

## **Final Draft**

### **Standard Summary Project Fiche – IPA decentralised National programmes**

(maximum 12/15 pages without the annexes)

#### **1. Basic information**

**1.1 CRIS Number:** TR080207

**1.2 Title:** Strengthening the Capital Markets Board

**1.3 Sector:** 6- Company law and 9 -Financial services

**1.4 Location:** Ankara – Istanbul, Turkey

#### **Implementing arrangements:**

##### **1.5 Implementing Agency:**

The CFCU will be Implementing Agency and will be responsible for all procedural aspects of the tendering process, contracting matters and financial management, including payment of project activities. The director of the CFCU will act as Programme Authorizing Officer (PAO) of the project.

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**1.6 Beneficiary** : Capital Markets Board of Turkey (CMB)  
Eskişehir Yolu 8. km. No: 156 06530 Ankara / TURKEY

**Co-beneficiary** : Licensing and Training Centre

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**1.7 Overall cost:** €4,626,450

**1.8 EU contribution:** €4,034,405

**1.9 Final date for contracting:** 2 years after the signature of the Financing Agreement

**1.10 Final date for execution of contracts:** 2 years following the end date for contracting

**1.11 Final date for disbursements:** 3 years following the end date for contracting.

#### **2. Overall Objective and Project Purpose**

**2.1 Overall Objective:** To improve the availability of investment via capital markets through better regulation, supervision and training.

**2.2 Project purpose:** To complete drafting for the purpose of alignment of capital markets legislation with the EU *acquis* and to ensure its proper implementation, by improving the administrative and IT capacity of the CMB and increasing the level of knowledge of market participants and investors on the new regulations.

**2.3 Link with AP:** Council Decision 2008/157/EC of 18 February 2008

## **Short Term Priorities,**

### **Ability to Assume the Obligations of Membership**

#### **Financial services**

- Continue alignment with the new capital requirements for credit institutions and investment firms and with the other related directives (deposit guarantee scheme, winding up and reorganisation, financial conglomerates, bank accounts)
- Strengthen prudential and supervisory standards both in banking and in the non-bank financial sector. Establish an independent regulatory and supervisory authority in the insurance and pension sector.

## **Medium Term Priorities,**

### **Ability to Assume the Obligations of Membership**

#### **Company Law**

- Adopt a general-purpose financial reporting framework in the area of corporate accounting and auditing in line with EU standards.
- Strengthen disclosure requirements. In particular, adopt a general requirement for companies to file audited legal entity and consolidated financial statements in order to make them publicly available.

#### **Link with NPAA: (TR) Council of Ministers Decision No: 2003/5930 Dated 23/06/2003**

The NPAA Chapter IV sections 3, 4 and 5 provide an overview of legal gaps to comply fully with the EU *acquis*. The references NPAA Chapter IV, Sections 3.2 (Freedom to Provide Services), 3.2.1 (Banking and other Financial Institutions), 3.2.2 (Capital Markets); 4.1.1 Free Movement of Capital; and Chapter 5 (Company Law), 5.1.1 (Alignment with the Company Legislation), 5.1.2 (Accounting and Auditing) set adoption and implementation of the EC *acquis*, with appropriate training, as a final objective.

NPAA Chapter V, Administrative Capacity for the Implementation of the *Acquis*, Section 6.3 on Freedom to provide Services, lists the following as necessary administrative and institutional changes:

- The improvement of the CMB – the ISE computer based market surveillance system.
- Ensuring the collection and public disclosure of financial statements, balance sheets and material events of public companies and intermediaries via Internet.
- Formation of financial reports, chart of accounts and statistical tables in line with the related EU legislation.

For Training, all three NPAA Sections envisage training of staff for the harmonisation of the relevant legislation and consultancy.

This project will improve alignment with the EU *acquis* with regard to Financial Services and Company Law, enhance the administrative capacity of CMB by setting up implementing measures, renovating IT infrastructure, improving supervisory standards with advanced surveillance techniques, improving the communication between CMB and market participants, and training CMB experts.

#### **2.4 Link with MIPD: Turkey Multi-annual Indicative Planning Document 2007 – 2009**

Under “Component I – Transition Assistance and Institution Building”, Main priorities and objectives (p.18) company law and prudential and supervisory standards in the non-bank financial sector are listed among the areas of the *acquis* for which Institution Building support may also be provided.

## **2.5 Link with National Development Plan (TR) Grand National Assembly Decision No: 877, dated 28.06.2006**

The Ninth Development Plan, includes improving the financial system under the main objectives for the development axis of increasing competition<sup>1</sup>. The Plan thereby lists, improving rights of minority shareholders in companies, establishing an autonomous regulatory structure for all financial institutions avoiding gaps in regulation and supervision, improving accounting and supervision standards taking the EU and OECD norms as the basis, enacting regulations ensuring the implementation of risk management including alignment with Basel II and relevant EU legislation as well as the establishment of a credit and corporate governance rating system, and implementing corporate governance principles.

On the other hand, in the strategy of the development plan in relation to improving the financial system as a part of the development axis of increasing competitiveness<sup>2</sup> it is noted that a financial sector, which operates at a competitive scale, has a diversity of instruments and financial depth to direct resources into investment, is regulated and supervised in compliance with the international standards, and where intermediation costs are minimized, will be developed.

Furthermore, with regard to ensuring the dissemination and effectiveness of e-government applications the Plan<sup>3</sup> includes the use of e-Government as an effective tool in the restructuring the public sector and the extension of the use of e-signature in the public sector are listed among main objectives.

Finally, in relation to increasing quality and effectiveness in public services the strategy of the development plan<sup>4</sup> includes the use of information and communication technologies at the maximum level in the provision of public services, the creation of an effective, interoperable, integrated and secure e-government structure.

The Project directly involves the objectives and strategies of the Ninth Development Plan with regard to improving the financial system and increasing quality and effectiveness in public services by assisting alignment with the EU *acquis* and improving the administrative capacity of CMB.

## **2.6 Link with national/ sectoral investment plans(where applicable): N/A**

### **3. Description of project**

#### **3.1 Background and justification:**

The Turkish economy has shown significant growth in the past 5 years, which has surpassed the average for emerging markets and realized at 7.2 %. This growth tendency has also triggered an increase in the profit margins in the real sector since the year 2002. These developments have been accompanied with an increase in the attractiveness of Turkish markets for foreign direct investment as well as portfolio investments. As of December 2007, foreign investors hold nearly 72.4 % of the free float in listed companies in the Istanbul Stock Exchange (ISE). Furthermore the share of foreign parties in the Turkish securities industry has also increased substantially; 34 out of 104 brokerage firms have foreign shareholders.

Despite such positive developments Turkish securities markets remain small albeit dynamic. Market capitalisation in ISE as a percentage of GDP has increased from 32% in 2001 to 40.97% in 2006. Turkish securities markets also continue to be dominated by public sector securities, the market share of which stands at 83.4 % as of November 2007. Meanwhile, securities registered by CMB, which constitute primarily of shares and mutual fund participation certificates, increased

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<sup>1</sup> Ninth Development Plan: 2007 – 2013; 7. Main Objectives: Development Axes; 7.1. Increasing Competitiveness; 7.1.4. Improving the Financial System; p. 81

<sup>2</sup> The Strategy of Ninth Development Plan; IV Development Axes; IV.1 Increasing Competitiveness; Improving the Financial System; p. 118

<sup>3</sup> Ninth Development Plan: 2007 – 2013; 7. Main Objectives: Development Axes; 7.5. Increasing Quality and Effectiveness in Public Services; 7.5.4. Ensuring the Dissemination and Effectiveness of e-Government Applications; p. 110 – 111

<sup>4</sup> The Strategy of Ninth Development Plan; IV Development Axes; IV.5 Increasing Quality and Effectiveness in Public Services; p. 126

substantially and, the share of the private sector securities to the total outstanding securities has gradually increased from 8 % in 2002 to 16.6 % as of November 2007. Furthermore the first corporate bond issue in a decade was made in the year 2006 and in general it is anticipated that sustainable developments in the market and economic stability will result in increased corporate bond issues and an active market.

On the demand side, the collective investment industry comprising of mutual funds, investment companies and pension funds is also growing and has a total of US \$ 29.1 billion in net assets as of November 2007.

