

## Turkey Passes the Communiqué on Equity Crowdfunding

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The long-awaited Communiqué on Equity Crowdfunding numbered III-35/A.1 ("**Communiqué**") issued by the Capital Markets Board of Turkey ("**Board**") has entered into force. The Communiqué regulates the procedures and principles regarding equity crowdfunding, activities of crowdfunding platforms, fund-raising from the public through equity crowdfunding as well as examination and supervision of the use of the collected funds in compliance with the declared purpose.

In 2017, articles 3, 4, 16, 35/A and 99 of the Capital Markets Law numbered 6362 were amended to pave the way for crowdfunding in Turkey. The Board has become the authority to regulate crowdfunding and grant licenses to crowdfunding platforms. The Communiqué, as a secondary regulation, has long been awaited by the public.

The main purpose behind the Communiqué is to encourage investment in start-ups through building an online bridge between small-scale funders and entrepreneurs as well as start-ups.

### Areas regulated by the Communiqué

The Communiqué regulates:

- Listing, delisting and partnership structure of the platforms as well as the investment committee to be formed by the board of directors of the platform.
- Platform activities, the restricted activities and activities of the platforms operating abroad.
- Platform subscriptions, investment limits, principles regarding fund-raising and dematerialization of shares to be issued in return for funds raised as well as distribution processes thereof.
- Places of fund uses and qualifications of start-ups.

### Platform Structure

As per article 5 of the Communiqué, platforms are required to be listed by the Board in order to operate within the framework of the Communiqué. To get listed, a platform should apply to the Board along with the documents set forth in Annex-1 of the Communiqué.

In order to be listed by the Board, a platform should

- be a joint-stock company.
- have a minimum share capital of TRY 1,000,000 paid in cash while its paid-in capital and equity cannot be less than this amount.
- have all its shares as registered shares.
- include the wording of "Kitle Fonlama Platformu" (Crowdfunding Platform) in its commercial title.
- comply with other requirements set forth in article 5/3 of the Communiqué.

Moreover, as per article 9 of the Communiqué, the platform's board of directors will establish an investment committee.

### Platform Activities

According to article 11 of the Communiqué, platforms can exclusively engage in crowdfunding activities. In addition to these operations, platforms can also give consultancy services to start-ups or entrepreneurs. The Communiqué makes it obligatory to execute a written crowdfunding agreement between the start-up or entrepreneur on one side and the platform on the other side, to regulate the principles to be complied with during crowdfunding operations. The minimum standards for these agreements are stipulated in Annex-3 of the Communiqué.

### Investment Limits

The Communiqué also limits investment amounts in equity crowdfunding. Natural persons who are not eligible investors can choose to invest through equity crowdfunding at a maximum amount of TRY 20,000 in a given year. This amount can also be applied as 10% of the investor's declared yearly net income (on condition that it does not exceed TRY 100,000).

### Qualifications of Start-Ups

Article 16 of the Communiqué defines the qualifications of start-ups, which will raise funds through equity crowdfunding. Start-ups are required to carry out technological and/or production activities and be established within the last five years prior to the announcement date of information form on the campaign website.

Please see this [link](#) for the full text of the Communiqué numbered III-35/A.1 and annexes published in the Official Gazette dated 3 October 2019 and numbered 30907 (only available in Turkish).

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