TAKASBANK MONEY MARKET (TMM) APPLICATION PRINCIPLES

TAKASBANK MONEY MARKET (TMM)

Takasbank Money Market began operating within the framework of the ISE Clearing and Custody Bank Inc. on October 1, 1996 in order to bring those brokerage houses together which have short term cash surplus and can t place these funds in an organized market and those which are in need of short term cash and want to meet this need without disposing of their long term assets.

1.1. Basis

The Regulation of Takasbank Money Market has been prepared in accordance with Article 3 Paragraph 2 of the Bank s Articles of Association.

1.2. Institutions Eligible for Trading

The banks and brokerage houses, which have signed the TMM Letter of Undertaking issued by the bank and are members of the ISE as well as other banks and brokerage houses who are members of other assigned exchanges and also R.T. Central Bank can trade in Takasbank Money Market.

1.3. Application Procedure

In case the brokerage house;

a) prepares an application letter addressing Takasbank,
b) signs the TMM Letter of Undertaking ,
c) declares its representatives

its application is examined by Takasbank. Acceptance to TMM takes place with the approval of Takasbank.

1.3.1. Letter of Undertaking

The brokerage houses willing to trade in TMM have to sign the TMM Letter of Undertaking .

1.3.2. Principles Regarding the Representatives of Brokerage Houses

The representatives are authorized to give orders, amend orders and cancel orders in TMM on behalf of the brokerage house. The number of representatives of the brokerage houses to trade in TMM can not exceed 4 and provided that they inform in writing, the brokerage houses are entitled to replace such representatives. In their representative authorization requests, brokerage houses have to give information about the Republic of Turkey Identification number of the representatives.

The representatives are given a secret password by Takasbank. The responsibility of the orders transmitted with this password to Takasbank belongs to the brokerage house. Besides, the representatives can replace their personal secret passwords given by Takasbank via the Bank s own terminals located in their offices.

1.4. Takasbank´s Position

The obligations arising from the transactions realized in TMM are under Takasbank´s guarantee. Takasbank does not give Bid-Offer quotation in the market and is not a participant in the transactions.

1.5. Limits

Takasbank allocates a TMM limit to each brokerage house. In allocating a limit to a brokerage house, independent audit reports, CBT risk records and protested cheques and bills are examined.

Besides, some of the financial values of the institution, namely, Net Offers, Net Profit, Total Assets, Net Working Capital and shareholders equity are examined and profitability, borrowing and liquidity ratios are checked. In addition to these, stock exchange trading volumes, custody balances, defaults and placements are examined. By considering market information, (such as company related news in the press, temporary or permanent suspension of activity or monetary fines etc.) all data compiled on the company are brought together and a limit is allocated. TMM limit is declared to the brokerage house in writing and confidentially and will be revised at certain times.

1.5.1. Bid-Offer Limits

A Bid limit is calculated for each brokerage house according to the collaterals given to Takasbank.

The member s Bid limit is found by deducting all Bid transactions from TMM limit and then adding maturing Bid transactions to it.

The member Offer limit is found by deducting the total of Bid transactions of the member from the total of TMM limit and maturing Offer transactions. The determined Offer limit is increased by the allocation figure made from the member s free account within the session.

The Bid and Offer limits informed to the members at the beginning of the day are deducted iIndependently from each other as much as the given Bid and Offer orders.

The brokerage houses can follow the Beginni ng of the Day Information report containing the Bid and Offer limits from the bank s own terminals located in their own offices.

1.6. Principles Regarding Collaterals

The brokerage house is asked for collateral valuated by % 125 of the amount it would Bid in case of it being a buyer. The valuated collateral is obtained by multiplying the market values of the collaterals with predetermined haircut rates.

No collateral is requested from the brokerage house for selling.

