

ISE BONDS AND BILLS MARKET SETTLEMENT TRANSACTIONS APPLICATION PRINCIPLES

1. BASIS

ISE Bonds and Bills Market Settlement Transactions are performed by our Bank within the framework of the provisions of Regulation on the ISE, Regulation for Clearing and Custody Centers of the ISE and Regulation on Bonds and Bills Market of the ISE and based on the authority granted by these regulations, the decisions taken by the Board of Directors of the Stock Exchange and the Chairman of the Stock Exchange regarding settlement and default transactions and circular and general letters issued by the Presidency of ISE.

2. PRINCIPLES OF SETTLEMENT

The settlement of the transactions in the Bonds and Bills Market is performed on the same day (T+0), for forward transactions on the value date according to the principles mentioned below. The settlement of Domestic Government Bonds with foreign currency denomination is performed on the T+3 day.

Netting: The buy/sell transactions in Outright Purchases and Sales Market and the transactions in Repo-Reverse Repo Market are netted. The transaction in Outright Sale Purchase Market and the securities indebted to in return for Repo and the securities having as credit due to return of repo will be netted and net debit or credit is constituted on securities and TRY basis. However, the securities purchased via reverse repo (other than chain transactions) are blocked at the In-Exchange Reverse Repo Collateral Depot number 1101 of the related member with us until Value 2 date and won't be included in the netting.

Delivery versus Payment: Delivery versus payment principle is applied in settlement transactions. Unless the members fulfill their settlement obligations they can not get the receivables due to settlement. However, in return for partially fulfilled obligations the receivables will be paid partially in proportion to covered debt.

Book-entry Settlement: Securities/cash debts to settlement are paid as book entry. Settlement receivables are transferred to the related accounts of the members with us.

Settlement Guarantee: Our Bank does not warrant that the transactions will be completed on value date and within its due time. The timely completion of settlement transactions depends on the timely fulfillment of obligations by debtor members.

However, in case of default with respect to fulfillment of obligations relating to the transactions in the ISE Bonds and Bills Market a **Guarantee Fund** has been established within the framework of article 34 of Regulation on the ISE to facilitate the timely realization of cash settlement transactions and distribution of cash receivables in the earliest time possible. To the extent the fund availability is sufficient it can provide the

completion of settlement transactions in its due time. The fund does not give any guarantee or commitment with respect to certain completion of settlement on time.

3. BONDS AND BILLS MARKET SETTLEMENT PROCESS

- When a transaction is made in the ISE Bonds and Bills Market, such transaction is electronically transferred to Takasbank system.
- As of 15:00 agreement is reached with the ISE in electronic environment regarding the obligations of the members.
- Netting is made and debit/credit information is constituted on member basis.
- For securities debts the system automatically performs debt coverage transaction. If the related depot balance of the members is sufficient for the entire debt then the entire debt is covered and if not, the debt corresponding to the nominal value in the depot account will be covered.
- Debts versus receivables are blocked in accordance with the principle delivery versus payment.
- For the securities debts not covered during netting, first a transfer should be made from an account with CBT or the account of another brokerage house to the related account and then debt coverage transaction should be performed. Covered debts are transferred to the securities pool account.
- Cash debts are covered by effecting payment to bonds settlement debt account. The payment is effected via transfer, EFT from another account with Takasbank, by depositing in cash or via deducting the receivables from other markets. Covered debts are automatically transferred by the system to cash pool account.
- The receivables released in return for the covered debts are transferred to related securities or cash accounts of the members in order of priority.
- The cash receivables of the banks are automatically transferred to TIC (Turkish Inter-bank Clearing) account held with CBT.

4. SETTLEMENT TRANSACTIONS

The settlement of the securities traded in the Bonds and Bills Market is performed by our Bank under the supervision and surveillance of the Stock Exchange.

The settlement of transactions in TRY taken place in the ISE Bonds and Bills Market Outright Purchases and Sales Market and in the Repo-Reverse Repo Market is performed on the same day (T+0), and the settlement of transaction with foreign currency denomination is performed in 3 business days (T+3). It is possible to enter into a transaction with maximum 90 days (value date) in the Outright Purchases and Sales Market and maximum 7 days in the Repo-Reverse Repo Market whereas transactions with forward value dates are included in the settlement on value date.

