



Guardians of Capital: The Legal Anatomy of Portfolio Management Companies

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1. Introduction

With the development of the capital markets in Türkiye and worldwide, investors have increasingly sought professional assistance in the management of their assets and have therefore turned to portfolio management companies (“**PMCs**” or “**Company**”). Portfolio management companies are joint-stock companies whose principal field of activity is the establishment and management of investment funds, as defined under Article 55 of the Capital Markets Law No.6362 (“**Law**”).

In Türkiye, the legal framework governing PMCs is established by the Communiqué on Portfolio Management Companies and the Principles Regarding Their Activities (III-.55.1) (“**Communiqué**”) issued by the Capital Markets Board (“**Board**”) pursuant to the Law.

This article outlines the establishment and licensing requirements applicable to PMCs, together with their organizational structure and operational activities.

2. Requirements for Establishment and Operating License

The establishment of a PMC is subject to the prior approval of the Board. Accordingly, entities applying for incorporation approval must be established as joint-stock companies operating under the registered capital system. Furthermore, all shares must be registered and issued entirely against cash consideration. As of 2026, the minimum initial share capital required is TRY 150,000,000. In addition, the Company’s articles of association must be fully compliant with the Law and secondary legislation issued by the Board. It should also be noted that the use of the phrase “portfolio management” in the Company’s trade name is mandatory.

The founding shareholders must also satisfy the following conditions: **(i)** not be bankrupt, not have declared concordat, nor be subject to a court decision granting the postponement of bankruptcy; **(ii)** not have been among the persons responsible for events leading to the revocation of an operating license by the Board in respect of any institution; **(iii)** not have any finalized criminal conviction for the offenses specified under the Law and the Communiqué; **(iv)** neither they nor any entity in which they hold a qualifying interest must have entered into liquidation; **(v)** not be subject to any prohibition on conducting commercial or financial transactions; **(vi)** have no overdue tax liabilities; **(vii)** possess the integrity, honesty and professional reputation required by the nature of the business and **(viii)** have sufficient financial strength.

Upon satisfying the foregoing requirements and receiving incorporation approval from the Board, the PMC must apply for an operating license within 3 (three) months from the formal notification date; otherwise, the incorporation approval shall be revoked.

For the Board to evaluate the application for an operating license submitted by a PMC, it is mandatory that the Company must **(i)** continue to satisfy the incorporation requirements; **(ii)** comply with the applicable capital adequacy requirements; **(iii)** entered into an agreement with a portfolio custodian for the provision of portfolio custody services; **(iv)** appointed its general manager and **(v)** met the required personnel qualifications.

It should also be noted that a PMC intending to engage in portfolio management and/or investment advisory activities must obtain a separate authorization certificate from the Board for such activities.

The Board may restrict, revoke or temporarily suspend a PMC's operating license and/or authorization certificate based on the following grounds: **(i)** non-compliance with the applicable legislation, articles of association, fund internal regulations or prospectus; **(ii)** deterioration of the Company's financial structure; **(iii)** failure to maintain the establishment and operating requirements; **(iv)** failure to increase or replenish the required collateral within 3 (three) months following the Board's request; **(v)** the PMC expressly waiving its authorization to conduct the relevant activity or failing to commence any activity within 2 (two) years of receiving its operating license and **(vi)** the operating license having been obtained by unlawful means.

If a PMC's operating license and/or authorization certificate is revoked, the investment funds established and managed by the Company, along with the portfolios of other persons under its management, shall be transferred to another PMC deemed appropriate by the Board. Where the activities of a PMC are temporarily suspended or its operating licenses are revoked, such decision shall, upon notification by the Board, be announced without delay on the Company's website and through the Public Disclosure Platform (KAP).

3. Organizational Structure of Portfolio Management Companies

The organizational structure of a PMC principally consists of: **(i)** the board of directors; **(ii)** the general manager (and deputy general managers); **(iii)** the internal control unit; **(iv)** the risk management unit; **(v)** the inspection unit; and **(vi)** the fund services unit.