1.6.1. Collateral Types

The types of collaterals to be given to Takasbank by the brokerage houses in TMM are stated below:

C	Cash (TRY, FX)
LG	Letter of Guarantee (TRY, FX)
TB	Treasury Bill
GB	Government Bond
IF	Investment Fund Participation Certificate
S	Stocks

1.6.2. Collateral Valuation and Haircuts

The haircuts to be used in the calculation of valuated collaterals are as follows:

COLLATERAL TYPE	HAIRCUT
Cash (TRY, FX)	1,00
Letter of Guarantee (TRY, FX)	1,00
Treasury Bill	1,00
Government Bond	1,00
Investment Fund Participation Certificate	1,00
Stocks	0,75

The share of valuated stocks within the total of valuated collateral shall not exceed % 75. Besides, the share of one type of stock deposited as collateral within the total of valuated collateral, can not exceed % 15. If the member s total of valuated collateral exceeds % 125 of its TMM limit, the exceeding part is not taken into consideration.

The total of valuated collateral of the securities with foreign exchange denomination and indexed to foreign exchange accepted as collateral can not exceed the total of other valuated collateral except stocks. If there is an exceeding part, than it will not be taken into consideration.

Takasbank will perform the valuation of the collaterals as mentioned below at the end of each day and informs the brokerage houses every morning with a Start of the Day Information .

1- For stocks; the weighted average price formed in the last session on the day of valuation, if there was no trading, again the arithmetic mean of best Bid and best Offer orders of the last session.

2- For government bonds and treasury bills; Current Rates for Bonds determined in the ISE (Bonds and Bills Market) for the next day on the day of valuation.

3- For foreign currencies; CBT foreign exchange buying rate determined for the next day on the day of valuation.

4- For the investment fund participation certificates, the current price.

These prices are also used for the valuation of the collateral transfers made for the next day.

1.6.3. Collateral Depositing, Withdrawing, Replacement

The brokerage houses make their requests regarding the collateral depositing with the transfer instructions of which the form and content are determined by Takasbank.

The brokerage houses giving a general transfer instruction can make transfers between cash credit and TMM collateral depots if deemed appropriate by Takasbank.

The brokerage houses, having signed the letter of undertaking for cash, securities, collaterals and real time gross Dvp Settlement, can give as collateral and take back government bonds and treasury bills, stocks and investment fund participation certificates through the bank s own terminals located in their offices. It is sufficient that they make entry and verification for the collateral entries made from the bank s terminals. In collateral withdrawals, Takasbank s approval is required after entry and verification. The brokerage houses can make collateral entry and withdrawal transactions through the bank s own terminals located in their offices until 17:00. On business days counted as half day due to public holidays, the transfer transactions can be made until 12:30.

In case, a letter of guarantee is submitted as collateral, a confirmation is required whether the bank issuing the letter of guarantee has an available limit with our bank. The bank submitting the letter of guarantee of which the form and content are determined by Takasbank should provide a written confirmation from their Head Office with regard to the above mentioned submission following which the foresaid letters of guarantee are accepted as collateral. The letters of guarantee accepted as collateral should be in the form of performance bond. The letters of guarantee given by the banks of the same Group or Holding to each other and the letters of guarantee taken by the brokerage houses from the banks of their own Group or Holding are not accepted as collateral. The brokerage houses deliver the letters of guarantee taken as collateral to Money Market and Securities Markets Departments.

In case stocks are taken as collaterals, the stocks eligible as collateral are limited to the stocks chosen by Takasbank from the ISE National Market List announced by the ISE. Takasbank determines the upper limit for the said stocks to be eligible as collateral. The stocks taken as collateral are in lots and its multiples.

The stocks of the companies being a participation or partnership of the institution are not eligible as collateral for that institution even if they are traded in the ISE National Market.

The redemption transactions of the GDDS (except those with foreign currency denomination) available in the collateral account of the brokerage houses on the redemption date are realized in the collateral account. The redemption considerations will be transferred to the collateral account of the brokerage houses.

For the securities in collateral accounts, Takasbank s commission tariff will be applied for the services to be provided by Takasbank.

1.6.4. **Call for Collateral Replacement**

Takasbank can ask for collateral replacement if it deems necessary.

For example, the suspension of trading of the collateral stocks of the brokerage house in the ISE or removal of them from the ISE National Market List are reasons for making a call for collateral replacement. The securities subject to call for collateral replacement lose their property of being collateral. Any collateral with a maturity (except GDDS with TRY denomination) is not subjected to collateral valuation when 5 days remaining to their maturity date and their replacement is requested.

The collaterals on which warranty of distrait is levied or immobilized by the Central Registry Agency won t be subjected to collateral valuation and their replacement is requested.

