

May 7, 2020

Subject : The BRSA Regulation on Manipulation and Misleading Transactions

The Banking Regulation and Supervision Agency (the “**BRSA**”) published the Regulation on Manipulation and Misleading Transactions in Financial Markets (*published in the Official Gazette dated May 7, 2020, No.31120*) (the “**Regulation**”) today with immediate effect in accordance with Article 76/A of the Banking Law (Law No. 5411) (*published in the Official Gazette dated November 1, 2005, No. 25983 (bis)*) (the “**Banking Law**”).

Article 76/A of the Banking Law indicates that, in the case where banks, which are subject to the Banking Law, (i) perform transactions and practices intended to provide artificial supply, demand or price formation, including exchange rates, in financial markets through transactions stated in Article 4 of the Banking Law; (ii) spread inaccurate or misleading information by various means, including internet; (iii) provide inaccurate or misleading guidance for depositors; or (iv) perform similar transactions or practices to achieve such purposes, such transactions shall be considered as manipulation and misleading transactions in financial markets. Article 76/A also indicates that the transactions and practices within this scope shall be determined by the BRSA and published in the Official Gazette.

Kindly note that, pursuant to Article 146 of the Banking Law, an administrative fine up to 5% of the total amount of interest, dividend income, fees and commissions obtained and the banking service incomes stated in the previous year-end financial statements shall be applied to those carrying out transactions and practices considered as manipulations and misleading transactions

in the financial markets within the scope of Article 76/A. In the event a profit has been gained, the fine shall not be less than twice of such profit.

Pursuant to Article 4 of the Regulation, following actions performed by banks shall be considered as manipulation and misleading transactions and practices in financial markets under the scope of Article 76/A of the Law:

1. Involving in, intermediating, placing orders or performing similar activities that provide or may provide a false or misleading impression regarding the supply, demand or price of a financial instrument or transactions that ensure or may ensure that the price of a financial instrument including exchange and interest rates to be kept at an abnormal or artificial level, with an intention to fulfill these purposes (Article 4(a)).
2. Involving in, intermediating, placing orders or performing similar activities or transactions that affect the price of a financial instrument or reference values such as interest, exchange rate, CDS, by increasing the irregularity of the financial markets or negatively affecting the stability of financial markets in order to benefit from the fluctuation or narrowness of the financial markets in times when the supply and demand are not balanced under ordinary conditions (Article 4(b)).
3. Performing or intermediating transactions and practices for the disabling of the Banking Regulation and Supervision Board decisions and surpass the limitations on banks' currency swap, forward, option and other derivative transactions with foreign counterparties where one leg of the transaction is foreign currency and the other leg is TL and provision of TL liquidity to foreign counterparties, by using indirect methods including early redemption of the transactions, postponement of the transactions close to the due date and/or failure to fulfill obligations (Article 4(c)).
4. Involving in, intermediating, placing orders or performing similar activities or transactions that affect or may affect the price of a financial instrument including exchange and interest rates through a deceptive mechanism or setup (Article 4(ç)).

5. Spreading the incorrect or misleading information or rumors that provide or may provide a false or misleading impression regarding the supply, demand or price of a financial instrument including exchange and interest rates or that ensure or may ensure that this price is kept at an abnormal or artificial level, through internet or any other mass media or other means (Article 4(d)).
6. Influencing or trying to influence the price (including the exchange and interest rates) of a financial instrument which a position was previously taken and without disclosure of the conflict of interest regarding such position by providing opinion through internet or other mass media (Article 4(e)).
7. Communicating false or misleading information about a reference value, providing false or misleading inputs, or performing any manipulative action to calculate a reference value, in the case where the false or misleading nature of the information is known or should have been known (Article 4(f)).
8. Making attempts to fix the trading prices of a financial instrument or making an unfair profit by using the dominant role on the supply or demand of a financial instrument (Article 4(g)).
9. Performing purchase or sale transactions that affect or may affect the opening or closing prices including interest and exchange rates of a financial instrument at the opening and the closing of the financial markets or misleading investors who take positions according to these opening or closing prices (Article 4(ğ)).
10. Providing inaccurate or misleading guidance for depositors (Article 4(h)).
11. Spreading information and rumors that can cause systemic risk by damaging confidence in the financial system (Article 4(ı)).

To discuss the impact of this regulation further, please contact our Senior Partner Özge Okat (ookat@pekin-pekin.com).