

**DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE**

Working Party No. 2 on Competition and Regulation

**ROUNDTABLE ON COMPETITION AND REGULATION IN AUDITING AND RELATED
PROFESSIONS**

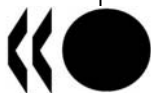
-- Turkey --

8 June 2009

The attached document is submitted to Working Party No. 2 of the Competition Committee FOR DISCUSSION under item III of the agenda at its forthcoming meeting on 8 June 2009.

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1. Concentration in the Market

1. The Competition Authority does not have detailed information on the market shares of firms operating in different services related to accountancy.

2. In one decision¹ involving merger between a firm operating under the licence of Andersen which lost many customers due to problems faced by Andersen globally and another firm operating under the licence of Ernst&Young to establish a new firm that would operate under the licence of Ernst&Young post-merger, the Competition Board mentioned that there were 34 undertakings offering general accountancy and financial consultancy services in the field of banking whereas there were 80 undertakings offering the same services in the capital market according to the lists of Banking Regulation and Supervision Agency and the Capital Markets Board in addition to other undertakings operating in the relevant markets covering services of general accountancy and financial consultancy. However, market shares of the merging parties could not be obtained as there were no data on the market shares in the relevant markets. As the combined turnover of the merging parties was below the threshold, the transaction was not subject to authorization of the Competition Board.

3. Similar to the first decision, in another decision² of the Competition Board involving merger between a firm operating under the licence of Andersen and another firm operating under the licence of Ernst&Young to establish a new firm that would operate under the licence of Ernst&Young post-merger, market shares of the merging parties could not be obtained due to absence of data on market shares in the relevant market for services of sworn-in certified public accountancy including full certification and financial consultancy. The combined turnover of the merging parties was again below the threshold and the Competition Board was of the opinion that their combined market share was also below the threshold of 25% as there were 200 firms of sworn-in certified public accountancy and 2,000 sworn-in certified public accountants. It was decided that the transaction was not subject to authorization of the Competition Board based on the combined turnover of the merging parties in the relevant market.

4. According to annual report of Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey (TÜRMOB), there are 43,820 certified public accountants, 28,907 certified general accountants and 3,840 sworn-in certified public accountants in Turkey as of end of 2008.

2. Regulation of Entry

2.1 Quality Standards and Entry – Exclusive Rights

5. The main legislation on accountancy is the Law No. 3568 of Certified Public Accountancy and Sworn-in Certified Public Accountancy (Law No. 3568). The relevant legislation provides for the definitions of the subjects of both the Certified Public Accountancy and Sworn-in Public Accountancy. According to Article 2A of Law No. 3568, the subjects of the profession of Certified Public Accountancy comprise the following services rendered to enterprises and business concerns owned by real and legal persons:

- (a) To keep books; prepare the balance sheets, profit and loss statements, tax returns and other relevant documents in compliance with generally accepted accounting principles and the provisions of the relevant legislation,

¹ *Aktif Analiz/Önce Mali Müşavirlik*, dated 18.7.2002 and numbered 02-44/520-215.

² *Erdikler/Denver*, dated 8.8.2002 and numbered 02-47/590-242.

- (b) To establish and improve accounting systems, to regulate administration, accounting, finance, financial legislation and to perform the jobs related to their applications and to provide advisory services in the related fields.
- (c) Based on the relevant documents on issues specified in (b) above, to perform investigations, analyses and audit, to present written opinions regarding financial statements and tax returns, to prepare reports and similar documents, to perform arbitration, expertise and similar services.

6. Persons, who perform the activities mentioned above independent from a business entity, are defined as Certified Public Accountants.

7. The subjects of the profession of Sworn-in Certified Public Accountancy include those cited in (b) and (c) above as well as the application of certification.³ Sworn-in Certified Public Accountants can not keep books related to accounting, cannot establish an accounting office and cannot become partners to the accounting offices already established.⁴

8. According to Article 3 of the Law No. 3568, employment of the titles of Certified Public Accountant, and Sworn-in Certified Public Accountant by individuals legally unauthorized, and the employment of titles, signs and symbols simulating the said professional titles, or likely to cause erroneous identification, are prohibited. The Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants (the Chambers) are required to inform the Public Prosecutor, should they become aware of any such violations. Those Chambers and the concerned individuals will be notified on the results of the investigation to be carried out by the Public Prosecutor.

