

TIME TO RECONSIDER THE REGULATORY STRUCTURE OF THE TURKISH WEALTH FUND: A SHORT REVIEW

TÜRK VARLIK FONUNUN REGÜLATİF (DÜZENLEYİCİ) YAPISININ YENİDEN GÖZDEN GEÇİRİLMESİ ÜZERİNE KISA BİR ÇALIŞMA*

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ÖZ

Varlık fonu, vatandaşların uzun vadeli ekonomik çıkarlarını korumak için genellikle devletlere ait finansal varlıklar üzerinde yapılandırılmıştır. Bu fonlar devletlere aittir ve özel ticari kuruluşlar olarak hükümetin yürütme organları tarafından işletilir. Varlık fonları, ülke ekonomilerini istikrara kavuşturan büyük ölçekli projeleri finansal olarak desteklemekle kalmayıp, aynı zamanda yurt içi ve uluslararası finans piyasalarında yatırım fırsatlarını artırmak için de kullanılır. İlgili fonlar üzerinde finansal sistematik riski azaltmak için temelli bazı hukuk prensipleri kabul edilmelidir. Kanun koyucu tarafından varlık fonlarının karmaşık doğasından kaynaklanan yasal sorunların dikkatle izlenmesi gerekir. Türkiye Varlık Fonu, 2016'da anonim şirket olarak kurulmuştur ve Türk özel hukuku esaslarına tâbidir. Varlık fonunun mevcut yasal yapısı, varlık fonu yönetim kurulu üyelerinin atanma yöntemi hâlihazırdaki sistemde, temel hukuki sorunlardır. Hükümetlere etkili idare hukuku ilkeleri temelinde tavsiye veren Santiago ilkeleri, yerel mali piyasalarda hesap verilebilirliği ve şeffaflığı teşvik etmek için mevcut Türk mevzuatına dikkatlice uyarlanmalıdır. Bu çalışmada, özellikle yönetim kurulu üyelerinin atamalarının yürütme ve yasa organları tarafından iş birliği içinde yapılması ve yönetim kurulu üyelerinin ticari faaliyetlerinden sorumlu olması gerektiği önerilmektedir. Ayrıca, Türkiye Varlık Fonu, yurtiçi menkul kıymetler piyasasında şeffaflığını artırmak için güçlü bir kamuyu aydınlatma rejimi benimsemelidir.

Anahtar Kelimeler: Varlık Fonları, Şeffaflık, Hesap Verilebilirlik, Santiago Prensipleri, Denetleme Mekanizmaları.

ABSTRACT

A sovereign wealth fund is generally structured on state-owned financial assets to protect citizens' long-term economic interests. Sovereign wealth funds are owned by states and generally operated by executive branches of government as private business entities. Sovereign wealth funds are beneficial in terms of not only supporting large-scale projects financially by stabilizing countries' economies but also increasing investment opportunities in domestic and international financial markets. Legal problems arising due to the complex nature of sovereign wealth funds need to be monitored carefully while adopting effective rules and regulations for risk mitigation. The Turkish Wealth Fund was established as a joint-stock company and subjected to the principles of Turkish private law in 2016. The current regulatory structure of the Wealth Fund brings about some legal problems such as challenges in the appointment of board members. The Santiago Principles which provide effective administrative law principles to governments ought to be adopted into the current Turkish legislation to promote accountability and transparency in the domestic financial markets. In particular, the paper proposes that the appointment of the board members should be exercised by the executive and legislative branches of the state collaboratively while board members ought to be accountable for their business operations. In addition, it is suggested that the Turkish Wealth Fund adopts a vigorous public disclosure regime to increase its transparency in the domestic securities market.

Keywords: Sovereign Wealth Funds, Transparency, Accountability, Santiago Principles, Auditing Mechanisms.

