

Debt Securities Market in Turkey

Opportunities for issuers and investors

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APPROPRIATE ECONOMIC CONDITIONS

- Opportunities for raising capital through stock offerings have reduced due to financial crisis
- Low inflation rate and interest rate
- Declining trend in the interest rates of government bonds
- Alternative: Debt Securities



NEW SET OF RULES FOR DEBT SECURITIES

- Capital Markets Board of Turkey has issued a new set of rules governing convertible bonds and exchangeable bonds
- The new liberal framework is expected to create alternative funding options
- There is no rating obligation for good companies



TENTATIVE COST OF DEBT FUNDING FOR ISSUERS

- Risk free rate (9 %)
 - Transaction cost- CMB & ISE fees and brokerage
commission (0.5 %)
 - Risk premium (2-2,5 %)
 - Total Cost 11.5%-12 %
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PROFITABLE INVESTMENT AND FUND RAISING OPTIONS



- “Convertible Bonds” and “Exchangeable Bonds” may be profitable investment options for investors
- The companies that have limited financial sources should consider convertible bonds and exchangeable bonds

Convertible Bonds

- The type of debt instrument which can be converted into shares of issuing company
- Reflect the characteristics of hybrid instruments
- Offer lower interest rates than prevailing rates
- Low interest payment for issuers
- This is for only listed companies

Exchangeable Bonds

- This is for, not only listed companies but also all privately held companies
- With an embedded option to exchange the bond for the shares of a company
- It is expected that privately held companies which belong to corporate groups, comprising listed companies may issue exchangeable bonds

RECOMMENDATION FOR 2010-2011

- It is expected that inflation rate will decline
- In this context interest rates of government bonds will also decline
- Risk premium will get lower
- Opportunities for both investors and issuers:

DEBT SECURITIES - Convertible Bonds and Exchangeable Bonds

If you are interested in, please do not hesitate to contact us for the full article.

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