THE ROLE OF MKK IN IMPROVING CORPORATE GOVERNANCE PRACTICES

AECSD TRAINING SEMINAR

Session 4: Local Capital Market Access

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M KK’s experiences in improvement of corporate governance (CG) practices in Turkish Capital Markets

• Public Disclosure Platform
• E-General Meetings System
• E-Board of Directors System
Central Securities Depository (CSD) and Trade Repository of Turkish Capital Markets

Supervised & regulated by Capital Markets Board (CMB) of Türkiye

Direct link with the Euroclear Bank (omnibus link), Azerbaijan CSD, (omnibus link) and Austrian CSD – OeKB (dual listing)

- Only foreign institutional investors and funds can hold government debt securities in omnibus accounts

Financial markets infrastructure institution - officially licensed as an R&D Center

- In-house developed systems
OUR SERVICES

CSD Services

Corporate Governance
- e-GEM
- KAP
- e-BDS
- e-COMPANY

Investor Services
- Investor Information Center

TR Services
- Data Analysis Platform (VAP)
- Investor Risk Monitoring System (YRTS)
- Intermediary institutions data analysis platform (PUSULA)
- GEFAS
Provide equity capital to companies – gives financial resilience to overcome temporary downturns - meets obligations to employees, creditors and suppliers

Inclusiveness - markets should provide investors the opportunity to share in the return on capital, by managing savings & planning for retirement

A strong CG framework is essential for - investor confidence, protection - capital formation & allocation - sustainability & resilience of companies & economy

Well-functioning capital markets

CG involves a set of relationships between
- a company’s management, board, shareholders, stakeholders

OECD Principles

- Accountability
- Responsibility
- Transparency
- Fairness
CORPORATE GOVERNANCE IN TURKISH CAPITAL MARKETS

2003
- CMB CG Principles for listed companies
  - Comply or explain principle
  - Shareholders, disclosure & transparency, stakeholders, boards of directors

2011
- Principles regulated in a CMB communiqué
- Some principles became obligatory for listed companies

2012-2013
- CG based new Turkish Commercial Code
- New Capital Markets Law

2019
- Requirement of measuring CG explanations & practices
- XBRL based new CG reporting templates on KAP system
PUBLIC DISCLOSURE PLATFORM (KAP)
Building Public Trust

Aim: Deliver complete, accurate, impartial and reliable information on time, as widely as possible, and simultaneously.

Benefits of Transparency:
- Institutionalization
- Correct assessment of cash flows
- Lowered capital costs
- Trust & brand name
- Institutional investor interest
- Liquidity

Decreasing information asymmetry

Good price formation

Follow-up of investor rights

Efficient Markets
**NOTIFICATION SENDERS**

- Listed companies
- Investment Firms
- Portfolio Mngt. Co.s
- Audit Firms
- Rating Companies
- Mutual Funds
- Pension Funds
- Real Estate Funds
- Venture Capital Funds
- Foreign Funds
- Regulatory Authorities

*In total more than 3100 companies & funds*

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**KAP SYSTEM**

- BIY SOFTWARE (e-signature, XBRL, validation, time stamp, system definitions)
- KAP WEB SITE (www.kap.org.tr)
- KAP MOBILE

**SYSTEM INTEGRATIONS**

- BIST, MKK, e-GEM

**DATA VENDORS**

- SWIFT
- ISO20022

**NOTIFICATIONS**

- • Correct, complete
- • Analizable
- • Comparable
- • Qualified
- • Searchable

**DATA USERS**

- Investors (current / potential / individual / institutional / domestic/ foreign)
- Fund managers
- Analysts
- Regulatory Authorities
- Academicians
- Creditors
- Foreign CSDs
- Custodians
- Other

**PUBLIC DISCLOSURE PLATFORM (KAP)**

- 150,000 notifications/yr
- 50,000 visit/day
- 200,000 mobile users

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ELECTRONIC GENERAL MEETING SYSTEM (E-GEM)

- Developed by MKK’s R&D Center
- On-line platform for:
  - Shareholders to exercise their rights in general meeting
  - Issuers handle general meeting process from A to Z digitally
- Legal obligation for listed companies
- A hybrid general meeting system covering both physical and electronic attendance
  Electronic assignment of proxies, monitoring of resolutions, attendance and voting (before and during the meeting).
- Establishes a safe and sound General Meetings practice for listed companies in Türkiye.
- Removes barriers to cross-border voting; comply with the related international regulations.
E-GEM IN NUMBERS

**E-GEM meetings (Turkiye)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>10</td>
</tr>
<tr>
<td>2013</td>
<td>406</td>
</tr>
<tr>
<td>2014</td>
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</tr>
<tr>
<td>2022</td>
<td>535</td>
</tr>
<tr>
<td>2023</td>
<td>528</td>
</tr>
</tbody>
</table>

**E-GEM Meetings (Indonesia)**

<table>
<thead>
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<th>Year</th>
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</thead>
<tbody>
<tr>
<td>2020</td>
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<td>2022</td>
<td>1323</td>
</tr>
<tr>
<td>2023</td>
<td>1313</td>
</tr>
</tbody>
</table>
• Secured document sharing
• Legally valid, fast decision making
• Time & cost saving
• High participation
• Secured archive

e-BDS Secure Infrastructure

Access via VPN and e-signature

Encrypted audio and visual transmission

Close box architecture

Third party penetration test

Stored in company servers

Content stored encrypted
TO SUM UP...

- Age of digitalization
- The world is getting smaller, processes are accelerating, competition is increasing
- Power of know-how & data
- CSDs need to make a difference by
  - leading the capital markets in the digitalizing world
  - making their stakeholders a part of this development process
- Fostering access to capital markets needs good corporate governance practices
- Increasing importance of regional collaborations
- AECSD member countries’ responsibilities:
  - building the future of Association
  - ensuring its sustainability
- During MKK's AECSD Chairmanship, we are willing and determined to achieve common goals and joint efforts.