

NEWSLETTER



Highlights

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Global Perspective

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From The Editor



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The integration of cryptocurrencies into the global financial system has prompted significant regulatory actions worldwide. Turkey, seen as a highly attractive market for cryptocurrencies, has taken a major step in this direction with recent amendments to its Capital Markets Law, creating a framework for crypto asset service providers. These changes present both opportunities and challenges.

With the law approved by the Turkish Grand National Assembly, we have obtained a written document outlining the obligations for service providers planning to operate in Turkey. However, the specifics of the law's implementation, the functioning of oversight and supervision mechanisms, technical details, and other aspects will become clearer over time. This law is a significant achievement for our country. Congratulations to everyone.

Advantages, Actions to Take, and Management Processes

As cryptocurrencies continue to integrate into the global economy, Turkey has taken a significant step forward by amending its Capital Markets Law. These changes bring new opportunities and challenges for crypto asset service providers. This newsletter explores the key aspects of the new law and provides insights on how to navigate this evolving regulatory landscape.

1

While the legislative efforts are reassuring, if the technology underlying crypto marketing lags behind the legal framework, it could lead to inconsistencies.

2

Additionally, the potential erosion of customer privacy under this law could also pose challenges. While the overarching goal is to oversee and regulate this activity effectively, certain technical shortcomings or unforeseen glitches could raise concerns among some stakeholders.

3

Furthermore, the new requirements for detailed reporting and adherence to strict security measures may strain smaller service providers, potentially leading to higher operational costs and reduced competitiveness. It is crucial to balance robust regulation with technological advancement to ensure a secure and thriving crypto market.



"KEEPING PACE WITH RAPID TECHNOLOGICAL ADVANCEMENTS, WHILE UPHOLDING LAW, TRANSPARENCY, AND PREDICTABILITY."



what the new law brings...

The recent amendments to the Capital Markets Law establish a clear regulatory framework for crypto asset service providers and platforms. By introducing licensing requirements, the law ensures that crypto assets operate legally, promoting transparency and legitimacy within the industry.



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Compliance with the criteria and regulations set by TUBITAK is also essential, as it supports the secure and efficient management of technological infrastructures, ensuring reliability and high standards.

The law requires existing crypto asset service providers to apply for an operating license within one month of enactment or declare their intention to liquidate within three months without harming customer rights. New entrants must apply to the Board before starting their activities, ensuring compliance with secondary regulations and obtaining the necessary operating license.

Crypto asset service providers must now implement robust security measures and establish internal control units to manage systems securely and protect against potential cyber threats.

For establishment and operation, obtaining a license from the **Capital Markets Board is mandatory.**



KEY OBLIGATIONS UNDER THE NEW LAW

- 01 ESTABLISHES A CLEAR REGULATORY FRAMEWORK FOR CRYPTO ASSET SERVICE PROVIDERS AND PLATFORMS.
- 02 INTRODUCES LICENSING REQUIREMENTS TO ENSURE LEGAL OPERATION, PROMOTING TRANSPARENCY AND LEGITIMACY.
- 03 MANDATES ROBUST SECURITY MEASURES AND INTERNAL CONTROL UNITS TO MANAGE SYSTEMS SECURELY AND PROTECT AGAINST POTENTIAL CYBER THREATS.
- 04 REQUIRES COMPLIANCE WITH CRITERIA SET BY TUBITAK TO SUPPORT SECURE AND EFFICIENT TECHNOLOGICAL INFRASTRUCTURE MANAGEMENT, ENSURING RELIABILITY AND HIGH STANDARDS.
- 05 INTRODUCES IMPORTANT CRITERIA AND OBLIGATIONS FOR MANAGERS AND PARTNERS.
- 06 MANDATES RESILIENCE TO CONTINUOUS AND REGULAR OVERSIGHT AND INSPECTIONS.

What the New Law Takes Away...



- **Higher Compliance Costs:** The new regulations may increase compliance costs for crypto asset service providers. Licensing and regulatory requirements can pose a financial burden, especially for small and medium-sized enterprises.
- **Market Dynamics:** High regulatory standards may prompt some crypto firms to relocate their operations abroad. This could slow down the inflow of capital from countries with regulatory uncertainties, such as the United States.
- **Transition Period:** The transition period for existing crypto asset service providers to comply with the new regulations can create operational challenges. Maintaining customer services during this time may be difficult.

WHAT SHOULD BE DONE?



SECURE TECHNICAL INFRASTRUCTURE:

Service providers must secure their technical infrastructure against all types of risks to avoid liabilities for losses due to hacking or cyber attacks.

CAREFUL FORMATION OF COMPANY STRUCTURES:

In company formations, the partnership structures should be meticulously designed, and partners and managers must have the legally required qualifications.

PAYMENTS TO TUBITAK AND CMB:

A 1% portion of the revenues must be paid to TUBITAK and the Capital Markets Board.

PREPARATION OF REPORTS AND INFORMATION:

Numerous reports and information must be prepared and provided upon the administration's request.

COMPLIANCE WITH CONTROLS AND INSPECTIONS:

Failure to comply with controls and inspections will result in administrative penalties.

SEPARATION OF CUSTOMER FUNDS:

Service providers are required to keep customer funds in banks and separate customer cash and crypto assets from their own assets.

Global Perspective

BALANCING INNOVATION AND COMPLIANCE

As global efforts to regulate cryptocurrencies accelerate, Turkey's steps in this area are noteworthy. The European Union's MiCA regulations and the regulatory uncertainties in the United States heighten global regulatory competition. Turkey's new regulations strengthen the legal framework for crypto assets in the country, potentially boosting investor confidence. Recent events, such as the SEC's lawsuit against ConsenSys regarding MetaMask's staking and brokerage activities, highlight the increasing scrutiny on crypto firms.

The SEC alleges that MetaMask acted as an unregistered securities broker and that its staking services violated securities laws. This action may appear to be part of the SEC's effort to classify a wide range of crypto activities as securities. It may also indicate that stringent measures are being taken against staking services following the approval of Ether ETFs.



At the beginning of 2024, the U.S. Securities and Exchange Commission (SEC) approved 11 spot Bitcoin ETF applications, a milestone development for the crypto world. Now, the SEC seems eager to demonstrate once again that it wants to be an active player on the global stage. Recently, SEC Chairman Gary Gensler provided an update on the status of spot Ethereum ETFs. According to Gensler, there are no issues with launching the first spot Ethereum ETFs in the U.S. He emphasized that detailed disclosures by asset managers are crucial for investor decisions, and it seems that we will witness the ETFs starting to trade in July. We will all see how this global market, closely interconnected, will be shaped by local and national laws and regulations. We continue to closely monitor the developments.



The SEC's actions underscore the importance of having a robust regulatory framework that can adapt to the fast-paced developments in the crypto industry. Turkey's approach, which involves clear licensing requirements, customer protection measures, and compliance with T  B  TAK standards, sets a strong example. However, the potential operational and financial strains on smaller service providers must be managed carefully to maintain competitiveness and innovation.

Additionally, Gensler highlighted the SEC's stance on crypto, stating, "The American public is not getting the proper disclosure that they are required to get by law, but they need." This statement underscores the SEC's commitment to ensuring transparency and protection for investors in the crypto market.

Turkey's new regulations present both opportunities and challenges for crypto asset service providers. While the detailed and clear regulations support the sector's development, the compliance costs and market dynamics require careful management. This comprehensive regulatory framework aims to enhance security, transparency, and trust in the Turkish crypto market.

