial Center

In order to position İstanbul as an international financial center, novelties and improvements were planned in many fields, and a significant part of these have been already realized. A major step taken in this respect is the new Capital Markets Law. As required by the Law, which re-structures our capital markets and institutions as efficient, competitive and capable of responding to the developments in the international markets, İMKB, İstanbul Gold Exchange and the Turkish Derivatives Exchange (TURKDEX) merged under the roof of "Borsa İstanbul". Therefore, Borsa İstanbul offers a single platform for trading all capital markets instruments, and has a very important mission in the IFC İstanbul project.

Borsa İstanbul's contributions to İstanbul's position as a financial center may be listed under five headings; liquidity, product diversity, a fund center for international investors, technology development, and brand value. High liquidity and ensuring healthy price discovery play a key role in international investors' financial center preferences. Within this framework, Borsa İstanbul is the region's leading market with its high liquidity, and offers a great potential. Borsa İstanbul's traded value and market capitalization show that Borsa İstanbul is the "market of the region". Borsa İstanbul was established in line with the developments in the international securities exchange business, and partly through the regional and global connectivity, it targets to become one of the leading exchanges of the world, as a platform

offering trading of all capital markets instruments, employing a technological infrastructure at international standards, and ensuring operational efficiency.

In the upcoming period, upon the launch of the energy and commodity markets, these markets will be integrated with financial markets.

The brand value of Borsa İstanbul also plays an important role in İstanbul's identity as a financial center. Aware of the place of İstanbul in the global financial sector's perception, Borsa İstanbul rapidly updates its market regulations, and introduces new markets, products and technologies in an attempt to catch up with the international standards in the sector. Within this framework, Borsa İstanbul signed a pre-agreement for strategic partnership with Nasdaq OMX Group on July 3, 2013, which will contribute to İstanbul's target to become an international financial center and also to Borsa İstanbul's target to become a global exchange. With this partnership, Nasdaq OMX's information technology will be available for use by Borsa İstanbul for all financial contracts. This partnership is more than a mere technology partnership, including joint investment projects in the Euro-Asian region.

Borsa İstanbul ensures immediate information flow to the public through its update web sites, while the conferences and other activities it hosts contribute to its feature as a financial center.

Borsa İstanbul attaches great importance to research and development activities for new financial products, and is working jointly with the World Bank on establishing an Islamic financial research center to work on the increasingly popular Islamic products. Furthermore, efforts to establish another research institute that will work in cooperation with universities as a technology park are in progress.

Contribution of Istanbul International Financial Center to Borsa İstanbul

Borsa İstanbul is an important factor for İstanbul Financial Center project. In consideration of this, investments made as part of this project may be viewed as those made in the future of Borsa İstanbul. Borsa İstanbul will become a center of attraction that offers trading of all the financial assets traded in the global markets.

On the other hand, making İstanbul an international financial center will bring additional liquidity and depth to Borsa İstanbul, while encouraging the listing of foreign companies.

"Turkey is a country whose success is recognized globally, and is an inspiration for many countries thanks to its political and economic reforms."



According to the
Global Financial Centers
Index (GFCI) published in
March 2013,

Istanbul ranks eighth

among promising financial cities.



With a return of

52%

Borsa İstanbul,
was the
second best
performing exchange
of 2012.



Borsa İstanbul's
traded value equals
US\$ 348 billion
as of end-2012.

Borsa İstanbul **ranks eighth**
among emerging markets
in terms of traded value,
standing at **US\$ 234 billion**
as of June 2013.



During the
2002-2012 period,
Euro zone's
general public debt stock/GDP
ratio increased from
68% to 93%,
while that of Turkey fell from
74% to 36%
in the same period.



Borsa İstanbul
Debt Securities Index

ranks fourth

fourth among
organized markets
in terms of traded value.



Europe's
6th
biggest economy
World's
16th
biggest economy



Borsa İstanbul's
market capitalization
stands at
US\$ 290 billion
as of end-June 2013.



Borsa İstanbul
Equity Market
ranks 2nd

among world exchanges
in terms of share turnover
velocity as of June 2013.



As of end-June 2013,
414 companies
are traded on
the Equity Market.





**BORSA
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