1.6.5. Margin Call

Due to daily collateral valuation, if the total collateral falls below %115 of total TMM risk, than Takasbank makes a Margin Call to the brokerage house and asks it to complete its collateral to %125.

The brokerage houses are required to deposit the requested additional collateral on the day the Margin Call is made until 16:00. Default provisions are applied to the brokerage houses which do not comply with the margin call.

1.6.6. Rights Arising from Collaterals

The capital increase or dividend rights of the stocks of the brokerage houses given as collateral are exercised by Takasbank on their behalf. (if it is a capital increase through rights issues, provided that the brokerage house pays the fee for subscription right) The new shares resulting from the transactions will be transferred to the collateral account of the related customer of the brokerage house. Cash amounts are transferred to the collateral account of the brokerage house with us.

The coupon payments of GDDS available in the collateral account of the brokerage houses (except those with foreign currency denomination) will be transferred to the collateral account of the brokerage houses.

1.7. OPERATIONAL PRINCIPLES

1.7.1. Transaction Hours

The transactions in TMM are made with same day value between 10:00-12:00 and 13:00- 15:30. Given orders are valid between 10:00-15:30.

1.7.2. Maturity

The maturity of the transactions is each day between O/N (Overnight) and 30 days, 45 days, 2 months and 3 months.

1.7.3. Amount

The minimum amount for trading in TMM is 5.000 TRY where the order amount is increased in multiples of 1.000 TRY.

1.7.4. Order Types

The orders in TMM are given in divisible form.

Limited: It is the order type entered by stating the customer type, order type (Bid/Offer), duration, interest rate and order amount. The unrealized part of the order waits passively in the system.

Cancel if Limit is not realized: It is the limited order type given by stating the customer type, order type (Bid/Offer), duration, interest rate and order amount on condition of realization of the entire order amount entered. When the order is entered and the condition of full realization is not met, all (limited) orders waiting passively in the system are automatically cancelled

Cancel the Limited Remainder: It is the order type entered by stating the customer type, order type (Bid/Offer), duration, interest rate and order amount. It is the limited order type given on condition of partial realization. It is matched with the passive (limited) orders waiting in the system when the order is entered and the unrealized part is automatically cancelled.

Market: It is the order type entered by stating the customer type, order type (Bid/Offer), duration, and order amount without stating the interest rate. When the market order is entered, it is partially or wholly matched with the passive (limited) orders waiting in the system and the unrealized part of the order is automatically cancelled.

Cancel if Market is not realized: It is the market order type entered on condition of full realization by stating the customer type, order type (Bid/Offer), duration, and order amount without stating the interest rate. Cancel if Market is not realized type of order/orders are wholly realized with the passive (limited) orders waiting in the system. When the order is entered, if the condition of full realization is not met, than it will automatically be cancelled.

1.7.5. Transmission of Orders

The representatives of trading brokerage houses transmit their orders by calling the market from the phone number (212) 315 20 00 or through the bank s own terminals located in their offices.

The representatives have to state

1. The customer type (Portfolio, Customer, Investment Fund/Trust))
2. The type (Bid-Offer)
3. The kind (Limited, Cancel if Limit is not realized, Cancel the Limited Remainder, Market, Cancel if Market is not realized)
4. The duration
5. The interest rate (for Limited, Cancel if Limit is not realized, Cancel the Limited Remainder orders)
6. The amount of the order.

The order can be transmitted where interest steps are % 0.05 and its multiples.

In phone orders, the representatives have to state the title of the brokerage house, representative password and his/her name. The representatives transmitting the orders through the bank s own terminals located in their offices have to define their representative password to the system first and then fill in the compulsory fields stated above.

If an order is given on behalf of an investment fund or investment trust, the code of the related fund or trust is stated.

Phone orders are entered into the system in above stated sequence and the order number generated by the system is declared to the representative. The representative has to mention the order number given to him/her in changes he/she wants to make relating to the order he/she has given. Therefore, the order number has to be carefully noted. The representatives transmitting orders through the bank s own terminals located in their offices have to follow carefully the order number generated by the system in the order entry screen. For the transactions related to this order the representatives can execute transactions via phone and/or through the bank s own terminals located in their offices by using the order number generated by the system.