9. The Law No. 3568 provides for general⁵ as well as special conditions to become Certified Public Accountants and Sworn-in Certified Public Accountants.

³ Article 12 of the Law No. 3568 is as follows:

“Sworn-in Certified Public Accountants certify the compliance of the financial statements and tax returns prepared by individuals and entities and the enterprises and establishments thereof, with the provisions specified in the legislations, accounting principles and the accounting standards, and further certify that the accounts have been inspected in accordance with the auditing standards.

The documents to be certified by sworn-in Certified Public Accountants, subjects of certification and the rules and principles applicable to certification are determined by the regulations issued by the Ministry of Finance, by taking into consideration the types of liabilities of the individuals or entities, fields of business and turnovers, foreign currency generating transactions, imports and exports, types and amounts of investments and the offices to which these documents will be submitted. ...”

⁴ See Article 2(B)(2) of the Law No. 3568.

⁵ According to Article 4 of the Law No. 3568, general conditions are as follows:

- To be a citizen of the Republic of Turkey (provisions for foreign Certified Public Accountants remain reserved).
- To be competent in exercising the civil rights.
- Not to be deprived of public rights.
- Not to be sentenced to one or more years of imprisonment for intentional offence ... and not to be sentenced for offences against state security, offences against Constitutional order and the functioning of this order, offences against national defense, offences against secrets of the state and espionage, embezzlement, official corruption, bribery, theft, swindling, fraud, breach of confidence, fraudulent bankruptcy, bid rigging, corruption in performance of an obligation, laundering the value of assets gained via an offense or smuggling, irrespective of being granted amnesty.

10. The special conditions⁶ of Certified Public Accountants are as follows:

- (a) To have at least a B.A. degree in law, economics, business administration, accounting, banking, public administration and political science from a Turkish university, or from foreign universities offering degrees equivalent to their Turkish counter parts, on the condition that this equivalence is ratified by the Higher Education Committee, or to hold a post-graduate degree in one of the disciplines mentioned above, following an undergraduate degree received in a different branch.
- (b) To complete a practical training (internship) period of at least three years.
- (c) To pass the examination for Certified Public Accountants.⁷
- (d) To receive a license as a Certified Public Accountant.

11. To be eligible for practical training, the candidates must be successful in the entrance exam to practical training and complete the education programme of the Education and Training Center founded by TÜRMOB.⁸ The Education and Training Center prepares compulsory training programmes including theoretical and practical aspects for each year of the practical training. It also prepares the necessary measures to ensure that practical training is supervised, and conducted regularly and in a disciplined way. The Chambers have to ensure that practical training is conducted according to measures prepared by Education and Training Center. TÜRMOB, Education and Training Center and the Chambers can supervise the execution of practical training on-site. Moreover, Boards of Directors of Chambers have to send a report on practical training programmes and relevant practices to the Education and Training Center each year. The examination for Certified Public Accountants is conducted in written by TÜRMOB.⁹

12. Individuals who are citizens of the countries which have officially codified the profession of Certified Public Accountancy may, under the condition of reciprocity, be authorized to render the services relevant to the rights they have acquired in their own countries, that are included within the scope of Article 2 of the Law No. 3568, upon the proposal of the Ministry of Finance, by the approval of the Prime Minister provided that they possess the conditions required of Turkish Certified Public Accountants.¹⁰

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- Not to be penalized by expulsion from the government service consequent to an investigation.
 - Not to possess conditions incompatible with the honour and dignity of the profession.

⁶ See Article 5 of the Law No. 3568.

⁷ According to Article 9(2) of the Regulation on Exam for Sworn-in Certified Public Accountancy and Certified Public Accountancy, in order to take the exam for Certified Public Accountants, the candidate must have completed the practical training and got the pass mark of 60 out of 100 from the practical training assessment of the member of the profession that is responsible for the candidate.