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I. INTRODUCTION

The Coronavirus pandemic has hit global financial markets dramatically since February 2020. Developed countries announce significant economic reforms including relief packages to companies and individuals. Similarly, emerging countries strive to furnish a modest level of economic assistance to companies. In the meantime, financial institutions to be utilized in funding of the companies become a significant question in emerging countries because of limited economic sources.¹

In particular, the Turkish policymakers are determined to provide the best opportunities for those companies suffering severely during the pandemic-related economic crisis.² Consequently, the board of the Turkish Wealth Fund announced that public companies and small businesses could receive loans from the Turkish Wealth Fund if the Turkish policymakers amend the legislation and regulations.³ Most participants in the domestic securities markets are also in favor of similar proposals in which the Turkish Wealth Fund is an active and engaging actor in the Turkish financial markets.⁴ On the other hand, some economists and lawyers are cynical about prospective legal amendments because of the accountability and

transparency of the country's sovereign wealth fund.⁵ The new legal reforms could exacerbate the current legal issues that are mostly based on the regulatory structure of the Turkish Wealth Fund.

This article suggests that Turkish lawmakers need to revise the regulatory structure of the Turkish Wealth Fund by adopting legal reforms for accountability and transparency in the domestic financial markets. The current legal structure of the Wealth Fund is based on an unsophisticated regulatory system in which the corporate governance issues may cause high-level risks to stability and is susceptible to systemic risks

This paper proposes some crucial legal tools for Turkish lawmakers. Both transparency and accountability recommendations are stipulated to improve the effectiveness of the Turkish Wealth Fund's legal structure. This short paper comprises of four subsections.

The first subsection of the article explains historical developments of sovereign wealth funds. The following subsection describes the background developments of the Turkish Wealth Fund. In the third subsection, the current legal issues arising from the regulatory structure of the Turkish Wealth

¹ **Bernardo**, Bortolotti & **Veljko** Fotak & **Chloe** Hogg (2020), 'Sovereign Wealth Funds and the COVID-19 Shock: Economic and Financial Resilience in Resource-Rich Countries', BAFFI CAREFUL Working Papers 20147, BAFFI CAREFUL, Centre for Applied Research on International Markets Banking Finance and Regulation, page 1-6. See also, **Soddu**, Enrico, Valdai Discussion Club, The Role of Sovereign Wealth Fund < <https://valdaiclub.com/a/highlights/the-role-of-sovereign-wealth-funds-in-the-pandemic/> > last accessed 04.06.2022.

² **Kozok**, Firat, Bloomberg, Turkish Wealth Fund to Get Critical Role for Post-Pandemic World, <<https://www.bloomberg.com/news/articles/2020-04-14/turkey-proposes-law-to-enable-sovereign-fund-s-aid-for-economy>> last accessed 04.06.2022.

³ **Eroglu**, Erdal (2020). 'Covid-19'un Ekonomik Etkisinin ve Pandemiyle Mücadele Sürecinde Alınan Ekonomik Tedbirlerin Değerlendirilmesi', **International Journal of Public Finance**, Vol: 5, N:2 , p. 230-233. See also, **The Turkish Wealth Fund**, Türkiye Varlık Fonu 4 Temel İlke ve Değer Doğrultusunda Hareket Eder<<https://www.tvf.com.tr/biz-kimiz/kurumsal-yonetim/degerlerimiz>> last accessed 04.06.2022.

⁴ **Engin**, İsmail (2022), 'Türkiye Varlık Fonunun Potansiyel Riskleri', Ankara Hacı Bayram Veli Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi, Vol: 24, N:1, p. 142-146.

⁵ **Wright**, Christ (2020), 'Euromoney, Older and Wiser: How Sovereign Wealth Has Responded to Covid-19', <<https://www.euromoney.com/article/27ft5h678f5ma5k6xkxkw/capital-markets/older-and-wiser-how-sovereign-wealth-has-responded-to-covid-19>>last accessed 04.06.2022.

Fund are examined. The final section proposes that the current legislation could be amended immediately by adopting new legal tools to promote transparency and accountability.