4.1. CASH SETTLEMENT

4.1.1. DEBT COVERAGE

The members trading in the ISE Bonds and Bills Market fulfill their cash obligations over netted amounts denominated in related currency.

TRY obligations: The members fulfill their obligations by depositing the net settlement debts as of related value date to the Bonds Settlement Debt Account number XXXX-33-1 held with Takasbank until 16:30.

Cash obligations can be fulfilled

- Via EFT (Electronic Fund Transfer)
- Via transfer from own account held with Takasbank or the account of another member
- By giving a setoff instruction for the receivables from other markets
- By making cash payment until 14:30

The setoff instructions are valid until the closing hours of EFT on the day the instruction is given. In case the receivables can not be collected from the debtor market on the same day despite giving an instruction it is compulsory to pay the related market debt on the same day.

Foreign Currency Obligations: 2 business days prior to value date (V-2), the indebted member sends an instruction to its correspondent bank to effect payment on the value date and ensures the crediting of the related amount to the correspondent account of our Bank on value date (V) and sends a copy of this instruction to our Bank via fax on the day it was sent (V-2).

Obligations denominated in foreign currency are fulfilled by effecting payment to below mentioned accounts.

Currency	Correspondent Bank	Account No
USD	Citibank New York	36125331
EURO	Citibank Frankfurt	4115556016

4.1.2. DISTRIBUTION OF RECEIVABLES

In order to pay the cash settlement receivables of the members, they should have fulfilled their securities obligations and have a balance in their settlement pool accounts.

TRY receivables: Members having early fulfilled their securities obligations also receive their cash receivables in the context of time priority principle. However, by reason of that debt coverage times of the securities debts covered during netting are the same; the first cash distribution of receivables following the netting transaction is made proportionally. Cash receivables released in return for partially fulfilled obligations are paid partially.

Cash receivables are credited to free current accounts of the members held with our Bank. The settlement receivables deposited to the free current accounts of the banks are transferred to TIC accounts held with CBT without the need to give further instruction.

Brokerage houses can use the following options for the amounts deposited to their free current accounts;

- Send to another bank via EFT
- Can draw in cash
- Send to another account held with Takasbank
- Deduct them from their debts arising from other markets.

Foreign Currency Receivables: The fulfillment of securities obligations and fulfillment of cash obligations by the members is required for the payment of foreign currency receivables. However, foreign currency receivables are not partially paid during the day.

The members inform our Bank in writing about the bank and account number where they want the cash receivables to be sent according to the type of foreign currency. Unless the bank and account number informed are not amended with a new written instruction settlement receivables are transferred to the same account.

4.2. SETTLEMENT OF SECURITIES

4.2.1. DEBT COVERAGE

Debt coverage can be in 2 ways being collective and single.

Collective debt coverage: It is used to cover debt for more than 1 security. Only Free Depot Account number 501 can be used for collective debt coverage. If the depot balance is sufficient for the entire debt during netting then the whole debt is covered and if not, collective debt coverage is automatically performed by the system for the nominal amount in the depot account.

In case the debt could not be covered during netting due to insufficient balance; Debt coverage should be performed from member screens

- Via transfer from an account with CBT to the related account by EMKT messages
- Via transfer from another brokerage house's account with Takasbank
- Via transfer from another depot account of the member with Takasbank
- By creating a balance via one of the physical delivery methods

Single debt coverage: The members can perform debt coverage from their depots with withdrawal authority for a single security by stating the related depot and description of owed security.

Due to the cash consideration of F/X denominated securities sold outright being in the related foreign currency the settlement transactions are performed separately. The securities debts with Euro denomination should be available at Free Depot Account number 501 with Takasbank until 15:00 and those with USD denomination until 16:30. The debt coverage transaction for said securities is performed by Takasbank.

4.2.2. DISTRIBUTION OF RECEIVABLES

In order to pay the securities settlement receivables of the members, other securities or cash obligations should have been fulfilled within the framework of delivery versus payment principle. Those members who cover their securities and/or cash debt early also get their released securities receivables early within the framework of time priority principle. The distribution of securities receivables is automatically performed by the system. If the bonds pool account of the related security is not sufficient a sequence of receivables is constituted on security basis according to the time of release. The securities coming to the securities settlement pool account due to debt coverage of another member are distributed starting with the creditor member in the first row.

