

THE CAPITAL MARKETS BOARD OF TURKEY (THE "CMB") AMENDED THE ALLOCATIONS AND OFFERING PRICES TO MEET THE MARKET NEEDS.

The Communiqué on the Sale of Capital Market Instruments (Communiqué No. II-5.2) has been amended on 1 December 2017 by (i) decreasing the allocation ratio of domestic institutional investors, (ii) authorising the CMB to adjust the allocations, and (iii) allowing the downward revisions on the offering prices in order to meet the market needs.

MANDATORY ALLOCATION THRESHOLDS FOR DOMESTIC INVESTORS

The Communiqué on the Sale of Capital Market Instruments (Communiqué No. II-5.2) (the "Communiqué") (as published in the Official Gazette dated 28 June 2013 and numbered 28691) had introduced mandatory domestic allocation thresholds for the sale of capital market instruments in an attempt to attract the domestic investors and develop the capital markets in Turkey.

Accordingly, at least 10% of the relevant capital market instruments' nominal value was to be allocated to domestic individual investors whereas 20% was to be allocated to domestic institutional investors. Such mandatory allocation thresholds were not applying to (i) sales that are made in exchange, (ii) public offerings without book-building, (iii) capital increases of corporations with determined specifications, and (iv) additional sales. Following the Communiqué's entry into force on 28 July 2013, the aforementioned allocations had, to a certain extent, served their purpose to increase the demand amongst the local investors. However, especially the high volume public offerings had revealed that the domestic demand has yet to reach a level to meet the mandatory allocations. Therefore, due to the actual demand of the domestic investors being insufficient to meet the mandatory thresholds, public offerings were considered unsuccessful or not being able to attract investors.

In light of the above, the CMB has finally amended the Communiqué to meet the needs of the market. Accordingly, the allocation threshold applicable for domestic institutional investors have been reduced from 20% to 10%. However, 10% allocation threshold in respect of domestic individual investors remains unchanged. In addition, in order to reflect the market needs and conditions, the CMB now has the authority in each case to (i) reduce the allocation thresholds to zero; or (ii) increase the thresholds up to 100% of the current ones.

REVISIONS TO BE MADE TO THE OFFERING PRICE

The relevant amendments are not limited to the mandatory allocation thresholds but also introduce a new mechanism in respect of public offering prices. Accordingly, downward revisions to be made in (i) the public offering prices, (ii) the interest or discount rates, or (iii) (in the case of book-building with a price range) the price range, of the capital market instruments can now be made with a special event disclosure prior to, or during the sale or book-building processes.

If the disclosure in respect of such a downward revision has been made prior to the sale or book-building, public offering cannot commence at least two days after such disclosure. If the disclosure on the downward price revision has been made during the sale or book-building process, then a minimum of two days will be added to the public offering period.

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