II. BACKGROUND

This subsection examines why and how sovereign wealth funds are established in the global financial markets.

The sovereign wealth fund is a state-owned fund or/and entity based on the government's reserved capital for long-term investments.⁶ The sovereign wealth funds are also called "the wealth fund" in the literature on the financial market principles.⁷ The main revenues of the wealth funds derive from the revenues of the states' natural resources such as oil and natural gas, privatizations of the state-owned companies, central bank reserves, and other government financial sources.⁸

Sovereign wealth funds propose to improve countries' long-term economic goals. In addition, sovereign wealth funds guarantee proper wealth management to citizens of the countries. The sovereign wealth fund is structured on a high-level risk tolerance while achieving long-term goals in capital markets. Nonetheless, the potential risks are high in long-term capital gains. The regulatory structures of wealth funds are mostly criticized for lacking

accountability and transparency while managing billion dollars on the behalf of the citizens. Moreover, corruption and money laundering could be other legal problems if the management of the sovereign wealth funds does not function properly under their policies and legislation.⁹

Kuwait established the first sovereign wealth fund in global financial markets at the beginning of the 1970s. However, the structures of the sovereign wealth funds were not developed globally until the 1990s. Besides the oil-rich Arab States of the Persian Gulf, the Norwegian policymakers established a well-developed wealth fund in the 1990s. In particular, the Sovereign Wealth Fund of Norway promoted to protect the young generation of Norwegians while lending a significant amount of money to multinational investment companies.¹⁰

By 2008, China, Iran, Russia, Qatar, United Arab Emirates, and Saudi Arabia formed their sovereign wealth funds respectively. The values of sovereign wealth funds increased quickly in the global financial markets. In the interim, some policymakers, participants of the financial markets, and institutional investors raised significant regulatory concerns relating to the lack of an international auditing mechanism for sovereign wealth funds.¹¹

The International Monetary Fund (IMF) encouraged twenty-three countries that own sovereign wealth funds to establish an international

⁶ **Twin**, Alexandra, Investopedia, Sovereign Wealth Fund (SWF), <https://www.investopedia.com/terms/s/sovereign_wealth_fund.asp(2019) >last accessed 04.06.2022.

⁷ **Amanda**, Rose & **Epstein** Richard A (2009), 'The Regulation of Sovereign Wealth Funds: The Virtues of Going Slow', 76 University of Chicago Law Review, Vol:76, N:111.

⁸ **Zhao**, Feng, (2009), 'How Should Sovereign Wealth Funds Be Regulated?', Brook. J. Corp. Fin. & Com. L. Vol:3, N:2, p. 483-486.

⁹ **Kratsas**, Georges & **Truby**, John (2015), 'Regulating Sovereign Wealth Funds to Avoid Investment Protectionism', *Journal of Financial Regulation*, Vol: 1, N:1,p. 95-134. See generally **Zhao**.

¹⁰ **Kryvoi**, Yarik & **Kovacs** Robert, (2021), 'Sovereign Wealth Funds: Transitional Regulation and Dispute Resolution', *British Institute Comparative International Law*, Vol: 144, p. 11-17.

¹¹ **Tejera**, Victorino (2016), 'The U.S. Law Regime of Sovereign Immunity and the Sovereign Wealth Funds', 25 U. Miami Bus. L. Rev., Vol: 25, N:1, p. 5.

association in 2008. Thereafter, the International Working Group of Sovereign Wealth (IWG) was formed by these twenty-three countries under the coordination of the IMF. The IWG gathered information regarding the then-prevailing regulatory and industrial concerns and potential solutions for an international framework. States are strongly encouraged to adopt the voluntary guidelines in their national legislation. Under the coordination of the IMF, the Sovereign Wealth Funds: Generally Accepted Principles and Practices (GAPP) was accepted in 2008. The GAPP is shortly known as the Santiago Principles.¹²

