

From Dersaadet Securities Exchange to Borsa İstanbul: The History of Transformation in the Turkish Capital Markets

In Turkey, the origins of an organized securities market dates back to the second half of the 19th century. Dersaadet Securities Exchange was established in 1873 as the first securities market in the Ottoman Empire. In 1929, shortly after the foundation of the Turkish Republic, a new law was enacted to reorganize the rather fragile capital markets under the umbrella of "İstanbul Securities and Foreign Exchange Bourse".

Following the great depression of 1929 and the World War II, the World entered to an era of rapid industrial development, where an outstanding demand of capital by joint stock companies was recorded through publicly offerings their shares, which were equally matched with the growing demand from investors both retail and institutional.

In the eighties Turkish capital markets showed a significant progress in developing the legislative framework and the institutions required to establish the background to enable sound capital market movements. Within this context in 1981, the "Capital Market Law" was enacted. Subsequently, the Capital Markets Board, which is the main regulatory authority supervising the Turkish securities market was established the next year. Many regulations complementing the new capital Market Law were put into effect in succession and overall these developments finally paved the way for the establishment of a modern stock exchange 1985, namely the İstanbul Stock Exchange, which became formally active by the end of 1985.

İstanbul Stock Exchange continued its operations as a government entity and its presence grew parallel with the growth of the Turkish economy. In the meantime, the financial landscape was transforming into a more integrated structure offering an ever wider product range. Hence, a new Capital Markets Law (Law no: 6362) was introduced in order to promote İstanbul and Turkish capital markets as an international hub for worldwide investors. Also, by the end of 2012 all communiques pertaining to the capital markets became compatible with the EU regulations as well as global standards.

With the new Capital Markets Law, Borsa İstanbul became a joint stock company with a for-profit structure in 2013. Separate exchanges of Turkey, namely, İstanbul Stock Exchange, TurkDEX, and İstanbul Gold Exchange at which trading of different asset classes take place are merged under the umbrella of Borsa İstanbul. Thereby, the horizontal integration of exchanges was completed and a single entity, which is a one-stop shop for all kinds of financial instruments, was created. Furthermore, vertical integration was performed by new share acquisitions at Takasbank

(İstanbul Settlement and Custody Bank Inc.) and Merkezi Kayıt Kuruluşu (Central Securities Depository).

By the end of 2013, Borsa İstanbul signed a strategic partnership agreement with the NASDAQ OMX Group aiming to expand its global presence, while substantially strengthening İstanbul's position as a regional hub for capital markets. With this partnership, Borsa İstanbul will integrate and operate NASDAQ OMX's suite of world-class market technologies for trading, clearing, market surveillance and risk management, covering all asset classes. Moreover, the two exchanges will actively collaborate in the region with a long-term commitment, which is a notable milestone not only for Borsa İstanbul, but also for the entire region surrounding Turkey.

Borsa İstanbul proceeds in its way to build further strategic alliances with new potential partners with the objective of bringing more liquidity and depth to its markets, and contributing to the publicity of its brand. Under its new corporate structure and vision, Borsa İstanbul strives in providing the financial thrust needed for Turkish economy to grow.