

# Insider trading, market manipulation and market abuse in Turkey

## Applicable measures regarding insider trading and market manipulation investigations

The Capital Markets Board issued the communiqué on Applicable Measures Applicable to Investigations Regarding Insider Trading and Market Manipulation (the "Communiqué") on 21 January 2014.

### Imposition of the transaction prohibition

The CMB may prohibit persons temporarily or permanently from transactions on exchanges if (i) there exists a "reasonable doubt" (as defined in the Communiqué) about a capital market transaction following an inspection, (ii) a complaint is filed with a public prosecutor regarding market abuse, market disruption or insider trading, or (iii) a person enables its accounts for the use of third parties prohibited from transactions on exchanges according to the Communiqué. Temporary prohibition from further exchange

transactions applies between six months to two years whereas permanent prohibition may last for five years, if market abuse and disruption or insider trading are committed by using the accounts of third parties during the temporary prohibition period. Additionally, the prohibition decision taken by the CMB is registered by Central Registry Agency to the relevant prohibited account holders in order to ensure the relevant instruments cannot be bought or sold during the prohibition terms.

### Capital market instruments subject to the prohibition

During the term of the prohibition, prohibited real and legal persons (and their officials) are prohibited from buying and selling certain capital market instruments such as shares, warrants, options and futures. The Communiqué also lists capitals market instruments and transactions that the prohibited parties are allowed to conduct during the prohibition period.

## Notification obligations

The CMB issued the Communiqué on Obligation of Notification Regarding Insider Trading or Market Manipulation (the

"Notification Communiqué") on 21 January 2014.

### Notification obligation

Any transaction implying any information or doubt that would constitute insider trading or market manipulation is defined as *suspicious transaction* under the Notification Communiqué. Investment firms (*yatırım kuruluşu*) are obliged to notify any *suspicious transaction* to the CMB within five business days.

The Notification Communiqué provides examples of suspicious transactions as a guidance for the investment firms to decide whether the relevant transaction qualifies as a suspicious transaction or not.

### Confidentiality of notifications

Investment firms are prohibited from disclosing information to any party including the parties of the suspicious transaction under the Notification Communiqué. However, courts, prosecution offices and the Presidency of the Financial Crimes Investigation Board are exempted from such prohibition.

### Form and Preservation of Notifications

Investment firms confronting a suspicious transaction should conduct an investigation and notify the CMB (with the information gathered through investigation) by filling a notification

as provided in the Notification Communiqué or issuing a notification letter containing at least the minimum information required to be provided in the form.

Investment firms are obliged to keep all kind of documents in respect to notifications for a term of 8 years.

## Market abuse

**CMB issued the Market Abuse Communiqué No. on 21 January 2014.**

### Definition of market abuse

The Market Abuse Communiqué defines market abuse as actions which cannot be explained by any reasonable economic or financial reason, distorting the conduct of an exchange and other organised markets to operate in confidence, transparency and stability. The Market Abuse Communiqué lists such actions including but not limited to:

#### **Market abuse actions in connection with inside information or periodic information**

In the event that persons having direct or indirect access to inside or periodic information conduct transactions prior to public disclosure of such information; (i) disclosing inside information or periodic

information to third persons, (ii) performance of transactions on the relevant capital market instrument by such third parties are treated as market abuse actions.

Transactions by persons having material non-public (insider) information or their spouses, children and other co-habitants with respect to the relevant capital market instruments during the period starting with the following day of the latest day of the accounting period when the financial statements and financial reports are prepared by the issuers and independent auditors until the date such reports are disclosed to the public are prohibited.

#### **Market abuse actions in connection with the orders or trades**

Preventing or impeding the formation of a fair price in a competitive setting or creating false, incorrect or a misleading impression over the prices and price variations of the relevant capital market instruments and on offers or demands in connection with such instruments, by performing various actions listed in the Market Abuse Communiqué will be treated as market abuse action.

#### **Market abuse actions through communication or correspondence**

Providing untruthful, false or misleading information, starting rumors or providing news, preparing reports for the purpose of influencing prices, values of capital markets instruments or investor decisions or disseminating those are treated as market abuse action.

After making comment or giving advice regarding capital market instruments by using newspapers, televisions, internet or similar mass media devices; (i) selling capital market instruments despite the comment or advice to hold or buy, or (ii) buying capital market instruments despite the comment or advice to sell, until the date of revising such comment or advice or in any case within five business days following such comment or advice is treated as market abuse action.

#### **Actions not considered as market abuse**

Actions which are not considered as insider trading and manipulation (such as share buybacks or employee stock option programs as stipulated in Article 108 of the Capital Markets Law) are not treated as market abuse actions.

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