Sustainable growth and development in financial markets is only possible with the existence of sound regulation and supervision. In order to increase the level of regulatory standards in securities markets and to ensure alignment with the *acquis* in terms of the gaps identified in the NAAP, AP and Regular Progress Reports and taking into account the outcomes of the Screening Process, CMB as the main regulatory and supervisory authority in the charge of securities market in Turkey, has taken part in a Twinning Project on Assisting the CMB of Turkey to Comply Fully with EU Capital Markets Standards with the German Federal Ministry of Finance between February 2006 and December 2007. In the course of this Project, draft legislation was drawn up in the field of financial services, CMB staff was trained, efforts were made to increase the administrative capacity of CMB and Regulatory Impact Assessment Guidelines were prepared.

In relation to accounting and financial reporting, CMB is the competent authority for publicly held firms and capital market institutions. Nonetheless, EU legislation in the areas of accounting was not dealt with during the Twinning Project. Furthermore the need for alignment in relation to accounting was also emphasized in the AP, NAAP as well as the Ninth Development Plan as cited above under Sections 2.3 and 2.5 respectively. Furthermore in the Screening Report Turkey, regarding Company Law, it is stated that “a major overhaul of the legal framework is required to introduce the concepts of the *acquis* in corporate accounting and auditing”.

With regard to Financial Services, EU legislation has undergone significant restructuring under the Financial Services Action Plan. The resulting directives and regulations were dealt with in the drafting sessions carried out during the Twinning Project. The plans for the implementation of this draft legislation were outlined in the Programme for Alignment with the *Acquis* (see section 3.5 below). Nonetheless, many of the key Financial Services Action Plan legislation have only just entered into force; others still need to be transposed in the Member States. Furthermore, some of the implementing measures of key securities directives have yet to be adopted and other amendments following reviews of implementation may be possible. Therefore, drafts drawn up during the Twinning Project are not able to fully capture EU legislation on Financial Services.

Besides, the implementation of the EU *acquis* will introduce several new market practices and will require the establishment of implementing measures and procedures to increase the administrative capacity of CMB for the proper implementation of the *acquis*. The needs in this respect are captured in the short term priorities in relation to Financial Services cited in the AP Document as listed above in Section 2.3. In terms of implementation, certain areas were also identified as particularly problematic during the drafting work conducted in the course of the Twinning Project. These also coincide with the statement in the Regular Progress Report for 2007 under Financial Services, according to which, alignment in the field of securities markets and investment services is not complete, in particular with regard to undertakings for collective investment in transferable securities (UCITS).

It should also be noted that in the Screening Report Turkey regarding Financial Services, the necessity of further efforts regarding prospectuses, market abuse and undertakings for collective investment in transferable securities and markets in financial instruments is emphasized. It is also stated that “The administrative capacity of CMB as supervisory authority is reasonably developed. However, the overall administrative and institutional capacity of the Board to assume the obligations from Basel-2 and related EC directives is not yet in place”.

Another important aspect in implementing the *acquis* on Financial Services concerns cooperation among competent authorities. Until now CMB has been involved in cross border cooperation and exchange of information with foreign regulatory authorities upon the broad authority it has been

assigned by the Capital Markets Law (CML). Upon this authority CMB has also concluded several bilateral memoranda of understanding as well as the IOSCO Multilateral MoU. However EU legislation concerning financial services also require measures for cooperation and exchange of information among Member States and between Member States and third countries. Until accession, taking into account third country and reciprocity provisions in the relevant EU legislation, CMB needs to establish such measures for the proper application and supervision of the requirements under the relevant directives and regulations.

In addition to proper regulation and its implementation, the use of information systems has become increasingly important in the functioning of capital market institutions. The security and performance of information systems of organizations are directly related to their credibility and professional image. Therefore, supervision of information systems of organizations according to various criteria such as security (confidentiality, integrity, availability), effectiveness and efficiency, namely Information Technology (IT) Governance/Audit, is gaining more importance around the world. Parallel to the increasing importance of information technologies, the CMB plans to govern and audit the information systems of the capital market institutions/participants and to establish the necessary guidelines and standards for their IT systems.

In addition to the needs stated above, The European Union funded project called “Technical assistance for further development of the capacity at the Capital Markets Board of Turkey (CMB) – EuropeAid/121141/D/SV/TR” finished in June 2007. This project included a component named “Strategic Information Systems Plan” which is about forming the vision of the Information Technology (IT) Department of the CMB for the next three years. In the final report of this component, the EU Consultant made a recommendation about IT Department of CMB as follows:

“CMB IT Department should, as the regulatory CMB unit for IT standards and guidelines, issue directions for regulated organizations and market participants and set suitable and necessary standards for Market Systems.”

“IT Department, in collaboration with the Department of Legal Consultants, should be directly responsible for the definition of minimum standards governing IT Audits for capital markets institutions and participants and enforce IT Audit regulations.”

After alignment with the *acquis* on Financial Services, the final step for ensuring the sustainability of implementation of the new regulation and of development in financial markets is creating the adequate awareness in the industry. CMB is currently coordinating the establishment of a licensing and training centre, which will subsequently be employed as a means to the end of ensuring successful and sustainable implementation of EU legislation by matching the regulations and implementing measures of the CMB by equivalent knowledge of and expertise in capital market legislation as well as capacity to implement such legislation on the side of the industry.

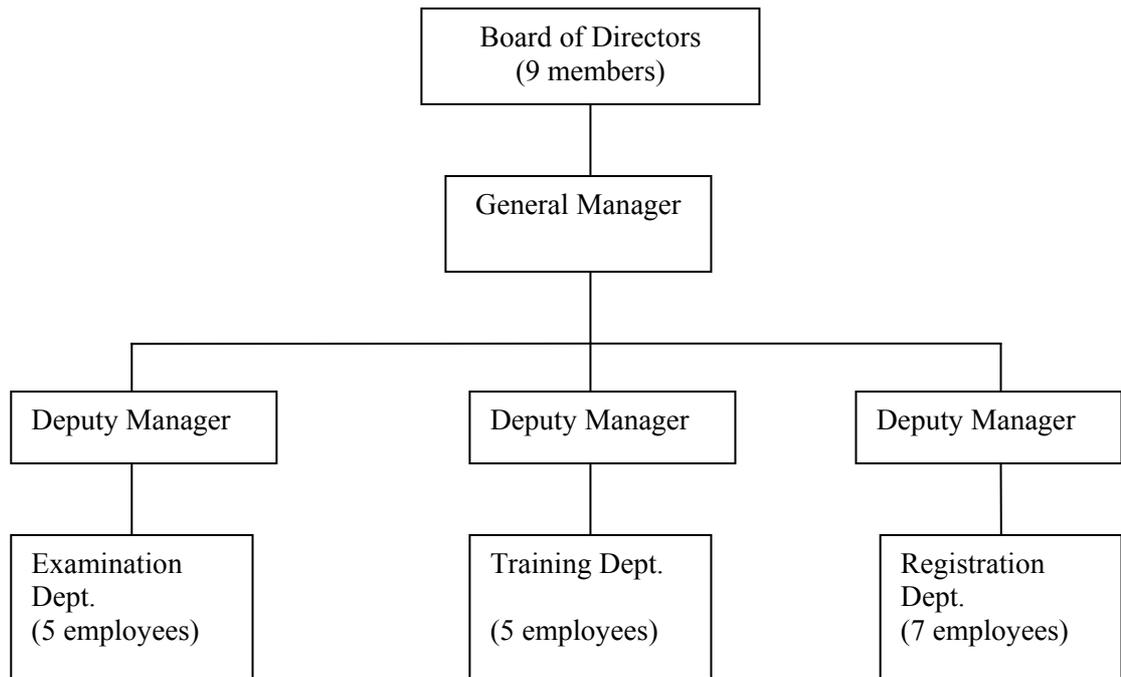
According to Article 22(t) of CML, CMB is authorised to determine the principles for issuing certificates showing the professional training and adequacy of persons who shall engage in activities on the capital markets or in real estate appraisal in relation to capital market activities and managers and other employees of capital market institutions and with this objective to establish centres and to determine the principles with respect to the activity. CMB has accordingly been conducting licensing exams for securities market professionals since the year 2002. Furthermore CMB has decided on 28 April 2005, on launching studies for the establishment of a centre for training, registration and licensing with the coordination of CMB and participation by markets and market participants, most notably the Association of Capital Market Intermediary Institutions of Turkey and on transferring all duties and authorities of CMB on licensing and registration to this centre. Several initiatives have been attempted since then in relation to the organisation of the training centre and involving talks with the possible parties that will participate in the centre. Finally on 28 June 2007 CMB has decided to appoint a commission to carry out all activities in relation to the establishment of the centre. Since then this commission has been leading dialogue with the industry participants that will participate in the licensing and training centre, which will be established as a joint stock company.