⁸ See details for the practical training in the Regulation on Practical training for Certified Public Accountancy and Certified General Accountancy.

⁹ Article 7(2) of the Law No. 3568 provides that “The examination commission consists of 7 members. Two of these members represent the Ministry of Finance. Three of the members are selected among five candidates proposed by the Higher Education Council, and the remaining two are selected by the Ministry of Finance among the four candidates proposed by the Union.”

¹⁰ See Article 8 of the Law No. 3568.

13. There are also special conditions¹¹ to become a Sworn-in Certified Public Accountant that are as follows,

- (a) At least ten years of experience as a Certified Public Accountant,
- (b) To pass the Sworn-in Certified Public Accountant examination,
- (c) To receive a license for practicing sworn-in certified public accountancy.

14. The examination for Sworn-in Certified Public Accountant is conducted in written by TÜRMOB.¹² The Ministry of Finance is authorised to take the necessary measures to ensure that the examination is fair, impartial and compliant with the legislation.¹³

15. Those who fail the examination for Certified Public Accountants can take 4 exams within the two years as of the date the results are announced whereas the number of exams in which unsuccessful Sworn-in Certified Public Accountants may take is 3 within the same time frame.¹⁴

16. It should be mentioned that Law No. 3568 does not provide for quantitative limits regarding entry into the professions of Certified Public Accountancy and Sworn-in Certified Public Accountancy.

17. Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants are established separately.¹⁵ The Chambers are professional organizations regarded as legal entities with the qualities of public institutions. Those who are not members of the Chambers can not involve in

¹¹ See Article 9 of the Law No. 3568.

¹² According to Article 10(2) of the Law No. 3568, the Examination Commission is composed of seven members one of which is the Chairman. The Chairman and the members of the Examination Commission are selected by the Ministry of Finance, four among tax auditors of the Ministry of Finance, one among two candidates proposed by the Higher Education Council, and two among four candidates proposed by TÜRMOB. According the Article 10(4) of the Law No. 3668, the procedures of the work of the examination commission, subjects of the examination and other principles and procedures related to the examination are determined by a regulation to be issued by TÜRMOB having taken the assent of the Ministry of Finance.

¹³ See Article 10(1) of the Law No. 3568.

¹⁴ See Article 21 of the Regulation on the Examination for Sworn-in Certified Public Accountancy and Certified Public Accountancy. According to the Article; the exams concern only the topics that the participants fail. In case the participants do not take the exams within the two-year period, they can not take exams for another two years. Following the second two-year period, exams covering all the topics may be taken. See more details concerning the exams in Regulation on the Exam for Sworn-in Certified Public Accountancy and Certified Public Accountancy.

¹⁵ See Article 14(1) of the Law No. 3568. The Article provides that these Chambers are established for the objectives of meeting the needs of the members of the profession, facilitating their professional activities, providing the development of the profession in compliance with common benefits, maintaining professional discipline and ethics, and providing the prevalence of honesty and mutual confidence among the members of the profession and in their relations between the entrepreneurs. According to Article 15(1) of the Law No. 3568, a Chamber is established in cities where there are at least 250 members of the relevant profession and in counties where there are 250 members of the profession. The Chambers are named with the city or the county they are situated. According to annual report of TÜRMOB, there are 70 Chambers of Certified Public Accountants and 8 Chambers of Sworn-in Certified Public Accountants in Turkey as of end of 2008.

professional activities.¹⁶ Those who violate this rule shall be sentenced to judicial fines up to 100 days provided that the conduct does not constitute an offence that requires a heavier penalty.¹⁷ Organs of the Chambers are the General Assembly, Board of Directors, Disciplinary Board and the Supervisory Board. General Assembly is the highest organ of the Chamber and is formed by the participation of all the members of the profession registered to the Chamber. Among the duties of the General Assembly are to make proposal to TÜRMOB on the adoption of professional decisions which would have a binding effect among the Certified Public Accountants and Sworn-in Certified Public Accountants, and to determine membership fees for the prospective members of the Chambers and annual fees for the registered members, and the days on which such charges become due.¹⁸

