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NEVZAT ÖZTANGUT

**'Confidence is our first priority in capital market'**

Maintaining confidence in the Turkish capital market is and must be our first priority, Turkish Association of Capital Market Intermediary Institutions (TSPAKB) President Nevzat Öztangut has said. Evaluating the latest developments in the capital market along with some controversial issues still being discussed behind the scenes, TSPAKB head Öztangut told Sunday's Zaman that they placed heavy emphasis on establishing an atmosphere of complete confidence in the market where investors and firms unhesitatingly trust one another.

Commenting on claims that a recent series of police operations targeting speculators had tarnished the İstanbul Stock Exchange's (İMKB) image, he said such abuses could be seen in every stock market worldwide and are not solely a problem for Turkey. "When you look at the stocks in world's most developed markets, it is not hard to see illegal operations even there. Here in Turkey, both the Capital Markets Board [SPK] and the İMKB try their best to avoid such problems," he said, underlining that the investors who lack adequate knowledge and experience are open to manipulation. They are not aware of the potential risks of investment in a stock market, he continued, also stressing the importance of professional training. "The more well-trained investors who take their place in the stock market, the less manipulation we will see."

The SPK and the İMKB jointly use a supervisory program to detect unusually large price and volume movements in the bourse and actions that carry the risk of being speculation or illegal manipulation of shares.

With regards to the negative effects of the ongoing global financial crisis on the capital market, the TSPAKB head noted that the crisis has had relatively fewer negative effects on the market. There are no toxic assets that are constraining bank lending in Turkey, Öztangut explained, and went on to say: "But we cannot say we were unscathed; the heavy stagnation in the market had an adverse impact, particularly on real estate brokerage operations. Stock operations volume dropped by 14 percent in 2008 over 2007, but we have seen a 3 percent increase in the first five months. The number of both foreign and domestic investors is on the rise although the economic uncertainty still abounds to some extent."

"Also, a remarkable decline in the price of goods in line with global market movements adds to a positive atmosphere, however, we should be on the alert just in case," he emphasized.

Another crucial impact of the crisis, Öztangut noted, was the reduction of employment in the sector. The sector has seen the lowest employment figures since 1999, and there are currently 5,100 employees while this number used to be over 5,500 employees. The crisis is not the only responsible factor though, the TSPAKB head asserted, saying it had only made things worse in the sector which has been suffering from a "chronic" volatile atmosphere for a long time. The intermediary institutions tended to take strict measures, save more than before, an inevitable fact, he said, while the association data showed

## Establishing an atmosphere of complete confidence in the capital market in which investors and firms can unhesitatingly trust one another is the top priority of the Turkish Association of Capital Market Intermediary Institutions, according to its president, Nevzat Öztangut, who says recent manipulations in the stock market have deterred investors from entering the market

the total net profit seen in the capital market fell to TL 168 million in 2008 from TL 309 million in the preceding year.

### Big fish in capital market gobbling up the minnows

The Turkish capital market needs big players -- investors with large assets -- Öztangut said, hinting that this was actually the case in the capital market. "As a result of our monthly market research, we can clearly see that the big intermediary institutions have tightened their grip more. Some 87 percent of total assets belong to big companies, while they have a two-thirds share in employment. Small institutions already have a certain consumer base, but they need to improve themselves in line with developments in global markets," he noted, indicating that companies with more than TL 25 million in assets are deemed to be "big" firms while those with less than TL 5 million are accepted as "small." He said they had been encouraging institutions to merge; however, they came to realize that such thing goes against the grain. "Every firm has its own customer base and is reluctant to merge. Hence, I do not think there will be mergers and acquisitions in the Turkish capital market in the near future." Öztangut said the TSPAKB places heavy emphasis on healthy communication amongst the institutions as well as protecting their rights.

With regards to the presence of foreign intermediary institutions in Turkey, Öztangut recalled that three giants, Lehman Brothers, Raymond & James and Morgan Stanley, left Turkey with the emergence of the crisis. This did not, however, create a big gap in the capital market since another two, JPMorgan and ING, replaced them. "We are glad to see such big institutions being attracted to Turkey; they bring their know-how and experience," he said. The

TSPAKB head noted that 80 percent of foreign firms are in brokerage operations. "We will see more benefits from their presence in the near future. They have a large sphere of influence in the market," he added.

Turkey will retain its position as the rising star in the global arena once the crisis has been overcome, according to Öztangut, emphasizing that the capital market will play a critical role to this end as it "represents the concerns of the entire economy, contributes to industry, employment and production."

### İstanbul on its way to becoming regional finance center

Touching on efforts to turn İstanbul into a regional finance center -- one of the most sensitive issues that has stayed on the Turkish business world's agenda for a long time accompanied by heated discussions -- Öztangut said they have faith in the future of İstanbul and have no doubts that the city will reach such a goal. "İstanbul is already the backbone of the Turkish economy and home to the headquarters of all the major players in the financial industry," he said.

Recalling that the government is planning to move the headquarters of public banks, the central bank, the Treasury and other economy-related institutions to İstanbul to increase the efficiency of the financial sector, he said all the related state institutions have intensified their quest to make İstanbul a financial hub for a region spanning the Middle East to the Balkans. "We have also committed ourselves to such a target," he noted, adding that the Turkish economy will flourish more than predicted once this goal is realized. Öztangut said the government was working silently but ambitiously to introduce a macro plan to this end shortly.

Another prominent issue concerning the capital market is studies by the SPK to make a change in the regulations to raise the minimum ownership rate for what is translated from Turkish as "mandatory call option" -- a commitment by a company to buy the publicly held shares of a company that it purchased through a merger or acquisition at a certain price over a determined period of time -- from 25 percent to 50 percent, a move seen by experts as an effort to encourage serious investors to acquire publicly traded companies. Öztangut said they were currently evaluating the issue and would soon convey their views to the board. "We see that the majority of companies currently ask the SPK for exemption from mandatory call option from time to time; thus, raising the limit is necessary," he noted, stressing, however, that this should be done with care. "We do not want to see either investors or intermediary institutions losing here."

With regards to future of the crisis in Turkey, he said it was really hard to say anything as uncertainty still prevails in the markets. Referring to what the Central Bank Governor Durmuş Yılmaz said last week, Öztangut said: "We can see light at the end of the dark tunnel but beware; it can also be a train approaching. We need to see the official growth figures first. But I know for sure that Turkey will be one of the first countries to prop up its economy."