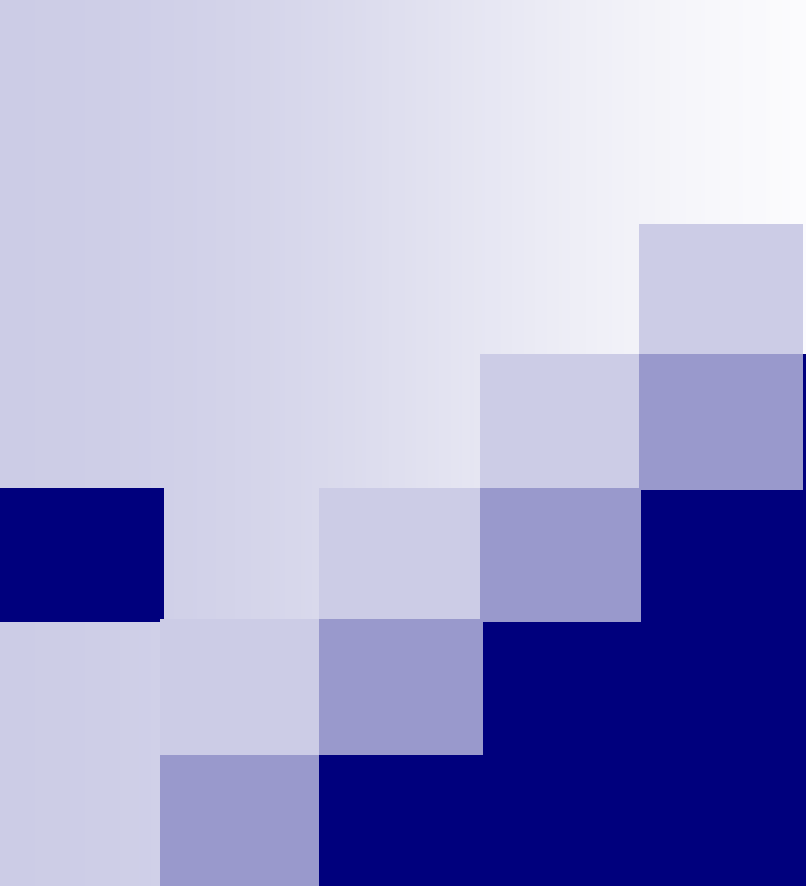




Regulatory Approach and Country Experience of CMB Türkiye Regarding Equity Crowd Funding

26th Meeting of COMCEC Financial Cooperation Working Group

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CMB's Role in Leveraging Innovation in FinTech Ecosystem

In advanced economies;

- ❖ Financial services and markets including banking, capital markets and insurance develop organically
- ❖ Regulation has traditionally followed innovation
 - ❖ In such cases regulation primarily aims at
 - protecting efficiency and fairness in the market place,
 - as well as financial stability, and providing a level playing field for all actors.

On the flipside, emerging market economies;

- ❖ Usually start their development with a financial system dominated by banking.
- ❖ However, banking, while exceptionally efficient, can have its limitations especially because
 - the complexity of financing needs increase
 - alongside economic development.
- ❖ This requires higher efficiency in resource allocation and risk- sharing, which capital markets are able to provide.
 - ❖ Therefore, policy makers opt to introduce new mechanisms for investment and financing.

CMB's Role in Leveraging Innovation in FinTech Ecosystem

When it comes to fintech issues the factual and legal circumstances becomes more challenging

- ❖ Financial technologies have fundamentally altered the functioning of financial markets.
 - In most cases, the fast pace of innovation has required significant adjustments for regulators.
 - Consequently, the legal mandate of the CMB entails;
 - *regulating and supervising capital markets to ensure the functioning and development of capital markets in a secure, transparent, efficient, stable, fair and competitive environment and to protect the rights and interests of investors.*
 - A very elegant, yet loaded definition.

Within the scope of this large mandate CMB has been working on regulations to promote innovation in terms of Fintech and digital resilience as well.