For the unrealized parts of limited orders, the changes made in the customer type, investment fund and investment trust code, rate and amount change the number and priority of the order. Changed orders take new order numbers and lose priority. However, if only the amount of the order is changed the order number of the related order is not changed, the order does not lose priority. The other order changes will change the order number and priority.

The representatives of the brokerage houses can at any time in the session cancel or change the unfilled parts of the limited orders. Besides, with Multiple Cancellation option, the representatives can cancel the unrealized or partially realized orders without giving the order number by using one or several of the below mentioned conditions;

-All passive orders

-Orders given on behalf of the portfolio
-Orders given on behalf of the customer
-Orders given on behalf of the investment fund
-Orders given on behalf of the investment trust
-Order type (Bid-Offer)
-Interest rate
-Duration
-Amount
-Representative No

The orders not met until the closing of TMM will be cancelled.

All phone contacts will be recorded to the voice recording device with Takasbank whereas the orders given via remote access will be recorded in electronic form. In case of any incongruity the phone records and/or the records kept by the bank in electronic form will be predicated on. The brokerage house adopts this rule as exclusive evidence contract according to article 287 of Code of Civil Procedure.

1.7.6. Publication of Orders

Out of the transmitted Bid-Offer orders, the ones with the highest rates for Bid orders and the ones with the lowest rates for Offer orders will be announced via information distribution screens. In case of trading using the best offers and requests the next best offer or request waiting appears on the screen. The Bid and Offer orders with equal rates appear as aggregate on the screen. In O/N transactions, the best three offers and requests can be followed on the depth page.

1.7.7. Realization of Orders

The realization of orders occurs by prioritizing the orders with the highest rate for Bids and the orders with the lowest rate for Offers. For the orders with equal rates time priority is valid. Apart from rate equality, the trading is realized over the rate of the Bid order if an Offer order with a lower rate than the existing Bid order is received or over the rate of Offer order if a Bid order with a higher rate than the existing Offer order is received.

For Bid and Offer orders where the same member is a party, apart from time and rate priority the rule of waiting period is applied. The waiting period related to the meeting of the orders transmitted by the brokerage house on own behalf or on behalf of the investment fund/trust again by the same brokerage house is 5 minutes. If the counter order transmitted without 5 minutes having passed can be met by the orders of the other institutions, it is realized wholly or partially by the orders of these institutions, the unrealized part of the order is automatically cancelled.

In case one of the Bid or Offer orders of the same brokerage house, which can be matched with each other is on behalf of the investment fund/trust, the order given on behalf of the investment fund/trust should have been transmitted to the system with priority. Otherwise, these orders don t match with each other.

1.7.8. Notification of Transactions

The Transaction Information Forms related to realized transactions will be faxed to both parties. However, the brokerage houses having signed the Letter of Undertaking for Remote Access or the Letter of Undertaking for Additional Fax, follow the information related to realized transactions from their terminals.

Each morning the Bid and Offer limits, valuation of collaterals, default cases, collaterals with critical maturities and net debt and receivable balances will be declared to the brokerage houses with a Beginning of the Day Information report.

The brokerage houses can monitor the following screens from the bank s own terminals located in their offices;

Report for Passive Orders Report
for Realized Transactions Report
for Member Orders Report for
Debt/Receivable Report for
Cancelled Transactions
Report for Transaction Aggregate Amounts on Interest Rate Basis
Default Follow-up Screen
Report for Past Transactions
Beginning of the Day Information Report
Detailed TMM Transaction Report and
Mail Screen

1.7.9. Cancellation of Transactions

The cancellation requests relating to realized transactions have to be transmitted to Takasbank until 15:30. The transactions realized due to errors originating from Takasbank will be cancelled. The transactions realized due to errors originating from the brokerage house will not be cancelled. The members can follow the Report for Cancelled Transactions through the bank s own terminals located in their offices and get print-outs.

1.7.10. Principles Regarding Payments

The brokerage houses having claims against TMM get these receivables credited to their free current accounts with Takasbank at 16:00.

The receivables of the banks credited to their free sub accounts having claims against TMM over net balance will be sent to their TIC accounts with CBT unless instructed otherwise.

The brokerage houses indebted against TMM over net balance have to cover these debts in cash until 14:30 and on account until 16:00 the latest.