The main purpose of the Santiago Principles is to promote global financial stability and the free flow of capital for domestic and international investments. The framework of Santiago Principles is based on a voluntary approach in which best practices are encouraged in the states. The framework is structured on twenty-four principles. These principles regulate three important subjects of sovereign wealth funds, namely, governance, accountability, and transparency. While the founding members of the IWG sought dedication to adopt these principles to their national legal system, new countries that initially establish sovereign wealth funds considered this framework as a milestone code for good practice in global financial markets.¹³

As an example, the Turkish policymakers discussed the importance of the Santiago Principles while passing the legislation for the establishment of the Turkish Wealth Fund.¹⁴ The IWG transferred its obligations and functions to the International Forum of Sovereign Wealth Funds as a permanent mission under the Kuwait Declaration.¹⁵

III. ESTABLISHMENT OF THE TURKISH WEALTH FUND

The legislative efforts for the creation of the Turkish sovereign wealth fund were held to a minimum until 2016. Turkey was the last G20 country to form its sovereign wealth fund. This subsection of the paper examines why and how the Turkish Wealth Fund is established while shortly reviewing its legislative history.

After the failing violent military coup in July 2015, the Turkish policymakers were concerned about prospective economic instabilities and economic crisis since the Turkish financial markets were manipulated severely during 2016. The Turkish General Assembly passed the legislation titled “The Law No. 6741 on Establishment of Turkey Wealth Fund Management Company and Amendments in Certain Laws” in August 2016.¹⁶ The legislation serves several significant purposes in the Turkish financial markets.¹⁷

¹² **The International Working Group of Sovereign Wealth** (2008), *The Sovereign Wealth Funds: Generally Accepted Principles and Practices (GAPP)*, p. 4, <https://www.ifswf.org/sites/default/files/santiagoprinciples_0_0.pdf> last accessed 04.06.2022.

¹³ **Bismuth**, Regis (2017), ‘The Santiago Principles for Sovereign Wealth Funds: The Shortcomings and the Futility of Self-Regulation’, *European Business Law Review*, Vol:28, N:1, p.69 – 88. See also **Tejera**.

¹⁴ The Preamble of the legislation titled the Establishment of the Turkish Wealth Fund Management Joint Stock

Company (**the legislative history**) (2016), p. 5-6, <<https://www.tbmm.gov.tr/sirasayi/donem26/yil01/ss413.pdf>> last accessed 04.06.2022.

¹⁵ **The International Working Group of Sovereign Wealth** (2009), *Kuwait Declaration Establishment of the International Forum of Sovereign Wealth Funds*.

¹⁶ **Karagöl**, Erdal (2016), ‘The SETA Report of the Turkish Wealth Fund and Global Sovereign Wealth Fund’, <https://setav.org/assets/uploads/2016/11/20161028172334_varlik-fonu-pdf.pdf> last accessed 04.06.2022.

¹⁷ **The legislative history**, p. 5-6.

First of all, the legislation proposes to increase the values of state-owned government funds under an umbrella structure whilst encouraging professional management for the Turkish Wealth Fund. The management strategies are mostly based on the practical mechanism in which retirement and other government-owned portfolios are supposed to raise money for the citizens of Turkey. Secondly, the returning profits of the Turkish Wealth Fund are expected to be utilized for the funding of giant investment projects for airports, renewable energy platforms, bridges, subways, and hospitals. In other words, the profit of the Turkish Wealth Fund creates important funding resources for various investment projects in different sectors.¹⁸

Thirdly, the Turkish government portrays a dedication to attracting investment portfolios from the oil-rich Gulf states in the Middle East. Hence, the legislation promotes prospective cooperation with other countries' sovereign wealth funds and other investment portfolios. Finally, the legislation proposes to protect the future and financial interests of Turkish citizens.¹⁹

After the enactment of the legislation, the Ministry of Finance adopted the decree titled "Entry into Force of the Decision on the Structure and Functioning of the Turkish Wealth Fund Management Joint Stock Company."²⁰ Consequently, the office of the Turkish President became in charge to manage the Turkish Wealth Fund Joint Stock

Company under the current legislation, securities law, and other regulation.²¹

IV. REVIEW OF THE LEGAL FRAMEWORK OF THE TURKISH WEALTH FUND JOINT STOCK COMPANY

The Turkish Wealth Fund was established as a joint-stock company under Turkish private law. The Turkish government did not have sufficient experience to manage the investment portfolios in the financial markets by itself until the establishment of the Turkish Wealth Fund Joint Stock Company. This subsection of the paper examines the current legal issues arising from the legislation and regulations governing the Turkish Wealth Fund.