In this regard the initiatives taken by the CMB has focused in three areas

- ❖ Crowd funding,
- ❖ Crypto Assets and
- ❖ Cyber Resilience

CMB Experince in Regulating Crowd Funding

Crowdfunding

- ❖ With respect to corporations;
 - ❖ Issuance of shares and bonds requires a certain level of institutional sophistication and readiness for companies, which can be costly.
 - ❖ The issuer base in our markets has expanded greatly especially over the last four years, however banking still remains the primary source of financing.
 - ❖ Therefore, CMB has developed new tools for companies at an earlier stage of their development.
- ❖ **Crowd funding is one of the first regulated fintech initiatives in Türkiye that has been introduced alongside with other regulators worldwide.**
 - ❖ In 2016 when we have first started drafting the regulations, CMB has conducted a Project with EBRD focusing on a comparative study on how the other regulators word wide is regulating the concept.
 - ❖ Equity and debt based crowdfunding have been regulated in Türkiye in order to enhance financial inclusion by providing an alternative source of financing for start-ups.
 - ❖ Crowdfunding platforms and their activities were introduced into the Capital Markets Law (CML) with an amendment in 2017.
 - ❖ The crowd funding system aims to improve access to finance for enterprises at an early stage of development, which show potential for development in terms of employment, competition and value added. **Enterprises with a focus on technology and innovation are mainly eligible for receiving financing through crowdfunding.**

CMB Experience in Regulating Crowd Funding

➤ **Regulatory Responses to Equity Crowdfunding: Equity crowdfunding specific regulations**

- The United States (2012)(acted as the benchmark for equity crowdfunding regulations)
- Italy (2012-13)
- The United Kingdom (2013-14)
- Türkiye (CML/2016)
(Communique/2019)

➤ **Crowdfunding involves three participants:**

- a crowdfunding platform
- the crowdfunding campaign creator (fund seeker)
- the crowd (or contributors);

➤ **However, the scope and implementation differ**

The Regulatory Response of CMB to Equity Crowdfunding Based on Other Country Examples

- Legislators can decide to create a new regulation or a new exemption.
- The United States was the first to address crowdfunding.
- Italy, and the United Kingdom
 - All applying a similar set of European Directives
 - However approached crowdfunding differently
- All regulations require that funds be raised through an **internet portal** and **limit the raiseable funds over a twelve months period**.
- Beyond these commonalities, each country focused on a different participant (platforms, fund seeking companies, investors)

Reference Countries under EBRD/CMB Project :

- ❖ The US focuses on the investing crowd and to a smaller extent on the fundraising companies
- ❖ Italy focuses on Innovative Early Stage Investment: Strong requirements for fund seeking innovative startups
- ❖ UK considers equity crowdfunding as a high-risk investment (focuses on the investing crowd)

Türkiye

- ❖ Focused on the investing crowd and Innovative Early Stage Investments

EQUITY CROWDFUNDING: COMPARATIVE SUMMARY OF REGULATIONS*

	United States	United Kingdom	Italy	Türkiye
Platforms	Licensed	Licensed	Licensed	Licensed
Fundraising Companies	Restrictions: Yearly filings - tax returns for offerings < \$107,000 - financial statement reviewed by an independent public accountant from \$107,000 to \$535,000 - audited financial statement for offerings > \$535,000. Cap: \$1,07 million every 12 months (Prospectus Exemption Limit)	Cap: €8 million every 12 months (In line with EU prospectus Directive/Chosen upper limit)	Restrictions: Young, Small Innovative Companies (Strong requirements for fund seeking innovative startups) Cap: €8 million every 12 months (In line with EU prospectus Directive/Chosen upper limit)	Restrictions: Technology and production activities Two campaigns in any twelve-month period. Filing requirements (audit) >1.000.000 TL [yearly] <= 1.000.000 TL [at the date the funds have been used] Cap: 10.000.000 TL (As of 2020:) every 12 months (Prospectus exemption Limits)
Investors	Tiered investment thresholds: - \$2,200 or 5% of income or net worth if income and net worth [between \$40,000 and \$100,000] - 10% of income or net worth [if income and net worth over \$107,000]	Direct business promotion by platforms is confined to: - Certified or self-certify as sophisticated investors - Certified as high net worth investors (annual income of at least £100,000 or net assets of at least £250,000) - retail investors -with investment advice from authorized persons - who will not invest more than 10% of their net investible portfolio in a 12 months period	5% invested from professional investors	Natural persons who are not qualified investors in any calendar year; can invest up to: ➢ 20.000 TL No restrictions for legal persons and qualified investors For demands that exceed 1.000.000 TL, % 10 of the targeted fund must be covered by the qualified investors