The brokerage houses indebted against TMM over net balance can deduct their receivables arising from the transactions in Bonds and Bills Market and Stock Market from their debts in such markets where the brokerage houses having claims against TMM over net balance can deduct their debts to Stock Market from their receivables in this market. The brokerage houses have to enter the Set-Off Instruction from their terminals until 15:45 the latest. Otherwise, default provisions will be applied.

Besides, the indebted brokerage houses can, through the bank s own terminals located in their offices and within the session hours, effect payment from their free accounts to cover TMM debt partially or wholly or increase the Offer limit. The collections made by phone can be executed on account any time until the deadline for debt coverage.

The buyer and seller brokerage houses will be charged a commission in the amount of % 0.002 (two per hundred thousand) of the principal and BITT amount on the transaction day.

1.7.11. Default

The brokerage house not fulfilling its obligations regarding the trading in TMM, will be deemed in default without requiring any further notification.

The debts to TMM will be covered until 16:00. For the debts covered after 16:00, default provisions will be applied.

From the rate found by adding 5 (five) points to the average (O/N) interest rate forming every day in TMM, % 30 of it will be applied as default interest to the brokerage house covering its debt to TMM until 16:30 and two times of it will be applied as default interest to the brokerage house covering its debt to TMM after 16:30.

For the debts covered until 16:30, the upper limit of default interest is 3.500, - TRY + BITT. For the debts covered after 16:30, there is no upper limit of default interest.

The upper limit is increased by the valuation rate determined every year and rounded to the next upper 50.- TRY trench.

In debt coverage with partial default, the rates and restrictions related to the times of debt coverage will be applied.

The administrative penalties in case of default are provided in the below table:

In quarterly periods; Number of default	Administrative penalty
1-4	-
5-8	5 business days suspension
9-15	10 business days suspension

The default numbers accumulated at the end of quarterly periods, won t be transferred to subsequent period, the brokerage house being in default a total of 16 times in a calendar year will be penalized with suspension from TMM for one month starting on the date of its last default.

The brokerage house in default cannot use Cash Credit as long as it is in default.

The brokerage house in default due to Cash Credit transactions cannot trade in TMM during the period of default.

Takasbank liquidates the collaterals of the brokerage house in default. In case the collaterals are insufficient, all assets of the brokerage house with Takasbank will be blocked and this will be informed to the ISE and CMB.

1.7.12. Relation Between Counterparties

The party selling money in TMM (the party obtaining interest income) is responsible against official authorities with regard to fulfilling its tax obligation. The buyer has to deposit % 1 BITT over the principal, interest and interest amount to its free current account with Takasbank.

The brokerage houses and banks trading in Takasbank Money Market are exempted from Resource Utilization and Support Fund.

The interests paid to the cash put into use in Takasbank Money Market on behalf of the customers are subject to withholding tax.

1.7.13. **Page Layout and Page Codes of Information Distribution Screen**

The orders arrived at TMM will be published on the pages provided by data vendors to Takasbank in the below mentioned format:

			Bid		Offer		Final	
Value	Maturity	Day	Amount	Rate	Rate	Amount	Rate	Amount
10/02/2005	11/02/2005	1	10000	20,00	22,00	15000	22,00	5000
10/02/2005	17/02/2005	7	50000	21,00	23,00	40000	23,00	10000
10/02/2005	24/02/2005	14	20000	21,10	21,50	30000	21,10	20000

The summary information related to the realized transactions in TMM during the day is given in the below mentioned format.

Day	Min. Rate	Max. Rate	Ave. Rate	Amount
1	19,00	22,00	21,25	55000
7	20,00	23,00	22,00	70000
14	21,00	22,00	21,40	80000

The depth information related to O/N orders arriving at TMM is published in the below mentioned format.

			Bid		Offer	
Value	Maturity	Day	Amount	Rate	Rate	Amount
10/02/2005	11/02/2005	1	10000	20,00	22,00	150000
10/02/2005	11/02/2005	1	230000	19,90	22,10	580000

10/02/2005	11/02/2005	1	1350000	19,80	22,30	2500000

1.7.14. **Interest Accumulation on Temporary Funds of the Customers of Brokerage Houses in Takasbank Money Market**

With the permission of Capital Markets Board dated 21/02/1997, the Interest Accumulation on Temporary Funds of the Customers of Brokerage Houses in Takasbank Money Market is possible by adding a provision to the Purchase and Sale Mediation Agreement concluded between the brokerage house and its customer relating to putting to use of the temporary cash of the customers, distribution of the obtained interest to the customers and determination of the rights and obligations of the parties.

