

# Clearstream Spotlight

## Turkey: establishing stronger foundations

Less than ten years remain for Turkey to achieve its aim to establish Istanbul as a true international financial centre. Regulators, market institutions and post-trade participants are working diligently on numerous market developments, including the landmark news that the Borsa Istanbul (BIST) will be listed during 2015. 2014 saw notable changes to the trading layer, e.g. in the area of futures and options on the BIST 30 Index, while local custodian banks tackled new licenses (the application process runs until 1 July 2015) and the Central Registry Agency's new Public Disclosure Platform (PDP). Furthermore, the market regulators have shown a real willingness to contribute to attracting issuers to the local markets by amending rules on foreign securities.

Since early January 2015, Takasbank's Electronic Fund Distribution Platform (TEFDP) has offered trading possibilities on all investment funds listed on the platform. This crucial step in the development and promotion of the Turkish fund sector, allows investors to buy and sell these investment funds through any Turkish bank, broker or asset manager. Further reforms in the fund sector, such as the "portfolio-depository-custody" concept based on the EU's AIFMD, provides further evidence of development. These fund units are eligible via Clearstream.

### Greater choice, liquidity and investor protection

These examples show yet more positive measures to deliver greater investor protection, choice and a more liquid securities market infrastructure. At Clearstream, we see this increasing confidence stimulating greater interest and more demand. Our sophisticated collateral management and securities lending services for the Turkish market have opened up significant opportunities for investors in Turkish lira-denominated domestic securities, including government debt instruments. And, we will continue to support further initiatives as they develop.

Clearstream remains the only international central securities depository (ICSD) to offer a domestic link to Turkey. Our international customers – both issuers and investors – enjoy a unique, mature window to Turkey's domestic capital market. Simultaneously, we are able to support the market and local banking community in meeting their wider financing needs, such as providing access to the international debt market.



## Still leading EM growth

With a gross domestic product (GDP) of around EUR 813 billion in 2014, Turkey poles 18<sup>th</sup> in the world economy tables: consistently outshining its emerging-market peers, e.g. outperforming the MSCI EM index by 24% since early 2014. It remained resilient during the global economic crisis, with its labour markets recovering fast, and employment rates continuing upwards. In less than a decade per capita income has nearly tripled, nearing USD 11,000 by end 2013.

Despite the impact of the recent drop in oil prices and the announcement of the ECB's buying programme, there is cause for optimism. Regional geopolitical factors, fiscal discipline and improvements in the current account deficit alongside strong inflows into Turkish fixed income instruments are positive. The challenges are twofold – to maintain and build on these positive factors despite the expected ongoing loss of the "oil dividend" and to gain more favourable ratings outlooks. The forthcoming elections in June 2015 provide the backdrop to all of this.

The performance of the financial markets has mirrored these improvements in the real economy. Borsa Istanbul has shown genuine strength over the past decade and currently enjoys 6<sup>th</sup> highest traded value amongst the emerging markets, including China. This trend is replicated in its market capitalisation growth which has risen from USD 69 bn to USD 237 bn in the same period.

### More information

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