18. TÜRMOB is established upon the participation of all the Chambers.¹⁹ TÜRMOB is a professional body having the qualitative characteristic of a public institution, having a legal personality. TÜRMOB is authorised to determine the professional rules that should be complied with and to prepare the regulations that will be issued in compliance with the Law No. 3568.²⁰ TÜRMOB is also composed of General Assembly, Board of Directors, Disciplinary Board and the Supervisory Board. The General Assembly of TÜRMOB is entitled to take professional decisions that must be complied with by the Certified Public Accountants and Sworn-in Certified Public Accountants.²¹ Board of Directors of TÜRMOB is authorised to submit for approval of the Ministry of Finance the entrance fee and annual membership fees as well as fees for courses for professional training and practical training recommended by the Chambers, conduct the examinations that are required by the Law No. 3568, grant the professional licences.²² Moreover, Board of Directors of TÜRMOB is also entitled to improve professional standards

¹⁶ See Article 15(4) of the Law No. 3568.

¹⁷ See Article 49(2) of the Law No. 3568.

¹⁸ See Article 19(1)(e) and (h) of the Law No. 3568.

¹⁹ See Article 28 of the Law No. 3568.

²⁰ See Article 29(1)(d) and (e) of the Law No. 3568. Article 50 provides which issues will be organized in compliance with the regulations to be issued. These are, *inter alia*,

- operating methods and principles regarding Certified Public Accountancy and Sworn-in Certified Public Accountancy;
- working methods of the examination commission to be established in compliance with Article 7 entitled “Examination for Certified Public Accountancy”, the basic principles of the examination process, subjects of the examination, training methods, training period and other relevant issues regarding the training to be received under Certified Public Accountant or Sworn-in Certified Public Accountants;
- procedures regarding the certification transactions of Sworn-in Certified Public Accountants;
- bestowal of license and the employment of titles;
- membership fees;
- basics to be taken up in determining the fees of consultancy and accountancy;
- the competent authority to adopt the necessary resolutions regarding disciplinary investigations, competent authorities imposing disciplinary penalties, methods and conditions applicable to the objections raised against the disciplinary penalties, and other issues related to discipline;
- methods and principles regarding evaluation and examination boards, of whom should such boards consist of and the starting date and place of the work;

Except for the one regulating the final issue, all the regulations shall be prepared by TÜRMOB and published in the Official Gazette, following the approval by the Ministry of Finance. The regulation on the final issue will be issued by the Ministry of Finance.

²¹ See Article 33(1)(f) of the Law No. 3568.

²² See Article 36(1)(e), (g), and (h) of the Law No. 3568.

and, within this context, establish and improve professional ethical standards, auditing standards, professional training standards and quality assurance standards compatible with international standards.²³

19. According to the Law No. 3568, it is compulsory for Certified Public Accountants and Sworn-in Certified Public Accountants to attend professional development and training seminars in order to continue their professional activities actually.²⁴

20. Ministry of Finance is authorized to supervise the organs of the Chambers and TÜRMOB to determine whether or not the said organs have performed their duties and their financial operations in compliance with the provisions of the law.²⁵

3. Regulation of Conduct

3.1 Advertising Restrictions

21. Certified Public Accountants and Sworn-in Certified Public Accountants can not involve in advertisement to acquire work and can not use any title except for their professional titles in their name plates or printed papers.²⁶ Those who violate this rule shall be sentenced to judicial fines up to 100 days provided that the conduct does not constitute an offence that requires a heavier penalty.²⁷

22. Professional and academic titles, communication numbers, mailing addresses, internet addresses and email addresses written on name plates, business cards, reports and similar papers do not qualify as advertisements.²⁸ Telephone directories may also include names, surnames, mail address, telephone and facsimile numbers, internet and email addresses provided that they are in the professions section and arranged in alphabetical order with no phrase, symbol etc distinguishing Certified Public Accountants and Sworn-in Certified Public Accountants from other professions.²⁹ Websites may also be constructed to include similar information.³⁰ Informative brochures including autobiographies can be printed provided that they are not published via printed, verbal and visual media and do not include information on past and actual customers.³¹

²³ See Article 23(1)(j) of the Regulation for the Union of Chambers of Certified Public Accountants and Sworn-in Certified Public Accountants of Turkey.