In civil law countries, there is a prominent difference between public law and private law which historically derives from the legal system's roots. Although the principles of private law applicable to companies, the latter enjoy exemptions from certain rules such as various obligations arising from administrative law.²²

The Turkish legal system is based on the civil law tradition. Conversely, most state-owned companies are regulated under Turkish public law. Therefore, some business operations including even daily trading activities of state-owned companies are governed by the principles of Turkish public law, particularly Turkish administrative law.²³

¹⁸ Aktas, Batuhan (2017), '6741 Sayılı Kanun Kapsamında Türkiye Varlık Fonu Yönetimi A.Ş. Ve Türkiye Varlık Fonu Hakkında Bir İnceleme', *Aurum Sosyal Bilimler Dergisi*, Vol: 2 N:1, p. 51-58.

¹⁹ *ibid.* See also **the legislative history.**

²⁰ Date: 26/8/2016 and number: 29813 the Turkish Official Gazette, available at <<https://www.mevzuat.gov.tr/mevzuatmetin/1.5.6741.pdf>> last accessed 04.06.2022.

²¹ *ibid.*

²² Tecimer, Cem (2019), 'The Use of Foreign Law in Turkish Constitutional Adjudication', *Anayasa Yargısı*, Vol: 36.

²³ *ibid.*

Turkish administrative courts exercise their judiciary power under the domestic administrative law and procedure legislations in which accountability of the Turkish government including independent regulatory authorities could be challenged easily for possible compensation and other legal reliefs.²⁴ The current legislation of the Turkish Wealth Fund intends to avoid possible conflicts arising from the nature and complexity of Turkish public law by specifically mentioning that solely the principles of Turkish private law apply to the governance structure of the Turkish Wealth Fund Joint Stock Company. In other words, the legislation claims that the Turkish Wealth Joint Stock Company is operated under Turkish private law.²⁵ As an example, the public audit mechanisms cannot apply to the Turkish Wealth Joint Stock Company because of the specific article for the principles of Turkish private law.²⁶

Under Article 4 of the legislation, the main financial resources of the Turkish Wealth Fund are structured on mostly state-owned companies' financial assets. The Board of the Privatization Fund needs to approve the transfers from state-owned portfolios to the Turkish Wealth Fund Joint Stock Company. In addition, the Turkish Wealth Fund can engage in potential cooperation with institutional investors in the domestic and foreign securities markets²⁷

Eighty percent of the state-owned companies' financial assets were transferred to the Turkish Wealth Fund in the years following its establishment.²⁸ In particular, securities of the state-owned banks, Turkish Airlines, the demutualized Istanbul Stock Exchange, and state-owned petroleum companies were transferred to the sovereign wealth fund. These transfers raise concerns in the Turkish financial markets about instability and high-level systematic risks.²⁹

The corporate governance of the Turkish Wealth Fund Joint Stock Company is another important subject in the legislation. The Turkish policymakers were willing to establish a different corporate governance regime for the Turkish Wealth Fund Joint Stock Company instead of treating the wealth fund as an ordinary either privately owned or publicly-owned company. Under Article 2 of the legislation, the Board of Directors of the Turkish Wealth Fund consists of minimum five members. The Turkish President is in charge of the appointment of the five directors. The Turkish President oversees the appointment of these five directors. The qualifications of the directors are based on their sectoral experience. The directors must work for at least five years in the following industries: banking, legal, treasury, and finance³⁰

The Board of Directors operates independently while managing the portfolios of the

²⁴ **Vural**, Seven (2017), 'Türkiye Varlık Fonu Yönetimi Anonim Şirketinin Hukuki Durumu ve Denetimi', Bahçeşehir Üniversitesi Hukuk Fakültesi Dergisi, Vol:12, N:157-158.