- The members can use the following options for the securities deposited to their related accounts;
- Send to a bank's accounts with CBT
- Transfer among their own depots
- Transfer to another member's account with Takasbank
- Take delivery in physical form.

However, the securities purchased via reverse repo are transferred to the member's In-Exchange Reverse Repo Blocked Depot Account number 1101 with our Bank and blocked there until the return date of the transaction. The members can by no means transfer the securities in such accounts to another account.

F/X denominated securities which have been purchased outright will be transferred to creditor member's Free Depot Account number 501 following the confirmation received from the correspondent bank relating to the payment in case there is sufficient balance in the settlement account (fulfillment of obligation by debtor members).

4.2.3. INVESTMENT FUND, PRIVATE PENSION FUND, EXCHANGE TRADED FUND AND INVESTMENT TRUST –TRANSFER AND SETTLEMENT TRANSACTIONS

The institutions trading on behalf of Investment Funds, Private Pension Funds, and Exchange traded funds and Investment Trusts in the ISE Bonds and Bills Market are responsible for the settlement of the transactions performed on behalf of the funds and trusts. However, due to the fact that the securities purchased from the Stock Exchange via reverse repo can not be transferred to another account by the members, the transfer of the securities purchased via reverse repo on behalf of the fund/trust is automatically performed by the system to the related fund/trust account. On the return date of the

transaction, during netting the securities automatically exit the fund/trust account through the system and are transferred to the member account mediating the transaction.

In order to facilitate a controlled execution of the transfers made from investment fund, private pension fund, exchange traded fund and investment trust accounts, a transfer instruction equaling to total sale amounts for each security realized by each and every bank and brokerage house mediating the transaction of the investment funds and trusts in the ISE Bonds and Bills Market on behalf of the fund is automatically constituted by the system after netting. The transfer records constituted by the system can be made partially or wholly. Due to the formation of transfer records relating to the sale of securities with foreign currency denomination in the morning of the value day, the transfer netting transaction can be executed without waiting.

Transfer of securities from fund account due to reasons such as exchange bid, borrowing transaction, return of collateral can only be made via the original of the written instruction sent by the fund committee or founder of the fund. The entry and approval stages of the security to be transferred will be executed by the related fund users and upon the second approval by our Bank's related unit the transfer transaction will be made.

5. DEFAULT TRANSACTIONS

The members not timely fulfilling the securities and cash obligations arising from the transactions in the ISE Bonds and Bills Market will be deemed in default without further notification.

For the payments made to cover the cash debts to bonds settlement cash debt (33-1) account with Takasbank via EFT, the time funds enter the TIC (Turkish Inter-bank Clearing) account of Takasbank held with CBT and for the payments made via transfer from the accounts with Takasbank, the time of the transaction will be taken into consideration.

In the fulfillment of securities obligations, the time the members run the debt coverage program and execute the debt coverage transaction will be taken as basis.

Default and pre-default penalties vary according to the fulfillment time of the obligations.

TYPE OF OBLIGATION	TIME INTERVAL	COEFFICIENT
CASH/SECURITY	16:31-17:00	0,25
	15:01-17:00 (Euro denomination)	
	After 17:00 with same day value	0,50
	After value date	3,00 (for the first default in the quarterly period) for each additional default the coefficient will be increased by 1 point.
Notification of Security Subject to Repo Transaction	After 15:00	0,05
Additional Collateral for Loss in Value of Repo	14:01-17:00	0,25
	After 17:00 with same day value	0,50

	After value date	3,00 (for the first default in the quarterly period) for each additional default the coefficient will be increased by 1 point.
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DEFAULT PENALTY LOWER AND UPPER LIMITS (For the year 2007)

TIME INTERVAL	LOWER LIMIT	UPPER LIMIT
16:31-17:00	11,84 TRY	12.101,57 TRY
After 17:00 with same day value	11,84 TRY	201.690,57 TRY
With next day value	Not applicable	Not applicable

*In case the calculated default interest is less than 11,84 TRY , 11,84 TRY will be collected.