²⁴ See Article 44 of the Law No. 3568.

²⁵ See Article 41(1) of the Law No. 3568.

²⁶ See Article 45(5) of the Law No. 3568.

²⁷ See Article 49(2) of the Law No. 3568.

²⁸ See Article 45(2) of the Regulation on the Working Procedures and Principles of Certified General Accountants, Certified Public Accountants and Sworn-in Certified Public Accountants.

²⁹ See Article 17 of the Regulation on Unfair Competition and Prohibition of Advertisement regarding Professions of Certified General Accountancy, Certified Public Accountancy and Sworn-in Certified Public Accountancy.

³⁰ See Article 22 of the Regulation on Unfair Competition and Prohibition of Advertisement regarding Professions of Certified General Accountancy, Certified Public Accountancy and Sworn-in Certified Public Accountancy.

³¹ See Article 45(4) of the Regulation on the Working Procedures and Principles of Certified General Accountants, Certified Public Accountants and Sworn-in Certified Public Accountants.

23. Non-compliance with prohibition of advertisement is subject to reproach.³²
24. False comparisons with the services offered by other members of the professions of Certified Public Accountancy and Sworn-in Certified Public Accountancy should not be made.³³

3.2 *Price Regulation*

25. Law No. 3568 provides that fee represents the amount that is equivalent to the services performed by members of the professions of Certified Public Accountancy and Sworn-in Certified Public Accountancy the minimum basis of which is determined via a tariff.³⁴ Accepting work below the minimum fee specified in the tariff is prohibited and acting otherwise shall be the subject of a disciplinary punishment.³⁵
26. Board of Directors of each Chamber prepares a tariff indicating the fees to be charged in return for the works and transactions to be performed by Certified Public Accountants and Sworn-in Certified Public Accountants to gain effectiveness as of January of each year and forwards the said tariff to TÜRMOB.³⁶
27. Board of Directors of TÜRMOB determines the groups that include various Chambers by taking into consideration the proposals submitted by the Board of Directors of the Chambers concerned, prepares the tariffs applicable to each of the groups, and forwards them to the Ministry of Finance.³⁷ Ministry of Finance approves the tariff forwarded by the Board of Directors of TÜRMOB in its original form, or following the appropriate amendments.³⁸ The tariffs gain effectiveness as of the date of their publication in the Official Gazette.³⁹ The provision of the current tariff remains in force until the new tariff is approved.⁴⁰

³² See Article 6(1)(f) of the Discipline Regulation of the Certified General Accountants, Certified Public Accountants and Sworn-in Certified Public Accountants. According to Article 4, discipline penalties are listed as warning, reproach, temporary suspension of professional activities, annulment of the “sworn-in” title, and expulsion from the profession. According to Article 7(1)(a), recurrence of an action or behaviour that is punishable by reproach within a period of three years is among the cases that the penalty of temporary suspension of professional activities for a period of not less than six months and not more than one year is applicable. Moreover, according to Article 9(1)(a), after being penalized by temporary suspension of professional activities two times within a period of five years, committing the same act that is punishable by the said penalty is among the cases that expulsion from the profession is applicable.

³³ See Article 45(1)(b) of the Regulation on Ethical Principles to be followed by Certified General Accountants, Certified Public Accountants and Sworn-in Certified Public Accountants in performing their Professional Activities.

³⁴ See Article 46(1).

³⁵ See Article 46(2) of Law No. 3568.

³⁶ See Article 46(3).

³⁷ See Article 46(4) of the Law No. 3568. Article 36(1)(f) of the Law No. 3568 also lists preparing and submitting for approval of the Ministry of Finance the minimum fee tariff after taking into account the opinions of the Chambers among the duties of the Board of Directors of TÜRMOB.