²⁵ *ibid.*

²⁶ **Körpe**, Vahit Mert (2020), 'Turkey Wealth Fund in the Perspective of Administrative Law' (Master's Thesis), Dokuz Eylül University Graduate School of Social Sciences Department of Public Law Program, p.72-74 & p. 165-168.

²⁷ Article 4 of the Establishment of the Turkish Wealth Fund Management Joint Stock Company, <[https://www.tvf.com.tr/uploads/file/law-no-](https://www.tvf.com.tr/uploads/file/law-no-6741.pdf)

[6741.pdf](https://www.tvf.com.tr/uploads/file/law-no-6741.pdf)>last accessed 04.06.2022. (This is an unofficial translation of the legislation.)

²⁸ **Tekten**, Emel (2018), 'Türk Ticaret Kanunundaki Hükümler Karşısında Varlık Yönetim Şirketlerinin Kuruluşu ve Kuruluşun İzne Tabi Olması', Erciyes Üniversitesi Hukuk Fakültesi Dergisi, Vol: 13, N:1, p.183-216.

²⁹ *ibid.*

³⁰ See, Article 2 of the Establishment of the Turkish Wealth Fund Management Joint Stock Company, <[https://www.tvf.com.tr/uploads/file/law-no-](https://www.tvf.com.tr/uploads/file/law-no-6741.pdf)

Turkish Wealth Fund itself while contracting with professional service providers such as portfolio management companies in the securities market. The corporate governance principles of the Turkish Wealth Fund are based on a complex system in which the Board of Directors is accountable to the company for its actions.³¹

The legislation of the Turkish Wealth Fund furnishes a unique auditing mechanism for the Turkish financial markets. Before the legislation, all entities and portfolios of the Turkish government were subject to public auditing mechanisms with different departments of the Turkish government in charge. However, the legislation of the Turkish Wealth Fund provides an important exemption by subjecting the company to an independent audit system. The independent auditing company the Turkish Wealth Fund contracts need to follow the Turkish Financial Reporting Standards which are mostly based on the International Financing Reporting Standards.³² That is how the auditing mechanisms of the Turkish Wealth Fund were designed to be more comprehensive and internationalized than the existing auditing mechanisms for the domestic state-owned companies.³³

Under the legislation, the Turkish President appoints three experts to review the reports of the independent auditing company. In other words, these three experts are mostly in charge of supervising the internal auditing mechanism of the Turkish Wealth Fund. The reports prepared by the

independent auditing company and the three experts are to be submitted annually to the Planning and Budget Commission of the Grand National Assembly of Turkey. The lack of public auditing system causes concerns about transparency in Turkish financial markets. Moreover, the legislation does not provide a full public disclosure system for the Turkish Wealth Fund.³⁴

V. RECOMMENDATIONS

The issues arising from corporate governance principles and the lack of an effective auditing system diminish the importance of the functions of the Turkish Wealth Fund. Neither foreign institutional investors nor domestic investors may be willing to cooperate with the Turkish Wealth Fund because of high systematic investment risks. This subsection of the paper proposes three legal reforms for Turkish lawmakers.

To begin with, the Turkish policymakers ought to review the method of the appointment of board members. Instead of granting all power solely to the Turkish executive branch, the Turkish General Assembly should oversee the appointment of at least three members of the board. More importantly, the members of the board should be accountable for their actions. In addition, it would be advantageous for the Board of Directors to establish some essential committees such as the audit

6741.pdf>last accessed 04.06.2022. See also, **Körpe**, p. 73-74. See also generally **Süslü, Güven** (2018), 'Turkey Wealth Fund According to Legal Arrangements', <<https://www.jurix.com.tr/article/14313>> last accessed 08.04.2022.