For the members having paid 3 times the upper limit of pre-default interest in the quarterly period, the upper limit of pre-default interest will be increased by one-fold for the 4.time, two-fold for the 5.time and three-fold for the 6.time. However, there will not be any upper limit of pre-default interest for the members having paid 6 times the upper limit of pre-default interest in the quarterly period. Pre-default/default penalty is calculated by basing on the higher of the overnight weighted average interest rates occurred in the ISE Repo-Reverse Repo Market or the CBT Interbank money market.

Pre-default/default penalty is calculated by basing on the calendar days between the date of default and fulfillment of the obligation.

Pre-default/default penalties are within 1 business day from the accrual date.

Payment for unjust treatment:

A payment for unjust treatment is made to the members in creditor position with respect to cash or securities for the non-delivery or non-payment on value date equaling to the amount calculated by basing on two-fold of the higher of the overnight weighted average interest rates occurred in the ISE Repo-Reverse Repo Market or the CBT Interbank money market.

In order to effect this payment;

- The written objection of the defaulting member will be invalidated and default interest collected,
- The non-payment or non-delivery does not stem from problems to occur in the ISE, Takasbank and CBT system,
- The member in creditor position with respect to cash/securities should fulfill its settlement obligations.

5. DEPOT ACCOUNTS USED FOR BONDS AND BILLS SETTLEMENT AND CUSTODY TRANSACTIONS AND BOND SYSTEM ENTRY EXIT AUTHORIZATIONS

DEPOT NO	EXPLANATION	AUTHORIZATION
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501	Free Portfolio Depot	Authorization for entry and exit.
502	Free Customer Depot	Authorization for entry and exit.
1101	In-Exchange Reverse Repo Blocked Depot	No authorization for entry and exit.
1102	Off-Exchange Reverse Repo Collateral Depot	Authorization for entry and exit.
1103	In-Exchange Customer Reverse Repo Blocked Depot	Authorization for entry and exit. In case the securities purchased from the exchange via reverse repo are repurchased to the members, an entry is made from CBT Notifications menu Reverse Repo Customer Transactions screen. No transfer can be made to this depot via transfer.
112	Repo Custody Blocked Depot	Authorization for entry and exit. However, only the member having transferred securities to the depot can exit from the depot.
113	Reverse Repo Custody Blocked Depot	Authorization for entry and exit. Transfer can be made from Reverse Repo Custody Depot Transfers menu.
106	Repo Blocked Depot	Authorization for entry and exit.
002	Cash Credit (Security Credit) Collateral Depot	No authorization for entry and exit.
003	Repo Allowance for Loss Depot	Authorization for entry, no authorization for exit.
005	Takasbank Money Market Collateral Depot	No authorization for entry and exit.
006	CMB Blocked Depot	Authorization for entry, no authorization for exit.
010	Forward Transactions Market Collateral Depot	No authorization for entry and exit.
011	Forward Transactions Market Guarantee Fund Collateral Depot	No authorization for entry and exit.
042	TURKDEX Member Collaterals Depot	No authorization for entry and exit.
050	Securities L/B Market Collateral Depot	No authorization for entry and exit.

a) Free Portfolio Depot no. 501: It is the account used for the safekeeping of brokerage houses' own portfolios.

b) Free Customer Depot no. 502: It is the depot used for distinguishing the brokerage houses' own portfolios from customers' securities. It is not obligatory but discretionary.

c) In-Exchange Reverse Repo Blocked Depot no. 1101: The securities purchased in return for reverse repo transactions realized in the ISE are blocked and kept in this account. The securities in this depot can not be used for any other purpose except the repo transactions to be made with customers other than any authorized institution or institutions in the ISE.

d) Off-Exchange Reverse Repo Collateral Depot no. 1102: It is the depot used by investment funds for safekeeping the securities purchased as a result of the transactions realized in the ISE after 14:00 (not included in the settlement).

e) In-Exchange Customer Reverse Repo Blocked Depot no. 1103: It is the depot account opened for blocking the securities in In-Exchange Reverse Repo Blocked depot in case such securities are made subject to repo transactions by the members realized with their customers.