The Communiqué prescribes certain qualifications for managers and personnel serving within a PMC's organizational structure. Accordingly, the board of directors must consist of at least 3 (three) members. Both the members of directors and the general manager are required to satisfy the eligibility criteria applicable to founding shareholders (excluding the requirement relating to sufficient financial strength). In addition, such individuals must satisfy further qualifications, including holding at least a bachelor's degree from a four-year higher education institution, possessing the requisite professional experience and holding the relevant capital markets activities license.

Likewise, deputy general managers, research specialists, fund managers, internal control officers, inspectors, portfolio managers, risk management personnel and investment advisers must satisfy the eligibility criteria applicable to founding shareholders (excluding the requirements concerning the absence of overdue tax liabilities and sufficient financial strength).

In addition to these qualification requirements, the Communiqué also sets out the principles that PMC managers and personnel must observe in performing their duties. Accordingly, they are obliged to exercise the professional care, diligence and prudence required in carrying out their duties and making decisions. Furthermore, they are subject to a duty of confidentiality with respect to the confidential information and trade secrets of the clients they serve. Portfolio managers, in particular, are required to act honestly, impartially and independently in the conduct of their activities and refraining from circumstances that may impair their independence.

Finally, to ensure the proper functioning of the Company's organizational structure and business operations, the Communiqué requires PMCs to establish a comprehensive conflict of interest policy.

4. Activities of Portfolio Management Companies and Portfolio Management Agreements

The main business activity of PMCs is the establishment and management of investment funds. The management of the portfolios of investment companies, pension funds and foreign collective investment undertakings established abroad that are equivalent thereto also falls within the Company's principal field of activity.

PMCs may also be established exclusively for the purposes of: **(i)** establishing and managing foreign collective investment undertakings whose units will be marketed solely to non-residents in Türkiye and provide portfolio management services exclusively to such persons; **(ii)** establishing and managing venture capital investment funds; **(iii)** establishing and managing real estate investment funds; or **(iv)** establishing and managing both real estate investment funds and venture capital investment funds.

A PMC is required to enter into a written "portfolio management agreement" with each client (except for funds established by the Company itself), which must contain at least the minimum provisions prescribed in the annexes to the Communiqué.

The Company is directly liable to its clients for any losses arising from acts or omissions of its portfolio managers that breach the portfolio management agreement, the fund internal regulations, the prospectus, the articles of association, capital markets legislation or applicable general provisions, as well as for any breach of the duties of care and loyalty. No contractual provision may exclude or limit such liability under the portfolio management agreement.

Upon obtaining the relevant authorization certificate from the Board, a PMC may provide individual or collective portfolio management services. For the purpose of clarification, collective portfolio management activity refers to managing client portfolios, in an agency capacity under a portfolio management agreement, aiming to generate financial benefit for each client

individually. Within the scope of collective portfolio management activities, the services provided by a PMC primarily include portfolio management, client relationship management, monitoring the portfolios' compliance with applicable legislation and fulfilling obligations arising from transactions and agreements. When conducting these activities, PMC is required to safeguard the interests of the unit holders and shareholders of collective investment undertakings. The principles governing these obligations are set forth under Article 33 of the Communiqué.

Finally, in addition to the activities and services that PMCs are authorized to provide, Article 16 of the Communiqué also sets out the activities and transactions that PMCs are prohibited from carrying out. Accordingly, PMCs may not **(i)** engage in brokerage activities; **(ii)** issue documents relating to capital market instruments; **(iii)** lend money; **(iv)** borrow funds, except where necessary to meet short-term cash requirements; **(v)** engage in any commercial, industrial or agricultural activity other than those permitted under the Communiqué; **(vi)** acquire assets exceeding those necessary for their business operations; **(vii)** accept deposits and **(viii)** hold shares in companies that hold more than 10% of the PMC's share capital, or in companies where the PMC's managers, individually or jointly, hold more than 25% of the share capital.

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