³⁸ See Article 46(5) of the Law No. 3568.

³⁹ See Article 46(5) of the Law No. 3568.

⁴⁰ See Article 46(6) of the Law No. 3568.

28. Accepting fee below those determined in the tariff is subject to reproach.⁴¹ Moreover, it is also considered as unfair competition and prohibited to accept fee below those determined in the tariff or no fee at all.⁴²

29. Fee above the minimum amount in the tariff can freely be determined among the parties.⁴³

3.3 *Inter-professional Co-operation and Business Structure*

30. Certified Public Accountants by using their title, and Sworn-in Certified Public Accountants by using their title and the authorization for certification, may not serve real and legal personalities and may not be employed in their offices on the basis of contract for purposes of performing the works specified in Article 2 of the Law No. 3568, may not become involved in commercial enterprises and may not perform deeds that contradict the honour and dignity of the profession.⁴⁴

31. More than one members of the profession of Certified Public Accountancy or Sworn-in Certified Public Accountancy may associate their works in the form of a partnership office or a company.⁴⁵ The operations carried out in these offices as such are not deemed as commercial activities.⁴⁶ In the case of this performance of the operations under a company, the penal responsibility to occur from any operation shall be attributed to the person who has performed the operation under question.⁴⁷ Partnership offices or companies can only be established by members of the profession who have the same professional titles and can not involve in business other than the field of their activity as described in the Law No. 3568.⁴⁸

⁴¹ See Article 6(1)(g) of the Discipline Regulation of the Certified General Accountants, Certified Public Accountants and Sworn-in Certified Public Accountants. See the explanations in footnote 32 for other discipline penalties that are relevant in this context.

⁴² See Article 7(1)(a) of the Regulation on Unfair Competition and Prohibition of Advertisement regarding Professions of Certified General Accountancy, Certified Public Accountancy and Sworn-in Certified Public Accountancy. According to Article 40 of the Regulation on Ethical Principles to be followed by Certified General Accountants, Certified Public Accountants and Sworn-in Certified Public Accountants in performing their Professional Activities: "The member of the profession may request a fee he regards appropriate for the service he provides. It is not per se immoral of a member of the profession to request a lower fee than another member of the profession. Nevertheless, threats against compliance with basic ethical principles may occur due to the level of the fee requested. For instance, in case requesting extremely low fees for a particular service complicates the performance, by the member of the profession, of the service according to proper technical and professional standards, threats related to personal interest towards professional capacity and prudence principle may occur. Therefore, the members of the profession are free to determine appropriate levels of fees for the services they provide; however, the fees shall not be below the minimum fee level determined and announced by TÜRMOB."

⁴³ See Article 46 of Regulation on the Working Procedures and Principles of Certified General Accountants, Certified Public Accountants and Sworn-in Certified Public Accountants.

⁴⁴ See Article 45(1) of the Law No. 3568.

⁴⁵ See Article 45(4) of the Law No. 3568. According to Circular of TÜRMOB No. 1996/2 regarding a compulsory professional decision, companies may be limited company, incorporated company or limited partnership company.

⁴⁶ See Article 45(4) of the Law No. 3568.

⁴⁷ See Article 45(4) of the Law No. 3568.

⁴⁸ See Article 30(2)(b) and (c) of the Regulation on the Working Procedures and Principles of Certified General Accountants, Certified Public Accountants and Sworn-in Certified Public Accountants.

4. Institutional Framework of Self-regulation

4.1 Application of Competition Law

32. The Competition Board, in one of its decisions,⁴⁹ where it was alleged that fixing the minimum fee levels by TÜRMOB violated Act No. 4054 on the Protection of Competition (the Competition Act), decided that no proceedings could be initiated under the Competition Act as Law No. 3568 authorised TÜRMOB to fix the minimum fee level. However, as the relevant provision of Law No. 3568 authorising TÜRMOB to fix the minimum fee level is in conflict with the Competition Act, the Competition Board, in order to institute competition, also decided to use its advocacy powers before the Grand National Assembly of Turkey, the Prime Ministry and the Ministry of Industry and Trade with a request for necessary legislative amendments. Moreover, the Competition Board also mentioned that possible requests for exemption of publication of minimum fee tariffs by the professional associations could be assessed under the relevant rules of the Competition Act following the necessary legislative amendments.