It is possible to enter the In-Exchange Customer Reverse Repo Blocked Depot account no. 1103 from In-Exchange Reverse Repo Blocked Depot account no. 1101 via “Reverse Repo Customer Transactions Menu” or make a transfer to it with a disk to be formed. However, during the transaction the return date information (Value 2) will also be entered and on Value 2 date (V2) the securities with expired maturities will be automatically transferred by the system from depot no. 1103 to depot no. 1101.

f) Repo Custody Blocked Account no. 112: It is allocated by the EBT especially for foreign transactions towards the safekeeping of the securities of foreign customers where the brokerage house mediating the buy/sell transactions and the custody institution having the custody accounts are different from each other.

The transfer is executed as a transfer transaction between the brokerage house and custody institution and the brokerage house transfers the securities purchased on behalf of its customer to the custody institution. The securities held in repo custody blocked depot can only be transferred to the institution sending such securities to such depot, an exit other than this is not possible.

g) Reverse Repo Custody Blocked Depot no. 113: If the securities purchased from the Stock Exchange via reverse repo to the custody institution, the securities receivables transferred by Takasbank to In-Exchange Reverse Repo Blocked depot of the brokerage house will be transferred by the brokerage house to Reverse Repo Custody Blocked Depot no. 113 held with Takasbank. The securities can only be sent from the depot no. 1101 of the transferring member and while performing the transfer transaction the return date (Value 2) will be stated. The securities will be automatically transferred on Value2 date from the reverse repo custody blocked depot of the transferee member to the depot no. 1101 of the transferring member. Other than this there will be no entry to or exit from the Reverse Repo Custody Blocked Depot.

h) Repo Blocked Depot no. 106: Except for the transactions between the authorized institutions, it is used for the follow-up of the securities subject to repo transaction made with the customers. In the determination of the nominal amounts of the securities to be blocked in this depot, the authorized institutions are required to round the nominal value found to the nearest TRY by basing on the valid unit prices announced in the Official Gazette on the transaction day for Domestic Government Bonds and Revenue Sharing Certificates and for other securities, on 50 % lower prices as determined in the ISE.

Example: In the repo transaction amounting to 10,000,000.- TRY , if the security with Official Gazette price being 85.256 TRY defined as TRB 180605T19 is to be used its nominal value will be determined as follows.

Nominal value= Capital/Price=10.000.000/(85.256/100)=11.729.380

This amount will be rounded to TRY and determined as 11.729.380.-TRY /Nom.

It is not required to block additional securities during the term of repo due to changes to occur in Official Gazette prices. However, in repo transactions with coupon securities it is required to block additional securities by basing on the Official Gazette price on the collection date in case coupon collection is made within the term of repo.

i) Cash Credit Collateral Depot no. 002: It is the depot where the Domestic Government Bonds given by the members requesting Security Credit from Takasbank are kept.

j) Repo Allowance for Loss Depot no. 003: It is the depot where the Domestic Government Bonds additionally requested by the ISE Bonds and Bills Market Directorate are kept in case the securities given in return for the transactions realized in the ISE Bonds and Bills Market are insufficient.

k) Takasbank Money Market Collateral Depot no. 005: It is the depot where the fixed income securities given as collateral for trading in Takasbank Stock Exchange Money Market are kept.

l) CMB Blocked Depot no. 006: It is the depot where the fixed income securities required to be kept as blocked by brokerage houses and portfolio management companies in accordance with the regulations of the Capital Markets Board are kept.

m) Forward Transactions Market Collateral Depot no. 010: It is the depot where the fixed income securities given as trading collateral in the forward transactions market are kept.

n) Forward Transactions Market Guarantee Fund Collateral Depot no. 011: It is the depot where the fixed income securities given as provision for Guarantee Fund by the settlement members of forward transactions market are kept.

o) TURKDEX Member Collaterals Depot no. 042: It is the depot account where the membership collaterals given to Forward Transactions and Options Exchange Inc. as fixed income securities are kept.

p) Securities L/B Market Collateral Depot no. 050: It is the depot where the fixed income securities given as collateral for trading in the Securities L/B Market are kept.