1.7.15. Putting the Cash Belonging to Investment Funds and Investment Trusts into Use in Takasbank Money Market

With the resolution of Capital Markets Board dated 24/12/1999 and number 122/1455, the investment funds can put their cash into use in Takasbank Money Market provided that it does not exceed % 20 of their net portfolio value (total assets-liabilities).

Takasbank Money Market transactions were included to the portfolio value with the Communiqué (Series: VII, No:24) on the amendment of the Communiqué on Principles Regarding Investment Funds published in the Official Gazette dated 08/10/2004 and number 25607. The portfolio rates and average maturity of the portfolio started to be calculated according to this regulation. In accordance with the change in the communiqué, Takasbank Money Market transactions of the funds cannot exceed % 20 of the portfolio value.

According to the regulation on the principles relating to the establishment and activities of Pension Investment Funds which was prepared within the framework of Article 26 of the Law on Private Pension Savings and Investment System dated 28/03/01 and number 4632, the pension investment funds can put maximum % 20 of their fund assets into use in Takasbank Money Market.

SAMPLE

TAKASBANK
ISTANBUL STOCK EXCHANGE
CLEARING AND CUSTODY BANK INC.
Sisli Merkez Mah. Merkez Cad.
No: 6 34381
SISLI/ISTANBUL

We, in the capacity of the authorized representative and responsible person of the Bank with signatory power hereby agree, declare and undertake in the name and on behalf of the Bank that our Bank is co-debtor and joint guarantor together with the debtor up to maximum . TRY (Only/ . TRY) for the amounts and/or securities already indebted or to be indebted to your Company as loan due the transactions based on the Borrowed Security Purchase Agreement, Letter of Undertaking for Security and Borrowed Security Loans, Letter of Undertaking for Takasbank Money Market concluded by . with your Company, in case we are informed in writing by your company that the amounts and/or securities indebted as loan to your company by the debtor were not paid or returned we will unconditionally and without raising an objection pay you maximum the above mentioned amount without the need to draw an official warning in advance, produce a judgment and obtain the debtor s consent and requiring a court order in cash and together with the interest for the days elapsing from the date of request until the date of payment.

THIS LETTER OF GUARANTEE IS DEFINITE AND NOT LIMITED BY TIME.

(**The following expression should be inserted if the letter of guarantee is denominated in USD: In case of compensation of this letter of guarantee, it will be paid in Turkish Lira over CBT foreign currency buying rate on the compensation date.)

SAMPLE

TAKASBANK

ISTANBUL STOCK EXCHANGE
CLEARING AND CUSTODY BANK INC.
Sisli Merkez Mah. Merkez Cad.
No: 6 34381
SISLI/ISTANBUL

We, in the capacity of the authorized representative and responsible person of the Bank with signatory power hereby agree, declare and undertake in the name and on behalf of the Bank that our Bank is co-debtor and joint guarantor together with the debtor up to maximum

. TRY (Only/ . TRY) for the amounts and/or securities already indebted or to be indebted to your Company as loan due the transactions based on the Borrowed Security Purchase Agreement, Letter of Undertaking for Security and Borrowed Security Loans, Letter of Undertaking for Takasbank Money Market concluded by . with your Company, in case we are informed in writing by your company that the amounts and/or securities indebted as loan to your company by the debtor were not paid or returned we will unconditionally and without raising an objection pay you maximum the above mentioned amount without the need to draw an official warning in advance, produce a judgment and obtain the debtor s consent and requiring a court order in cash and together with the interest for the days elapsing from the date of request until the date of payment.

This letter of guarantee is definite.

Our undertaking is valid until ../ ../ .. . In case no compensation request is made to our Bank until the expiry of this date in writing, this undertaking will be null and void.

In case of compensation of this letter of guarantee, the compensation amount will be paid in Turkish Lira equivalent to R.T. Central Bank foreign currency buying rate on the compensation date.