In this context, the Articles of Association for the licensing and training centre have been drafted. Accordingly the shareholders in the centre will include the Association of Capital Market

Intermediary Institutions of Turkey, the Istanbul Stock Exchange, Futures and Options Exchange, the Central Registry Agency and the ISE Settlement and Custody Bank. The initial capital for the centre to be invested by share holders is planned as TRY 3 million, whereas studies on determining the respective participations of each shareholder are still ongoing. The proposed activities of this licensing and training centre cover among others;

- the training of securities markets professionals for the purpose of licensing,
- continuous training of securities markets professionals on the developments in capital markets legislation arising most notably from the approximation of Turkish law to EU legislation,
- organising licensing examinations,
- providing registration services for securities market professionals,
- organising training seminars for issuers, investors and other interested parties on capital market regulations, and
- conducting research projects on legal, financial and economic issues in relation to capital markets and organising panels for the discussion of such issues among representatives of competent authorities, the industry and academic staff.

The centre is planned to start its operations in September 2008 with 20 staff organised in the following structure:



The activity plan for the licensing and training centre includes the organisation of 3 examinations on 8 separate issues and 100 days of training every year. The sources of revenue for the licensing and training centre will comprise most notably of training, examination, licensing and registration fees. The indicative income statement for the first year of the centre is foreseen as follows.

<b>REVENUES</b>	<b>TRY</b>
Examination fees	1.800.000
Licensing fees	750.000
Training fees	500.000

Registration fees	10.000
<b>TOTAL</b>	<b>3.060.000</b>
<b>COSTS</b>	
Personnel	1.200.000
Rent for office space	84.000
Training expenses	500.000
Stationary	10.000
Equipment	50.000
Vehicles	40.000
Systems set up (for the first year)	1.000.000
Telephone, fax, etc. costs	20.000
<b>TOTAL</b>	<b>2.904.000</b>

The licensing and training centre will provide its services for a wide variety of securities markets professionals such as investment firm managers, portfolio managers, investment advisors and real estate appraisal experts. With this variety of in mind it is important, in order to avoid conflicts of interest to ensure that the training, licensing and registration activities are provided by a centre that is not dominated by one of the parties that will use its services and that has financial independence. Therefore industry participants have also shown support to the establishment of the centre.

Furthermore, ensuring the training licensing and registration of securities markets professionals by independent institutions is also a common practice employed by EU Member States. A notable example to such an institution would be the Securities and Investment Institute, which operates on the licensing of professionals in the UK upon authorisation by the Financial Services Authority. In the field of real estate appraisal, a prominent example would be the Royal Institution of Chartered Surveyors, which has worldwide operations in maintaining educational and professional standards.

The CMB firmly believes in the importance of ensuring the speedy and efficient organisation of the licensing and training centre for the improvement of the industry and support is needed on training of trainers, preparing curricula, training schedules and proposed seminar topics for the centre and on establishing technical systems for computer-based exams, e-learning and recording. Given the commitments of the CMB towards alignment with the acquis, the new legislation will be among the foremost areas that training is needed and therefore achieving such assistance from a centre with a similar organisational structure operating in an EU Member State is considered to be the ideal form of assistance.

On the other hand, the improvements in the regulation of financial services must be supported by improvements in the IT capacity of CMB as well as the efficiency of institutional data gathering and surveillance capacities. In this respect CMB has been involved in a project entitled "Technical assistance for further development of the capacity at the Capital Markets Board of Turkey". This project had three components, the first of which was Strategic Information Systems Plan (SISP) entailing the need for developing a strategic development plan which would coordinate IT operations for the next three years in relation to the supervision of IT Projects, identification of requirements, expenditures, investments and human resources needs. The second component related to the development of an Electronic Application and Data Gathering System (EDGAS) to establish efficient communication between CMB and the industry. The final component of the Project was related to the establishment of an Advanced Surveillance System (ASUR) to increase efficiency in detecting potential infringements of capital market legislation.

Based on the results of the previous project, there is need to improve and arrange information technology and institutional capacity according to the latest advancements. An upgrade of the existing IT systems and introduction of new systems is required based on the expected larger turnover on the capital markets and the expected increased number of investors and issuers. SISP Project will renew the CMB's IT infrastructure.

It is necessary to strengthen and streamline the institutional data gathering capacities, quality and efficiencies of the CMB. These processes consume time and task force and cause experts to give less time to their surveillance duties. EDGAS Project will strengthen the data gathering capacity of the CMB.

Existing surveillance capacity needs to be advanced. Implementation of the full EU *acquis* in the capital markets area is expected to raise investor confidence into the market integrity and increase trading volumes. Therefore, there will be a need for a more advanced surveillance system to detect any abusive behaviour efficiently. ASUR Project will provide the advanced surveillance system.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)**

#### **Project Impact:**

- i. Facilitating the adoption of financial services and company law regulations of a high standard accompanied with efficient implementation based on practical implementing measures and procedures, well trained staff and adequate awareness in the industry.
- ii. Turkish Capital Markets IT Governance/Audit Regulation will result in a more disciplined and uniform IT infrastructure within the capital market participants.
- iii. More profound and strengthened audit functions at the CMB due to the fact that applications will be gathered in a more timely fashion, will be easily monitored and will eliminate most of the current manual controls conducted by experts as these will be automatically triggered by EDGAS.
- iv. The ASUR project will strengthen the ability of the CMB to detect market abuse efficiently and at a higher success rate. This includes the employment of advanced techniques for surveillance.
- v. The SISP Project will improve the technical capacity of the Capital Markets Board of Turkey.

#### **Catalytic Effect:**

- i. The improvement in financial services and company law / IT governance regulations to meet EU standards, an efficient and uniform application thereof based on clear implementing measures by trained staff and the introduction of instruments and services of a wider range parallel to the investment opportunities in the EU will increase investor confidence and channel investments, both domestic and foreign to capital markets. Met with a stronger demand it is expected that the real sector will find more opportunities for fund raising in capital markets through issues of equities as well as debt instruments.
- ii. Proliferation of e-signature usage in the financial sector
- iii. The project will also enable the CMB to focus on the design and specification of enhancements that are beneficial to their core role and duties related to surveillance of the Turkish Capital Markets.
- iv. The project will make ready the essential technical and human resource capacity that will be needed in the next years.

#### **Sustainability:**

- i. Once appropriate regulations and relevant implementing measures and procedures are adopted it is expected that trained CMB staff will implement regulations effectively. Nonetheless CMB must establish efficient intra-institution communication and documentation facilities to coordinate and streamline the activities of its various departments and to avoid gaps in case of key staff leaving their positions. Furthermore supporting the developments on the regulatory side with training on the side of the industry is expected improve communication between CMB and the industry and to facilitate sustainable implementation of new legislation.

- ii. The advanced surveillance system will be spread out to the other financial markets (bonds, futures, etc.)
- iii. Renewing the IT infrastructure will enable the CMB to perform IT functions appropriate to the latest improvements and trends in technology.