³¹ **Türkoğlu**, Karacaova (2019), 'Türkiye Cumhuriyeti'nin Yeni Hukuki Teknolojisi: Usule Bağlı Olmayan Bir Özelleştirme Yöntemi Olarak Türkiye Varlık Fonu', *ViraVerita E-Dergi*, p.

18-24 <<https://dergipark.org.tr/en/pub/viraverita/issue/50778/607406>> last accessed 04.06.2022.

³² **Gözler**, Kemal (2019), 'Cumhurbaşkanlığı Hükümet Sisteminin Uygulamadaki Değeri Bir Buçuk Yıllık Bir Bilanço', <<https://www.anayasa.gen.tr/cbhs-bilanco.htm>>last accessed 04.06.2022.

³³ **ibid.**

³⁴ **ibid**

committee, corporate governance committee, and early detection of the risk committee.³⁵

Further, it would be opportune for the Turkish Wealth Fund to respond to concerns relating to the transparency issues by introducing a strong public disclosure regime by adopting domestic mechanisms under the Santiago Principles. In parallel, the establishment of a transparency department for the Turkish Wealth Fund would be appropriate. Moreover, the auditing reports ought to be made available to the public on the website of the Turkish Wealth Fund³⁶

It has been mentioned that increasing concerns and critiques diminish the business reputation of the Turkish Wealth Fund. Accordingly, the company needs to focus on projects promoting corporate social responsibility. These three recommendations could assist the Turkish Wealth Fund's independent operation as well as promote transparency and accountability as crucial administrative law principles.³⁷

VI. CONCLUSION

Sovereign wealth funds are generally established to respond to citizens' needs as state-owned funds. Most countries enjoy the advantages of sovereign wealth funds such as protecting next generations' economic interests. Managements of the sovereign wealth funds are based on a complex regulatory structure in which executive branches of

governments appoint many or all members of the board of directors of sovereign wealth funds.

To manage potential conflicts of interest arising mostly from the nature of the regulatory structure of sovereign wealth funds, the Santiago Principles need to be implemented into the domestic law of jurisdictions. In particular, board members of wealth funds should be accountable for their business operations. Additionally, the regulatory structure of wealth funds ought to be transparent as it can be to the public, particularly concerning financial markets.

The Turkish Wealth Fund supports economic development and investments while promoting wealth to Turkish citizens, particularly the next generation. Several years after its establishment, the significance of the Turkish Wealth Fund Joint Stock Company, presented itself more visibly as potentially high risks in the financial markets escalated. As an inevitable consequence, revision of the legislation governing the Turkish Wealth Fund for increased transparency and accountability has become imperative.

The article proposes three recommendations to Turkish policy-makers to decrease high-systematic risks. First, the Board of Directors' appointing method shall be altered by sharing power between the executive and legislative branches of the state. Second, the Turkish Wealth Fund ought to adopt a robust public disclosure regime to promote transparency in the Turkish securities market. Third, the implementation of corporate social responsibility

³⁵ *ibid.*

³⁶ **Zhang**, Jin (2016), 'Enhancing the Transparency of Sovereign Wealth Funds: From the Middle East to China', *Journal of Middle Eastern and Islamic Studies (in Asia)*, Vol: 10, N: 1, p. 90-120.

³⁷ Please see similar recommendations: **Velayutham**, S., & **Hasan** R. (2021), 'Sovereign Wealth Funds And Corporate Social Responsibility: A Comparison Of Norway's Government Pension Fund Global and Abu Dhabi Fund for Development, Public Administration and Policy', (In-Press).

principles could be a significant legal tool to improve the business reputation and sustainability of the Turkish Wealth Fund. Current legislation should be harmonized with the Santiago Principles to promote the Turkish Wealth Fund's accountability, transparency, and sustainability.

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