*Source: M. Aslı KÜÇÜKGÜNGÖR, Sermaye Piyasası Hukukunda Erken Aşama Girişimlerin Paya Dayalı Kitle Fonlaması Yoluyla Finansmanı, Yetkin Yayınları, Mayıs 2020, s.264.

Türkiye Case: Lessons Leant

- ❖ **Crowd funding is a good example of financial inclusion of the market participants using fintech facilities. Because this concept covers;**
 - ❖ Introduction of new ideas and production techniques are supported with technological facilities,
 - in addition to traditional production models.
 - ❖ Each crowdfunding model poses its own regulatory issues and limitations
 - ❖ consumer protection,
 - ❖ anti-money laundering and counter-terrorism financing,
 - ❖ investor protection
 - ❖ securities and financial services regulation
 - ❖ However it is apparent that regulators want to overcome these
 - ❖ The challenge for regulators
 - To adapt the existing pre-crowdfunding regulatory frameworks to the post-crowdfunding world
 - With full benefits of the crowdfunding phenomenon being enjoyed
 - Without compromising the overall regulatory outcome
- ❖ **In the presentation a brief outline of what CMB has done is given as the regulator in terms of crowd funding.**
 - ❖ Türkiye is among the first jurisdictions that has regulated crowd funding as a fintech initiatives helping financial inclusion.
 - ❖ In 2016 when CMB first started drafting the regulations, a Project with EBRD was conducted focusing on a comparative study on how the other regulators worldwide is regulating the concept.

Türkiye Case: Lessons Leant

The main lesson learnt from this demanding yet fruitful exercise is that:

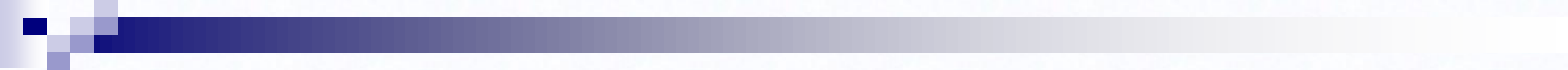
- ❖ While implementing a new concept, the underlying reason of a probable failure is adopting quick-fix solutions from other jurisdictions.
 - ❖ This is the unwisdom of becoming interested in other countries' systems simply because one's own economy needs improvement in the current phase of economic cycle
- ❖ The so-called 'fit-all' does not exist and will probably never exist because
 - there are simply too many local conditions,
 - perceptions and
 - practical realities

applying to entrepreneurs at early stage of development.



Consequently, taking into consideration of different approaches CMB has implemented a piece of regulation that fits the needs and realities of the Turkish market

- ❖ The first crowdfunding platforms became operational in 2021.
- ❖ Currently there are 18 licensed platforms, all of which are authorized to engage in equity based crowdfunding.
- ❖ No platforms have yet been licensed for debt based crowdfunding.
- ❖ As of August 2026, 179 companies have received funding of TL 1,6 billion, through equity based crowdfunding and there are about 47,000 investors (including both retail and qualified investors) in the system.
- ❖ Funded companies have reported that the resources have enabled them to get a head start on investments such as research and development, patenting, and product recognition.



THANK YOU