**Cross-Border Impact:** Not Applicable

### 3.3 Results and measurable indicators:

Results	Objectively verifiable indicators
1. Regulation transposing accounting Directives are drafted and CMB experts are trained on the new regulations as well as EU countries' IFRS application	<p>1.a CMB accounting regulations were compared with the relevant EU acquis and comparison report was presented to CMB Chairman by the SPO at 4<sup>th</sup> project month; regulation transposing EU accounting directives was drafted to eliminate any discrepancies identified during comparison and draft regulation was presented to CMB Chairman by the SPO at 10<sup>th</sup> Project month.</p> <p>1.b At least 50% of relevant CMB staff was trained with regard to EU accounting directives and IFRS application at the end of the 13<sup>th</sup> Project month.</p>
2. Regulation transposing relevant EU legislation with regard to capital markets is drafted, based on legislation/standards and best practices employed by EU Member States regulation on IT Audit/Governance is drafted <sup>5</sup> and administrative and institutional capacity of CMB is improved for proper implementation of regulation.	<p>2.a Legislation drafted during the previous Twinning Project was compared with any new developments in the relevant EU acquis in the first two months for each topic and comparison reports were presented to CMB Chairman by the SPO by 9<sup>th</sup> project month; legislation was drafted in relation to any amendments identified in the relevant EU acquis taking into account legislation drafted during the previous Twinning Project as well as capital market legislation in force and draft regulation was presented by the SPO to the CMB Chairman by 13<sup>th</sup> Project month.</p> <p>2.b At least 50% of relevant CMB staff has received appropriate training in order to improve the administrative capacity of CMB and to establish implementing measures and cooperation arrangements for proper implementation of regulation at the end of the 17<sup>th</sup> Project month.</p> <p>2.c Relevant Turkish legislation on the financial sector and capital markets as well as EU legislation, standards and best practices in the area of IT Governance/Audit in financial sector were studied, Turkish Capital Markets IT Governance/Audit Regulation was drafted and IT Governance/Audit principles were determined at the end of the 5<sup>th</sup> Project Month.</p>
3. The activities of the licensing and training centre, established under CMB coordination in relation to licensing securities market professionals were developed	3.a Training curricula and schedules in relation to the types of certificates that must be obtained by securities market professionals and proposed seminar topics for interested parties were drawn up for the first year of the training centre and presented

<sup>5</sup> Activities serving this purpose were originally presented as a separate Project proposal under SEI funding and later incorporated into the current Project upon the recommendation of the European Commission, in order to avoid duplication of efforts, to provide better coordination of existing institution building activities and to better address the needs of the CMB.

	<p>to CMB Chairman by the SPO at the 5<sup>th</sup> Project month.</p> <p>3.b An adequate number of experts were trained by 8<sup>th</sup> Project month with appropriate training material as trainers for the licensing and training centre, on the implementation of EU legislation as identified in the training curricula,</p> <p>3.c The specific needs for technical systems for computer-based exams, e-learning and recording were determined and presented to CMB Chairman by the SPO at 10<sup>th</sup> Project month.</p>
<p>4. Through the implementation of the Strategic Information System Plan (SISP), potential technology gaps to other EU capital market regulatory authorities will be eliminated, and the usage of strategic new technologies within the CMB will be catered for.</p> <p>a) CMB staff will be trained.</p> <p>b) Procurements of hardware and software will be established.</p> <p>c) Organizational changes, specializations areas and certification will be implemented in the IT department of CMB.</p>	<p>4. Indicators of SISP:</p> <p>4.a. Trainings will be taken by the staff of CMB.</p> <p>4.b. Installation and usage of new IT equipments and software will be carried out.</p> <p>4.c. Organization of IT Department will be changed.</p>
<p>5. Through the Electronic Data Gathering and Application System (EDGAS), healthier and more exhaustive information acquisition from companies and financial institutions in Turkey will be implemented and the application and disclosure handling capacity of CMB will improve.</p> <p>a) EDGAS portal will be functional upon the provision of the institutional data gathering capacities, quality and efficiencies to the CMB.</p> <p>b) E-signature mechanisms will be established and functional.</p> <p>c) CMB staff will be trained.</p>	<p>5. Indicators of EDGAS:</p> <p>5.a. &amp; 5.b. 1<sup>st</sup> study will be published by the 9<sup>th</sup> month of the EDGAS project. Internal tests will be finished by the 18<sup>th</sup> month of the EDGAS project. Tests with the companies will be finished by the 20<sup>th</sup> month of the EDGAS project.</p> <p>5.c. 1<sup>st</sup> set of trainings will be carried out by the 3<sup>rd</sup> month of the EDGAS project. 2<sup>nd</sup> set of trainings will be carried out by the 16<sup>th</sup> month of the EDGAS project.</p>
<p>6. Through the Advanced Surveillance System (ASUR), capabilities of CMB for the surveillance of the capital markets in Turkey will be improved and augmented.</p> <p>a) Surveillance benchmark based on analysis of existing system usage and effectiveness will be established.</p> <p>b) ASUR system will be established with enhanced surveillance capabilities.</p> <p>c) Ability of CMB will be improved to conduct future system enhancements with limited or no technical assistance.</p>	<p>6. Indicators of ASUR:</p> <p>6.a. Key performance indicators for existing system will be available by the end of the 2<sup>nd</sup> month of the ASUR project.</p> <p>6.b. Deployment of the ASUR System will be completed by the end of the 2<sup>nd</sup> year of the ASUR project.</p>

### 3.4 Activities:

The Project is composed of 6 main components. In relation to the regulation and supervision of securities markets, the general structure in EU Member States involves independent governmental authorities that are similar to the CMB in terms of organisation, duties and responsibilities. Since the activities under Components 1 and 2 involve drafting and training for the purpose of devising implementing measures in areas that fall under the jurisdiction of the CMB, support needs to be acquired from a competent regulatory authority of a Member State that is responsible for the

regulation and supervision of securities markets. Components 1 and 2 will therefore be conducted under a Twinning Contract, Component 3 under a Service Contract, and Components 4 to 6 under one Service and one Supply Contracts. Funds for co-financing for activities under the various components will be allocated from the CMB budget, which is funded independently.

### **Component 1 Drafting and training in the field of accounting**

In the first component of the proposed project, support is sought for a duration of 12 months for the comparison of the accounting regulations of CMB with the respective EU Directives and Regulations, drafting to eliminate discrepancies and the provision of relevant training. The CMB regulations concerning accounting standards and solo and consolidated financial statements for unlisted publicly held companies are specified in Communiqué Serial: XI: No: 1 issued in 1989 and Communiqué Serial: XI, No: 21 issued in 2001. In relation to the financial reporting standards of listed companies and capital market institutions, according to Communiqué Serial: XI No: 29, which was published in April 2008 listed companies, brokerage firms and portfolio management companies shall prepare their financial statements in accordance with IAS/IFRS as accepted by the EU, starting with financial statements drawn up after January 2008. On the other hand, according to Transitional Article 2 of the Communiqué, until the differences between original IAS/IFRS and IAS/IFRS accepted by EU have been disclosed by the Turkish Accounting Standards Board, original IAS/IFRS shall be applied. In this regard, the accounting regulations of CMB need to be amended with the purpose of harmonisation with Directives 78/660/EEC, 83/349/EEC and 86/635/EC, which were not covered in the scope of the Twinning Project. The activities in the first component of the project would include;

**Activity 1.1** Meetings and drafting sessions to be organised on a period of 9 months with the purpose of,

- i. comparison of the accounting regulations of CMB with relevant EU legislation, and
- ii. Drafting with the purpose of transposing EU accounting legislation in order to eliminate any discrepancies identified during comparison.

**Activity 1.2** Training of relevant CMB expert staff by seminars, study visits and internship programs organised on a period of 3 months on the implementation of Directives 78/660/EEC, 83/349/EEC, 86/635/EC and Regulations (EC) 1606/2002 and 1725/2003.

### **Component 2 Improving administrative capacity of CMB and establishing implementing measures**

**Activity 2.1** Comparison of regulation drafted during the Twinning Project with any new developments in the related EU *acquis* and drafting for transposing such developments.

Considering that EU legislation particularly in the field of financial services is subject to amendments resulting from the application of implementing regulations and following the review of implementation, it is suggested to allocate the first 6 months for each topic listed under Activity 2.2 to the review of the draft regulation and additional drafting, if necessary, in comparison to any new developments in the EU *acquis* which could not be transposed within the Twinning Project due to time constraints, or the state of implementation in Member States and any amendments to the relevant directives after the completion of the Twinning Project. Apart from Financial Services, drafting should cover alignment with the *acquis* on the Free Movement of Capital, namely Directive 88/361/EEC, as well as third country and reciprocity rules in relation to the activities of investment firms, listing of securities and issue and sale of securities and investment fund units.