4.2 Regulatory Oversight

33. As provided above, Ministry of Finance is generally authorized to supervise the organs of the Chambers and TÜRMOB to determine whether they have performed their duties in line with the provisions of the law. Moreover, it is also mentioned above that certain conduct such as minimum fee tariffs prepared by TÜRMOB is subject to approval by the Ministry of Finance.

34. In the area of accountancy, Turkish Accounting Standards Board (TASB) was established as an independent regulatory authority on December 15, 1999 and started its activities on March 7, 2002.

35. TASB was established as a public legal entity with administrative and financial autonomy, in order to develop and adopt national accounting standards for presenting audited financial statements in a relevant, correct, reliable, balanced, comparable and understandable manner and to determine and publish national accounting standards, which shall be applied for public interest⁵⁰.

36. TASB is composed of nine members from (one from each); Ministry of Finance, Ministry of Industry and Trade, Council of Higher Education, Undersecretariat of Treasury, Capital Markets Board (CMB), Banking Regulation and Supervision Agency (BRSA), The Union of Chambers and Commodity Exchanges of Turkey (TOBB), TÜRMOB (1 Certified Public Accountant and 1 Sworn-in Certified Public Accountant).

5. Accounting standards

37. Currently, TASB is setting Turkish Accounting/Financial Reporting Standards (TAS/TFRSs) which are in full compliance with the International Financial Reporting Standards (IFRSs).

38. For banks, leasing, factoring and financing companies; BRSA has already put Turkish Accounting Standards into practice as of 01.11.2006.

39. For insurance, reinsurance companies and pension companies; the Undersecretariat of Treasury has promulgated the Turkish Accounting Standards being effective from the date of 01.01.2008.

⁴⁹ TÜRMOB, dated 13.11.2003 and numbered 03-73/876 (e)-378.

⁵⁰ See Supplementary Article 1 of the Capital Market Law, dated 15.12.1999 and numbered 2499.

40. Similarly, in April 2008, CMB has put into practice TAS/TFRSs for listed companies and capital market institutions.

41. On the other hand, the most important step to provide uniformity for implementation in the accountancy field is the enactment of the “Draft Turkish Commercial Code (TCC)”.

42. That is, according to Article 88 of the Draft TCC, TASB is defined as the sole authority on issuing accounting and financial reporting standards and it will be equipped with the necessary authority to publish accounting standards in line with the relevant EU acquis. Moreover, according to this Draft TCC, TASB will be granted with the ability to establish special or exceptional standards for different types of entities and sectors in which case those implementing such special or exceptional standards shall disclose this situation in their financial statement footnotes.

43. With the enactment of Draft TCC, TAS/TFRSs will become obligatory for big companies, companies whose capital instruments are traded on stock exchanges and other organized markets, portfolio management companies and other companies which are included in consolidation, as well.

44. TASB is the only authority and has autonomy in drafting the accounting standards. In doing so, TASB uses the official translation procedure agreed together with the International Accounting Standards Board (IASB).

45. Using this official procedure, TASB has already adopted 64 accounting/financial reporting standards (including Interpretations) so far, which are in full compliance with the IAS/IFRSs. All of them have been translated into Turkish after getting the opinions of different accounting interest groups (such as experienced auditors - mainly from big four and other international accounting firms, users - such as banks, preparers of the financial statements based on IAS/IFRSs, and academicians from various Institutes).

46. With regard to the enforcement mechanism, the relevant authorities have the responsibility to follow up and ensure the proper application of the Standards. That is, BRSA uses its authority for banks and similar financial institutions, Undersecretariat of Treasury for insurance companies, and finally CMB for listed companies.