

## **ANNOUNCEMENT ON CROWDFUNDING LEGISLATION IN TURKEY AND CROWDFUNDING ASSOCIATION**

The Draft Law on the Amendments in Capital Markets Law (“**Draft Law**”) that has been decided by Committee of Ministers on 21 November 2016 has been sent to Grand National Assembly of Turkey together with its legal grounds. A meeting has been held on 16 January 2017 with the Capital Markets Board of Turkey (“**Board**”) where the crowdfunding platforms and the leading sector representatives came together and exchanged ideas for the Draft Law and secondary legislation that is already drafted by the Board and planned to be published within six months.

Draft Law has been prepared in a way to amend several articles of the Capital Markets Law (“**CML**”) or making additions to the relevant articles regarding crowdfunding. Under Article 1 of Draft Law crowdfunding has been defined as “raising monetary contributions from people through crowdfunding platforms for the financing of a project or a company within the terms determined by the Board, without being subject to investor indemnification provisions” Pursuant to Article 2 of Draft Law, raising monetary contributions from people will be realized through crowdfunding platforms and a license from the Board will be required for this activity. The ones that carry out this activity will not be subject to requirements of the Board regarding preparation of a prospectus or an issuing document. Additionally, the companies that raise monetary contributions from people through crowdfunding has been excluded from the definition of public company and issuer. In the legal ground of the Draft Law, the purpose of this exclusion has been explained as “cutting the costs and expenses and not being subject to requirements that are foreseen for public companies and issuers under the Law numbered 6362” Therefore even if the shareholders of the company that raising monetary contributions from people exceeds five hundred, the shares of such company will not be deemed as offered to public.

Article 5 of Draft Law foresees that Board will not be subject to any sort of costs or charges for the lawsuits and proceedings initiated by the Board (within the scope of Article 92 of CML); claims of injunction and liens will also benefit from this exemption. Also, it is regulated by Article 6 of Draft Law that the same exemption will be applied for the lawsuits that are initiated for the determination of the profit shifting within the context of Article 94 of CML.

Crowdfunding Association has been established for increasing the recognition of crowdfunding activities in Turkey and determination of the framework of legislation. Savas Unsal, founder president of the Association, underlining the fact that Crowdfunding System creates an alternative financing opportunity for entrepreneurs stated the following:

“We foresee that today’s investment funds of 60 million dollars will reach a volume of 250 million dollars within 3 years with the new Draft Law and implementation of crowdfunding platforms in line with this Draft Law. Our Association’s mission is to add new platforms to already existing crowdfunding platforms (most of which are “reward based”) such as crowdfon.com, BiAyda.com, FonlaBeni.com, FonGoGo, AriKovani and Buluşum. Also, to increase the number of platforms that provide alternative financing system in entrepreneur ecosystem and provide feedback to public institutions for the necessary regulations and support entrepreneurs and platforms for the introduction and training of the crowdfunding system. Our target is to have Turkish entrepreneurs to reach 1-billion-dollar financing resource through crowdfunding by 2023.

Vice President of the Association and ITU ARI Teknokent Chairman Kenan Colpan underlines that crowdfunding system will play a big role on the realization of entrepreneurs' projects said "The Draft Law is crucial for the entrepreneurs that are in ITU Cekirdek and other incubator centers to rapidly reach the funds they need. We also believe that crowdfunding System will especially be used as an efficient tool by the techno parks and bring innovation for entrepreneurs that are in high tech."

Vice President and General Secretary of the Association Hulusi Berik emphasized that following the establishment of the Association and determination of the new Board of Directors, the active crowdfunding platforms, entrepreneurs, techno park and incubators centers, business ventures, investment banks and leading private sector companies want to be a member of the Association. He says: "With the leadership of our Vice President Akin Rota and our lawyer Ela Cenudioglu we set up a study group. Our purpose is to contribute to activate crowdfunding system in our country as soon as possible and efficiently."