**Activity 2.2** Training with the objective of improving the administrative capacity of CMB and establishing implementing measures for proper implementation of regulation

The implementation of the new legislation will introduce several new aspects with regard to which current market practices and/or the approach taken by CMB in dealing with applications as well as supervision must be altered. For such issues CMB must specify implementing measures, internal procedures and practices. For each area a 4 month period following the completion of drafting is therefore suggested to be allocated to training activities in the form of seminars, meetings, study visits and internship programs with focusing among others on the needs outlined below.

- a) Concerning Markets in Financial Instruments (Directives 2004/39/EC, 2006/73/EC and Regulation 1287/2006) issues such as:
  - The application and monitoring of the code of conduct to be followed by investment firms,
  - Implementation and surveillance of compliance with pre- and post-trade transparency requirements by regulated markets, investment firms, systematic internalisers and multilateral trading facilities,
  - Implementation of third country rules and reciprocity principles with regard to the activities of investment firms and listing in regulated markets,
  - Implementing measures with regard to the collection and filing of transaction reporting to be made to the CMB by investment firms, and
  - Implementing measures with regard to calculations and estimates for shares admitted to trading on a regulated market.
- b) Concerning Undertakings for Collective Investment in Transferable Securities: (Directives 1985/611/EEC and 2007/16/EC) issues such as:
  - Application and monitoring of the code of conduct of UCITS management companies,
  - Functions, responsibilities and operating conditions of UCITS Depository Institutions and their independence from management companies,
  - Implementation of third country rules and reciprocity principles with regard to the issue and sale of UCITS units,
  - Risk management within UCITS and management companies.
- c) Concerning Market Abuse (Directives 2003/6/EC, 2003/124/EC, 2004/72/EC, 2003/125/EC and Regulation 2273/2003) issues such as disclosure of inside information and market manipulation.
- d) Concerning Capital Adequacy (Directives 2006/48/EC and 2006/49/EC) issues such as:
  - The implementation of supervisory functions, and
  - The application of the proper processes for the recognition of the internal ratings based approach (credit risk), the advanced measurement approach (operational risk), the internal models method (counterparty credit risk) and internal models (market risk).
- e) Concerning Prospectus Requirements (Directive 2003/71/EC and Regulation 809/2004) issues such as the procedure for the evaluation of public offering applications and implementation of third country rules and reciprocity principles with regard to the issue and sale of securities.
- f) Concerning Transparency (Directive 2004/109/EC) issues such as the implementation of rules on the reporting, dissemination and maintenance of disclosure documents.
- g) Concerning Takeovers (Directive 2004/25/EC) issues such as practices concerning voluntary takeover bids.

### **Activity 2.3** Measures for cooperation and exchange of information

In each of the topics listed in (a) to (g) above, the related directives and regulations require measures for cooperation and exchange of information among Member States and between Member States and third countries for the proper application of and supervision of compliance with the requirements under the relevant directives and regulations. Support is sought for training in relation to the provisions concerning cooperation and the exchange of information in the EU *acquis* on Financial Services and the practical cooperation mechanisms established to fulfil the relevant requirements, in the form of seminars and study visits organised on a period of 4 months.

### **Activity 2.4** Drafting a regulation on IT Governance/Audit in securities markets

Due to the increasing importance of the use of information technologies with regard to the functioning of capital markets, the CMB intends to govern and audit the information systems of the

capital market institutions that it regulates and supervises and to establish the necessary guidelines and standards for their IT systems. For this purpose support is sought for a period of 3 months with regard to the study of relevant regulations and drafting a regulation appropriate for the Turkish securities markets. The activity includes;

- a) Study of relevant Turkish legislation on the financial sector and capital markets, exploration of EU and world legislation, standards and best practices (i.e. COBIT; ISO27001, ITIL, SOX) in the area of IT Governance/Audit in financial sector.
- b) Drafting Turkish Capital Markets IT Governance/Audit Regulation,, differentiating the IT Governance/Audit Regulation according to the distinct institutions act on the capital markets and determining the IT Governance/Audit principles.

### **Component 3 Development of a licensing and training centre**

For the successful and sustainable implementation of EU legislation in the field of capital markets, the regulations and implementing measures drawn up by the CMB must be matched by equivalent knowledge of and expertise in the capital market legislation in question as well as capacity to implement such legislation on the side of the industry. For this purpose CMB has been working on the establishment of a licensing and training centre, the specifications and legal background of which were provided in Section 3.1 above. In the third component of the proposed project, support is sought for a period of 9 months for conducting the following activities;

**Activity 3.1** Preparation of curricula, training schedules and proposed seminar topics,

**Activity 3.2** Training of trainers on the implementation of EU legislation as identified in the training curricula.

**Activity 3.3** The assessment of the needs and requirements for the establishment of a computer based examination, e-learning and recording system at the centre.

### **Component 4 SISP**

#### **Activity 4.1 Training procurement**

The trainings that will focus on the following subjects will be taken in two years period by CMB IT Department personnel.

- Service Oriented Architecture Methodology
- Open Software Technologies
- Network Security
- EMC Products and Technologies
- Microsoft Products and Technologies
- Software Development Methodologies
- Project Management
- IT Audit

The details of these training described in the SISP Project Report given in Annex 5. The course subjects are indicative only and subject to change according to the technological advancements.

#### **Activity 4.2 Hardware and software procurement**

The procurement of the following hardware/software will be made:

- Contingency Hardware and Software
- Maintenance
- New Systems

The details of this list described in the SISP Project Report given in Annex 5.

#### **Activity 4.3 Reorganization of IT department in CMB**

The recommendations placed in SISP Project Report given in Annex 5 will be accomplished in two years time.

### **Component 5 EDGAS:**

The activities of the project will be centered on a team of experts working within a Technical Assistance (TA) contract. The role of the TA team will be to analyze, design, develop and deploy the EDGAS Software- in other words, the implementation of EDGAS System. These activities will be based on the EDGAS Feasibility Report and Project Fiche given in Annex 5. But the findings in these reports are indicative only.

The TA Team will include senior experts who will oversee the methodology of designing and developing EDGAS, will be actively involved in the design and development activities and will provide general support to the CMB. The other experts that will take place in the TA Team will handle the actual development chores of the data gathering system.

#### **Activity 5.1 Electronic Signature Implementation**

The overarching activity of the project consists of carrying out the e-signature mechanism development in accordance with the e-signature act. The TA team will be responsible for developing the methodology for such development, carrying it out and presenting its results in a clear way as to enable the CMB to put it to use at the national level.

#### **Activity 5.2 Implementation of the EDGAS Portal**

Independent of activities 1 and 3, the TA team will proceed with the analysis, design and implementation of the EDGAS portal. At specific points in the project plan, this activity will integrate with activities 1 or 3 to provide consistent behavior to the portal. At its maturity phase the TA team will lead the integration of all 3 activities.

#### **Activity 5.3 Implementation of EDGAS Services**

Independent of activities 1 and 2, the TA team will proceed with the analysis, design and implementation of the EDGAS services which form the core of the business logic pertaining to electronic data gathering. At specific points in the project plan, this activity will integrate with activities 1 or 2 to provide actual services to these activities. It should be noted that the EDGAS services implementation includes the design and generation of applications and disclosures accepted by EDGAS, as well as the formation of common services such as data services, security services, auditing and logging services and integration services with existing CMB systems. All services will go through comprehensive unit tests as well as integration tests. Each service will be documented in detail.

#### **Activity 5.4 Training of the CMB staff**

Based on the results of the organizational needs assessments carried out under Activities 1-3 and the resulting priorities adopted by the CMB, the TA team will be responsible for developing two sets of trainings for CMB's staff. The initial set of trainings will focus on providing the CMB's relevant Departments' staff with full training in the area of EDGAS design, implementation, deployment, maintenance, operations and EDGAS takeover. The second set of trainings will be provided to the staff of the CMB in order to familiarize them with issues on the EDGAS system.

#### **Activity 5.5 Integration & Guides**

Each activity above will have their own internal tests; in addition, whenever activities come to a confluence, new full-system tests must be conducted explicitly and as a separate activity. Furthermore, for all services as well as government portal components, detailed documentation will be provided and their quality will be checked as part of this activity.

#### **Activity 5.6 Training of the Companies**

A separate training session will be planned for those Companies who will attend to Tests.

#### **Activity 5.7 Beta Tests**

Selected Companies will attend to Beta Tests.

