FOREIGN SECURITIES MARKET "INTERNATIONAL BONDS MARKET" SETTLEMENT APPLICATION PRINCIPLES

The outright buy-sell transactions of foreign borrowing instruments issued by the Treasury of Republic of Turkey are realized in the ISE Foreign Securities, International Bonds Market.

1. BASIS

The settlement of the transactions realized in the ISE Foreign Securities, International Bonds Market is concluded by our Bank within the framework of the Communiqué no 261 of ISE.

2. PRINCIPLES OF SETTLEMENT

Netting: Netting is performed on securities definition, value and foreign currency basis. There is no netting between different types of foreign currency. The obligations are fulfilled over netted amounts.
The transactions realized in the outright buy sell market for domestic government bonds with foreign currency denomination and the transactions realized in the international bonds market are not netted with each other. For example, if a member is creditor from the outright buy sell market for domestic government bonds with foreign currency denomination with same day value in the amount of $ 10,000 and debtor to the international bonds market in the amount of $ 9,500 then he is obliged to pay $ 9,500 until the deadline for the fulfillment of obligation.

Delivery versus Payment: In order to minimize the risk in settlement transactions, the principle of non-delivery or non-payment without consideration is applied. Unless they fulfill their settlement obligations the members can not get their settlement receivables.

Book-entry Settlement: The cash/securities debts to settlement are paid as book entry. The settlement receivables are transferred to the related accounts of the members with correspondent banks, which they have informed to Takasbank.

Settlement Guarantee: Our Bank does not provide any guarantee with respect to timely completion (on value date) of the transactions. The payment/transfer of cash and/or securities receivables to the members having fulfilled their obligations is dependent on the availability of related cash and securities in the settlement pool as a result of the fulfillment of obligations by other members in other words the timely fulfillment of obligations by debtor members.

3. SETTLEMENT TRANSACTIONS

The buy-sell transactions of Eurobonds can be made with minimum three and maximum fifteen days value. Business day is the day local markets of Turkey, Euroclear Bank and the trading foreign currency are officially open. In USD transactions business days are the days Turkey, Euroclear Bank and Citibank/New York and in Euro transactions, Turkey, Euroclear Bank and Citibank/Frankfurt are officially open.

Due to the availability of trading securities abroad and execution of transactions in foreign currency, Takasbank concludes the said transactions via its correspondent banks.

The members inform Takasbank via a general instruction about the bank and account number where they want their cash receivables to be transferred according to each currency type they trade and the custody institution and account number where they want their securities receivables to be transferred. Members who want to change the said banks or account numbers have to inform this to Takasbank at least 1 business day in advance.

The information relating to correspondent banks and account numbers to be used for the fulfillment of settlement obligation is given below.

Obligation Type	Correspondent Bank	Account Number
Securities	Euroclear Bank	97325
USD	Citibank/New York	36125331
Euro	Citibank/Frankfurt	4115556016

3.1. Transactions Realized in USD

Fulfillment of Obligations

- The buyer member (debtor of cash, creditor of securities) sends an instruction to its correspondent bank for making payment with V day value to the account of Takasbank with Citibank/New York no. 36125331. It should have fulfilled the cash obligations on V day. Otherwise, the member will be deemed in default and default provisions will be applied.

- The seller member (debtor of securities, creditor of cash) transfers its securities debts to the account of Takasbank with Euroclear Bank no. 97325 on V day until 16:30 (local Turkish time). The member not fulfilling its securities obligations on V day until 16:30 (local Turkish time) will be deemed in default and default provisions will be applied.

Payment of Receivables

- For the transfer of securities receivables of the members having fulfilled the cash obligation on V day until 16:30 (local Turkish time), an instruction is sent by Takasbank to Citibank/New York for making payment to related accounts with V day value.

- For the transfer of securities receivables of the members having fulfilled the cash obligation on V day until 16:30 (local Turkish time), an instruction is sent by Takasbank to Euroclear Bank on V day. However, the securities receivables of the members having fulfilled the cash obligation on V day after 16:30 (local Turkish time) can be transferred to related accounts on V+1 day.

3.2. Transactions Realized in Euro

Fulfillment of Obligations

- The buyer member (debtor of cash, creditor of securities) sends an instruction to its correspondent bank for making payment with V day value to the account of Takasbank with Citibank/Frankfurt no. 4115556016. It should have fulfilled the cash obligations on V day. Otherwise, the member will be deemed in default and default provisions will be applied.

- The seller member (debtor of securities, creditor of cash) transfers its securities debts to the account of Takasbank with Euroclear Bank no. 97325 on V day until 16:30 (local Turkish time). The member not fulfilling its securities obligations on V day until 16:30 (local Turkish time) will be deemed in default and default provisions will be applied.

Payment of Receivables

- For the transfer of securities receivables of the members having fulfilled the cash obligation on V day until 16:30 (local Turkish time), an instruction is sent by Takasbank to Citibank/Frankfurt for making payment to related accounts with V day value.

- For the transfer of securities receivables of the members having fulfilled the cash obligation on V day until 16:30 (local Turkish time), an instruction is sent by Takasbank to Euroclear Bank on V day. However, the securities receivables of the members having fulfilled the cash obligation on V day after 16:30 (local Turkish time) can be transferred to related accounts on V+1 day.

4. DEFAULT TRANSACTIONS

The members not having fulfilled the cash and securities obligations relating to Eurobonds within above mentioned periods will be deemed in pre-default/default without the need to send any notification.

For the securities subject to pre-default/default, the total Stock Exchange values calculated over weighted average prices of related securities on transaction days and for the cash subject to pre-default/default, the total cash value would be taken as basis and thus the default interest calculated. The TRY value of calculated pre-default/default interest will be found by basing on foreign currency buying rate announced by R.T. Central Bank on related value date.

Pre-default and default penalties vary according to the fulfillment times of the obligation.

OBLIGATION TYPE	TIME INTERVAL	COEFFICIENT
SECURITY	16:31-17:30	0,50
SECURITY	After 17:30 with same day value	3,00
CASH/SECURITY	After value date	3,00

The lowest and highest pre-default interest applied for the members having fulfilled securities obligation between 16:31-17:30 will be determined for each calendar year by the Board of Directors of the Stock Exchange upon proposal of the Presidency of the Stock Exchange.
For 2007, the lower limit has been determined as 11,84 TRY and the upper limit as 201.690,57 TRY. For securities obligations fulfilled after 17:30 with same day value and cash/securities obligations fulfilled after value date no upper limit is applied.

The default penalty is calculated by basing on the higher of overnight weighted average interest rate occurred in the ISE Repo-Reverse Repo Market or the CBT Inter-bank money market.
Pre-default and default interests are paid within 1 business day from the accrual date.

For the members being in creditor position for cash or securities, %100 of 2 times the highest overnight weighted average interest rates occurred in the ISE Repo-Reverse Repo Market or the CBT Inter-bank money market are paid for payments or deliveries not made on value day. In order to effect this payment, it is required that the non-payment or non-delivery on value day should not stem from problems to occur in the systems of the ISE, Takasbank or the correspondent banks of Takasbank, the member in creditor position for cash or securities should fulfill its cash or securities obligations on time and the written objection of the defaulting member with respect to cash or securities will be invalidated and default interest is collected.

5. TRANSACTION EXPENSES

Fees, commission and taxes to be requested by other banks and institutions due to cash and securities movements relating to the settlement transactions of our Bank will exactly reflected to the related members in certain periods. Fees to be incurred due to engagement of another securities custodian other than Euroclear and Clearstream Luxembourg will be separately reflected.