### **Activity 5.8 Acceptance Tests**

A separate session will be planned and conducted for Acceptance Tests.

### **Component 6 Activities of ASUR:**

The activities of the project will be centered on a team of experts working within a Technical Assistance (TA) contract. The role of the TA team will be to propose convenient surveillance methods. After the approval of these methods by CMB, TA team will implement and deploy the ASUR Software. The extent and exact duration of staff participation needs to be determined during the Concept Phase (see Activity 2 below). These activities will be based on the ASUR Feasibility Report and Project Fiche given in Annex 5. But the findings in these reports are indicative only.

The TA team will consist of 4 experts:

- (i) Senior IT Expert with substantial knowledge of financial markets, exchange trading, regulation and surveillance environments.
- (ii) Database Expert with substantial knowledge and experience with complex, multi-layered database and data warehousing
- (iii) Data Mining Expert with substantial knowledge of surveillance algorithms or alternatively fraud detection
- (iv) Systems Development Expert with professional experience in systems development

### **Activity 6.1 Baseline Evaluation**

The objective of the Baseline Evaluation is to assess and document the characteristics of the existing market surveillance operation. The activity is to focus on experiences with the daily usage of CMB-ISE Surveillance System (CISS).

### **Activity 6.2 Concept Phase**

The objective of the Concept Phase is to define the framework within which ASUR is to be implemented. This includes the high level capabilities of the system as well as how it is to be operated and maintained on a daily basis.

### **Activity 6.3 Specification Phase**

The objective of the Specification Phase is to document detailed functional and technical specifications based on the final scope defined in the Concept Phase. The specifications can be based on the feasibility study as far as its requirements were confirmed.

### **Activity 6.4 Build&Test Phase**

The objective of the Build&Test Phase is to implement, test and deploy the ASUR System.

### **Activity 6.5 Acceptance Phase**

The objective of the Acceptance Phase is to conduct a functional test of ASUR to determine the fulfilment of the business requirements. Also, this activity contains user training sessions.

### **Activity 6.6 Deployment Phase**

The objective of the Deployment Phase is to ensure a smooth introduction to ASUR.

### **3.5 Conditionality and sequencing:**

The tender for this project can be launched on the condition that, by submitting a formal Declaration of Assurance, showing that the beneficiary has sufficient staff in a list for technical implementation and monitoring of the contracts.

Procurement notice for service contract of Activity 3 (training centre) can be published only after the training centre is in place, with at least 10 permanent staff.

With regard to component 6 of the Project, The CISS has only just been introduced in parallel to the previous surveillance system. A hands-on experience with CISS is required prior to the start of component 6.

### **3.6 Linked activities**

1. The Twinning Project entitled “Assisting Capital Markets Board of Turkey to comply fully with EU capital markets standards” (Financing Memorandum Number: FM TR 04, Project

Number: TR 0402.06, Twinning Number: TR 04 FI 01), which started in February 2006 and was conducted in collaboration with German Federal Ministry of Finance was concluded in December 2007.

2. Within the framework of the Netherlands PSO Pre-accession Programme (PPA) for 2006, the project titled 'Creating an effective supervision system on financial reporting of the listed companies and on the conduct of business rules of intermediary institutions' has been approved. The project that will run for almost 2 years will be concluded at the end of 2008. In this project, the Netherlands Authority for the Financial Markets (AFM) assists the CMB to improve CMB's supervision system on specific issues (supervision system on financial reporting of the listed companies and on the conduct of business rules of intermediary institutions).
3. Technical assistance for further development of the capacity at the Capital Markets Board of Turkey, Project ID No: EuropeAid/121141/D/SV/TR. This project has three components and these are shortly described below. By the help of the reports and project fiches that were prepared in the EuropeAid/121141/D/SV/TR project, this Project Fiche is prepared.
  - Strategic Information Systems Plan (SISP): In order to carry out the improvement of IT capacity of CMB precisely, a strategic development plan for the next 3 years has to be developed. SISP will coordinate the whole IT operations for the next years. It is a project about forming the policies of the IT. The overall aim of this plan is to support the usage of information technology across all major functions, departments and business areas, to eliminate the gaps and to avail of strategic technologies. SISP report was prepared and sent to relevant intuitions.
  - Electronic Application and Data Gathering System (EDGAS): EDGAS is a project that will establish the communication between CMB and the market participants that act on the capital markets via internet. This project consists of two main functions. One of them is the acceptance of all kinds of applications to CMB. The other one is the transmission of all kinds of documents, reports or notices to the CMB. Digital signature technologies will be used in each function of this project. EDGAS report and project fiche were prepared and sent to relevant institutions.
  - Advance Surveillance System (ASUR): The requirement is to detect potential abuses in the marketplace, using where possible state-of-the-art computer systems, used by experts (surveillance analysts) with the relevant professional qualifications and expertise. ASUR report and project fiche were prepared and sent to relevant institutions.

### **3.7 Lessons learned**

CMB has derived valuable experiences from the Twinning Project conducted between 2006 and 2007. First and foremost, the drafting sessions conducted and the several training opportunities during the Twinning Project has enabled CMB staff to acquire familiarity with and a general understanding of European legislation concerning especially Financial Services. This understanding was drawn from working on the details of legislation as well as the knowledge and practical experience of short term experts involved in the project, with regard to their implementation. Such an understanding is essential in achieving intended project results with speed and efficiency.

Although the previous Twinning Project has been a success, it has also underlined the importance of clearly identified needs, realistic and achievable results, adequate timing and precision in the design of project results and activities in the success of a project, which were considered in the design of the current project. Furthermore the areas that were identified as particularly problematic in terms of implementation during the Twinning Project were also incorporated into the current project.

The EU financed technical assistance project provided the CMB with a feasibility study for an advanced surveillance system showed that the current system CISS is a good basis for enhancement. There is no need for the CMB to develop a new system from scratch. Equally, the purchase of an existing system does not readily provide advanced surveillance techniques. Such systems come at a high cost. The initial cost is determined by the possibly substantial effort for

integration and customization of such a product. The annual cost of the license and maintenance is significant due to the small installed base of surveillance systems. Apart from the cost, the reduced control and flexibility is a factor to consider when a system like CISS is already available.

The identified gaps were not fundamental and are thus not hard to close within the given architecture of CISS. The focus of the recommendations is to enhance the capabilities for analysis both in terms of available data and in terms of the presentation of this data. One of the key lessons learned is that efficiency can be increased by shaping data to the specific needs of surveillance which are different from the needs for trading where the data originates. Another aspect is the visualization of mass data where graphical interfaces with different shapes and colours can significantly increase the speed to detect whether an alert warrants further investigation.

The office that will be served to the experts should be prepared before commence of the project.

#### 4. Indicative Budget (amounts in €)

			SOURCES OF FUNDING										
			TOTAL EXP.RE	TOTAL PUBLIC EXP.RE	IPA COMMUNITY CONTRIBUTION		NATIONAL PUBLIC CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(e)	EUR (b)=(c)+(d)	EUR (c)	% (2)	Total EUR (d)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (e)	% (3)
Activities 1,2													
Twinning	X		1,380,000	1,380,000	1,311,000	95	69,000	5	69,000	–	–	–	–
Activity 3													
Service	X		350,000	350,000	315,000	90	35,000	10	35,000	–	–	–	–
Activities 4 - 6													
One IT Service Contract													
SISP	X		248,600	248,600	223,740	90	24,860	10	24,860				
EDGAS	X		911,100	911,100	819,990	90	91,110	10	91,110				
ASUR	X		520,750	520,750	468,675	90	52,075	10	52,075				
Activities 4 - 6													
One IT Supply Contract													
SISP		X	946,000	946,000	709,500	75	236,500	25	236,500	–	–	–	–
EDGAS		X	350,000	350,000	262,500	75	87,500	25	87,500	–	–	–	–
TOTAL IB			3,410,450	3,410,450	3,138,405	92,02	272,045	7.98	272,045	–	–	–	–
TOTAL INV			1,296,000	1,296,000	972,000	75	324,000	25	324,000	–	–	–	–
<b>TOTAL PROJECT</b>			<b>4,706,450</b>	<b>4,706,450</b>	<b>4,110,405</b>	<b>87.33</b>	<b>596,045</b>	<b>12.66</b>	<b>596,045</b>				

[NOTE: DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW](#)

[Amounts net of VAT](#)

[\(1\) In the Activity row use "X" to identify whether IB or INV](#)

[\(2\) Expressed in % of the \*\*Public\*\* Expenditure \(column \(b\)\)](#)

[\(3\) Expressed in % of the \*\*Total\*\* Expenditure \(column \(a\)\)](#)

## 5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Contract Completion
Twining	2009/1	2009/4	2011/2
Service	2009/1	2009/4	2010/3
IT Service Contract (SISP, EDGAS, ASUR)	2009/1	2009/4	2011/4
IT Supply Contract (SISP, EDGAS)	2009/1	2009/4	2010/2

Duration of the project : 24 months

All projects should in principle be ready for tendering in the 1<sup>ST</sup> Quarter following the signature of the FA

## 6. Cross cutting issues (where applicable)

### 6.1 Equal Opportunity

The CMB as principal beneficiary implementing the project will be responsible for ensuring that equal opportunity applies in all aspects of this project.

### 6.2 Environment

Not applicable

### 6.3 Minority and vulnerable groups

Not Applicable

**ANNEX 1: Logical framework matrix in standard format**

LOGFRAME PLANNING MATRIX FOR Project Fiche	Programme name and number Strengthening the Capital Markets Board 87, 88	
	Contracting period expires 2 years after the signature of the Financing Agreement	Disbursement period expires 3 years following the end date for contracting
	Total budget : €4,706,450	IPA budget: €4,110,405

<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
To improve the availability of investment via capital markets through better regulation, supervision and training.	Increased market share of trade with corporate securities relative to trade with government bonds	The EU NPAA Progress Report  Other international organisations (i.e. IMF, the World Bank and OECD) reports  Monthly and annual reports of Istanbul Stock Exchange, Central Registration Agency and Capital Markets Board	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
To complete drafting for the purpose of alignment of capital markets legislation with the EU <i>acquis</i> and to ensure its proper implementation, by improving the administrative and IT capacity of the CMB, setting up	<ul style="list-style-type: none"> <li>▪ Drafting capital market legislation in line with up to date EU legislation was completed</li> <li>▪ Drafting a regulation on IT Governance / Audit was completed.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Draft legislation</li> <li>▪ Procedures for implementing regulation</li> <li>▪ Project reports</li> <li>▪ Cooperation arrangements (such as memoranda of understanding, information channels, contact lists)</li> <li>▪ CMB internal management reports</li> </ul>	<ul style="list-style-type: none"> <li>▪ Macro economic situation and financial markets environment continues to improve.</li> <li>▪ Continued governmental commitment and support by EU</li> </ul>

<p>implementing measures and increasing the level of knowledge of market participants and investors on the new regulations.</p>	<ul style="list-style-type: none"> <li>▪ Capacity of CMB was improved and/or implementing measures were prepared by trained CMB staff</li> <li>▪ Measures for cooperation were prepared by trained CMB staff</li> <li>▪ Sustainable implementation of the relevant EU acquis is ensured through the training offered by the training and licensing centre</li> <li>▪ The CMBT experts' usage of new IT technologies and services provided by the CMBT was increased.</li> <li>▪ Substantial savings in expert usage time.</li> <li>▪ Substantial increase in audits led by experts.</li> <li>▪ Production status of new ASUR system accessible by surveillance experts.</li> </ul>	<ul style="list-style-type: none"> <li>▪ CMB Annual Reports</li> </ul>	<p>towards EU- accession</p> <ul style="list-style-type: none"> <li>▪ No adverse changes in Government policies regarding the EU Acquis and the financial markets</li> <li>▪ The related people are interested in using EDGAS.</li> <li>▪ E-signature usage is raised in Turkey.</li> <li>▪ Market behavior is positive to ASUR and there was no unexpected reaction.</li> </ul>
<p><b>Results</b></p>	<p><b>Objectively verifiable indicators</b></p>	<p><b>Sources of Verification</b></p>	<p><b>Assumptions</b></p>
<p>1. Regulation transposing EU accounting legislation is drafted and CMB experts are trained on the new regulations as well as EU countries' IFRS application</p>	<p>1.a CMB accounting regulations were compared with the relevant EU <i>acquis</i> and comparison report was presented to CMB Chairman by the SPO at 4<sup>th</sup></p>	<ul style="list-style-type: none"> <li>▪ Draft legislation,</li> <li>▪ Training programme,</li> <li>▪ Training evaluations,</li> <li>▪ Project reports</li> </ul>	<p>Continued governmental commitment and support by EU towards EU- accession</p> <p>No adverse changes in Government policies regarding the EU Acquis</p>

	<p>project month; regulation transposing EU accounting directives was drafted to eliminate any discrepancies identified during comparison and draft regulation was presented to CMB Chairman by the SPO at 10<sup>th</sup> Project month.</p> <p>1.b At least 50% of relevant CMB staff was trained with regard to EU accounting directives and IFRS application by 13<sup>th</sup> Project month.</p>		<p>and the financial markets</p> <p>Other binding legislation such as Turkish Commercial Code in conformity with the EU directives</p>
<p>2. Regulation transposing relevant EU legislation with regard to capital markets is drafted, based on legislation/standards and best practices employed by EU Member States regulation on IT Audit/Governance is drafted and administrative and institutional capacity of CMB is improved for proper implementation of regulation.</p>	<p>2.a Legislation drafted during the previous Twinning Project was compared with any new developments in the relevant EU acquis in the first two months for each topic and comparison reports were presented to CMB Chairman by the SPO by 9<sup>th</sup> project month legislation was drafted in relation to any amendments identified in the relevant EU acquis taking into account legislation drafted during the previous Twinning</p>	<ul style="list-style-type: none"> <li>▪ Comparison reports,</li> <li>▪ Draft legislation,</li> <li>▪ Training programme,</li> <li>▪ Training evaluations,</li> <li>▪ Project reports</li> </ul>	<p>Continued governmental commitment and support by EU towards EU- accession</p> <p>No adverse changes in Government policies regarding the EU Acquis and the financial markets</p> <p>Other binding legislation such as Turkish Commercial Code in conformity with the EU directives</p>

<p>Project as well as capital market legislation in force and draft regulation was presented SPO by 13th Project month.</p> <p>2.b At least 50% of relevant CMB staff has received appropriate training in order to improve the administrative capacity of CMB and to establish implementing measures and cooperation arrangements for proper implementation of regulation at the end of the 17th Project month</p> <p>2.c. Relevant Turkish legislation on the financial sector and capital markets as well as EU legislation, standards and best practices in the area of IT Governance/Audit in financial sector were studied, Turkish Capital Markets IT Governance/Audit Regulation was drafted and IT Governance/Audit principles were determined at the end of the 5<sup>th</sup> Project</p>		
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	Month.		
<p>3. The activities of the licensing and training centre, established under CMB coordination in relation to licensing securities market professionals were developed</p>	<p>3.a Training curricula and schedules in relation to the types of certificates that must be obtained by securities market professionals and proposed seminar topics for interested parties were drawn up for the first year of the training centre and presented to CMB Chairman by the SPO at the 5<sup>th</sup> Project month.</p> <p>3.b An adequate number of experts were trained by 8<sup>th</sup> Project month with appropriate training material as trainers for the licensing and training centre, on the implementation of EU legislation as identified in the training curricula,</p> <p>3.c The specific needs for technical systems for computer-based exams, e-learning and recording were determined and presented to CMB Chairman by the SPO at 10<sup>th</sup> Project month.</p>	<ul style="list-style-type: none"> <li>▪ Training programme</li> <li>▪ Training evaluations</li> <li>▪ Project reports</li> </ul>	<p>There is strong demand from market participants and investors for the programmes offered by the licensing and training centre</p> <p>Selection of appropriate trainers</p> <p>Selection of appropriate trainees</p>

<p>4. Through the implementation of the Strategic Information System Plan (SISP), potential technology gaps to other EU capital market regulatory authorities will be eliminated, and the usage of strategic new technologies within the CMB will be catered for.</p> <p>a) CMB staff will be trained.</p> <p>b) Procurements of hardware and software will be established.</p> <p>c) Organizational changes, specializations areas and certification will be implemented in the IT department of CMB.</p>	<p>4. Indicators of SISP:</p> <p>4.a. Trainings will be taken by the staff of CMB.</p> <p>4.b. Installation and usage of new IT equipments and software will be carried out.</p> <p>4.c. Organization of IT Department will be changed.</p>	<ul style="list-style-type: none"> <li>▪ Reports of CMBT.</li> <li>▪ Internal management reports of CMBT.</li> <li>▪ CMBT Departments' Internal Organization Scheme.</li> <li>▪ Project progress reports.</li> <li>▪ Benchmark documentation.</li> <li>▪ Service Level Agreement documentation.</li> <li>▪ Deployment of ASUR system.</li> <li>▪ Deployment of EDGAS system.</li> </ul>	<ul style="list-style-type: none"> <li>• The related persons are interested in using EDGAS.</li> <li>• E-signature usage is raised in Turkey.</li> <li>• Market behavior is positive to ASUR and there is no unexpected reaction.</li> <li>• Needs assessment and staff training are relevant to CMBT needs.</li> <li>• Role of experts is focused on guidance and training of CMBT staff to conduct the activities.</li> </ul>
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<p>5. Through the Electronic Data Gathering and Application System (EDGAS), healthier and more exhaustive information acquisition from companies and financial institutions in Turkey will be implemented and the application and disclosure handling capacity of CMB will improve.</p> <p>a) EDGAS portal will be functional upon the provision of the institutional data gathering capacities, quality and efficiencies to the CMB.</p> <p>b) E-signature mechanisms will be established and functional.</p> <p>c) CMB staff will be trained.</p>	<p>5. Indicators of EDGAS:</p> <p>5.a. &amp; 5.b. 1<sup>st</sup> study will be published by the 9<sup>th</sup> month of the EDGAS project.</p> <p>Internal tests will be finished by the 18<sup>th</sup> month of the EDGAS project. Tests with the companies will be finished by the 20<sup>th</sup> month of the EDGAS project.</p> <p>5.c. 1<sup>st</sup> set of trainings will be carried out by the 3<sup>rd</sup> month of the EDGAS project. 2<sup>nd</sup> set of trainings will be carried out by the 16<sup>th</sup> month of the EDGAS project.</p>		
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<p>6. Through the Advanced Surveillance System (ASUR), capabilities of CMB for the surveillance of the capital markets in Turkey will be improved and augmented.</p> <p>6.a. Surveillance benchmark based on analysis of existing system usage and effectiveness will be established.</p> <p>6.b. ASUR system will be established with enhanced surveillance capabilities.</p> <p>6.c. Ability of CMB will be improved to conduct future system enhancements with limited or no technical assistance.</p>	<p>6. Indicators of ASUR:</p> <p>6.a. Key performance indicators for existing system will be available by the end of the 2<sup>nd</sup> month of the ASUR project.</p> <p>6.b. Deployment of the ASUR System will be completed by the end of the 2<sup>nd</sup> year of the ASUR project.</p>		
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>

<p><b>Component 1: Transposition of EU accounting Directives and training in the area of accounting</b></p> <p><b>1.1</b> Comparison of accounting regulations of CMB with Directives 78/660/EEC, 83/349/EEC and 86/635/EC as well as Regulations (EC) No 1606/2002 and (EC) 1725/2003 and drafting with the purpose of eliminate any discrepancies identified during comparison</p> <p><b>1.2.</b> Training of relevant CMB expert staff by seminars, study visits and internship programs organised on the implementation of Directives 78/660/EEC, 83/349/EEC, 86/635/EC and Regulations (EC) 1606/2002 and 1725/2003.</p>	<p>Twinning contract</p>	<p>€1,380,000</p>	<p><b>Suitable twinning partner can be selected</b></p> <p><b>Available twinning experts with necessary skills</b></p> <p><b>Sufficient dedicated and qualified staff available at beneficiary institutions</b></p>
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**Component 2: Improving administrative capacity of CMB and establishing implementing measures**

Component 2 includes 3 activities in the following subjects:

- a) Markets in Financial Instruments (Directives 2004/39/EC, 2006/73/EC and Regulation 1287/2006),
- b) Undertakings for Collective Investment in Transferable Securities (Directives 1985/611/EEC and 2007/16/EC),
- c) Market Abuse (Directives 2003/6/EC, 2003/124/EC, 2004/72/EC, 2003/125/EC and Regulation 2273/2003),
- d) Concerning Capital Adequacy (Directives 2006/48/EC and 2006/49/EC),
- e) Prospectus Requirements (Directive 2003/71/EC and Regulation 809/2004),
- f) Transparency (Directive 2004/109/EC), and
- g) Takeovers (Directive 2004/25/EC);

**2.1.** Comparison of regulation drafted during the Twinning Project entitled “Assisting Capital Markets Board of Turkey to comply fully with EU capital markets standards” (Financing Memorandum

<p><b>Component 3: Development of a licensing and training centre</b></p> <p><b>3.1.</b> Preparing curricula, training schedules and proposed seminar topics for the centre,</p> <p><b>3.2.</b> Training of trainers,</p> <p><b>3.3.</b> Establishing technical systems for computer-based exams, e-learning and recording.</p>	<p>Service contract</p>	<p>€350,000</p>	<p>Available TA experts with necessary skills</p> <p>Significant steps taken by the related parties to obtain the legal and technical infrastructure as well as building, assets and staff for the licensing and training centre.</p> <p>Sufficient dedicated and qualified staff available at beneficiary institutions</p>
<p><b>Component 4: SISP</b></p> <p><b>4.1.</b> Training of CMB staff.</p> <p><b>4.2.</b> Hardware and software procurement.</p> <p><b>4.3.</b> Reorganization in IT Department of CMBT.</p>	<p><b>4. SISP</b></p> <p>a. Technical Assistance</p> <p>b. Supply of Equipment</p>	<p><b>4. SISP</b></p> <p>a. Technical Assistance : €248,600</p> <p>b. Supply of Equipment : €946,000</p>	<ul style="list-style-type: none"> <li>▪ The related persons are interested in using EDGAS.</li> <li>▪ E-signature usage is raised in Turkey.</li> <li>▪ Market behavior is positive to ASUR and there is no unexpected reaction.</li> </ul>

<p><b>Component 5: EDGAS</b></p> <p>5.1. PKI Infrastructure establishment.</p> <p>5.2. Formation of the EDGAS portal.</p> <p>5.3. Implementation of EDGAS services.</p> <p>5.4. Integration of the service components with EDGAS portal.</p> <p>5.5. Integration tests.</p> <p>5.6. Training of the companies which would attend to tests</p> <p>5.7. Tests to be done by companies.</p> <p>5.8. Training of CMB staff.</p>	<p><b>5. EDGAS</b></p> <p>a. Technical Assistance</p> <p>b. Supply of Equipment</p>	<p><b>5. EDGAS:</b></p> <p>a. Technical Assistance : €911,100</p> <p>b. Supply of Equipment : €350.000</p>	<ul style="list-style-type: none"> <li>▪ Effective establishment and planning of teams.</li> <li>▪ Continued availability of resources from CMBT, ISE and CRA to conduct analysis, specification, implementation, testing and migration activities.</li> </ul>
<p><b>Component 6: ASUR:</b></p> <p>6.1. Baseline evaluation.</p> <p>6.2. Concept phase.</p> <p>6.3. Specification phase.</p> <p>6.4. Build &amp; test phase.</p> <p>6.5. Acceptance phase.</p> <p>6.6. Migration phase.</p>	<p><b>6. ASUR</b></p> <p>Technical Assistance</p>	<p><b>6. ASUR:</b></p> <p>Technical Assistance: €520,750</p> <p><b>TOTAL for Components 4 - 6</b></p> <p>a. Technical Assistance/ Service Contract: €1,680,450</p> <p>b. Supply of Equipment Contract: €1,296,000</p>	<p><b>Pre conditions</b></p> <p>The tender for this project can be launched on the condition that, by submitting a formal Declaration of Assurance, showing that the beneficiary has sufficient staff in a list for technical implementation</p>

and monitoring of the contract(s)

Procurement notice for service contract of Activity 3 (training centre) can be published only after the training centre is in place, with at least 10 permanent staff.

For component 6, CMB-ISE Surveillance System (CISS) should be in use prior to contracting