

General Letter: 1281
Derivatives Clearing & Settlement Team

İstanbul, 09/05/2016

Subject: Futures and Options Market CCP Procedure Change

Related members: Brokeage houses
Banks

Dear General Manager,

"Procedure on the Central Counterparty Service to be Provided by Istanbul Settlement and Custody Bank Inc. to Borsa Istanbul Inc. Futures and Options Market and Clearing and Settlement Principles Regarding this Service" was amended in relation to wrong-way and concentration risks, thresholds, disclosure of theoretical price calculations and holding periods about colletarels in the Borsa Istanbul Futures and Options Market.

Summary of the Procedure change is depicted in the attached table and full version of the Procedure with amendments can be accessed from our web site under "Resource/Procedure" heading (<http://www.takasbank.com.tr/en/Pages/Procedures.aspx>).

Sincerely yours,

TAKASBANK
İSTANBUL SETTLEMENT AND CUSTODY BANK INC.

Sezai BEKGÖZ
Executive Vice President

Mahmut KAYACIK
CEO

Attachment: Procedure Change Table

Attachment: Procedure Change Table

<p>Existing Risk limits ARTICLE 31 –</p> <p>(7) The additional margin to be calculated within the scope of this article shall be deposited by the Member by choosing among the asset types mentioned in article 42 that could be used as collateral. The margin requirements must be covered by the assets owned by the Member or on which the Member has the power of disposition.</p>	<p>New Risk limits ARTICLE 31 –</p> <p>(7) <i>(Amendment: Published by the General Letter numbered 1281 and dated 09.05.2016)</i> The additional margin to be calculated within the scope of this article shall be deposited by the Member within the principles mentioned in Articles 42 and 43. The margin requirements must be covered by the assets owned by the Member or on which the Member has the power of disposition.</p>
<p>Collateralization method ARTICLE 32 –</p> <p>(2) The statistical parameters to be included in the SPAN parameter file are calculated on minimum one year data by using at least 99% and at most 99,75% confidence levels and 2 business days holding period for each underlying asset. The necessary adjustments are made by taking the maintenance level into consideration, and the relevant parameters are published on Takasbank web site and they may be revised as a result of reviews to be conducted according to the market conditions, if necessary. An announcement about such revisions is made in Takasbank web site.</p>	<p>Margining Method ARTICLE 32 –</p> <p>(2) <i>(Amendment: Published by the General Letter numbered 1281 and dated 09.05.2016)</i> The statistical parameters to be included in the SPAN parameter file are calculated at minimum one year data by using at least 99% and at most 99,75% confidence levels and the holding period to be determined through 2 to 5 business days for each underlying asset. The necessary adjustments are made by taking the maintenance level into consideration, and the relevant parameters are published on Takasbank corporate website and they may be revised as a result of reviews to be conducted according to the market conditions, if necessary. An announcement about such revisions is made in Takasbank corporate website.</p>
<p>Assets that could be accepted as transaction collateral ARTICLE 42 –</p>	<p>Assets that could be accepted as collateral ARTICLE 42 –</p> <p>(6) <i>(Amendment: Published by the General Letter numbered 1281 and dated 09.05.2016)</i> Members cannot submit guarantees and securities which are issued by themselves or by the banks and companies that they are involved as the same investment group (except for the lease certificates issued by the Undersecretariat of Treasury of the Republic of Turkey and for the guarantees and securities of other banks whose majority of the capital belongs to the Undersecretariat of Treasury) as collateral to Takasbank.</p>
<p>Composition of the transaction collateral and the valuation coefficients ARTICLE 43-</p>	<p>Composition of collateral and haircuts ARTICLE 43-</p> <p>(5) <i>(Amendment: Published by the General Letter numbered 1281 and dated 09.05.2016)</i> The share of total of the securities and guarantees issued or delivered by any issuer or bank or by other issuers and banks included in the same investment group (except for the lease certificates issued by the Undersecretariat of Treasury of the Republic of Turkey and for the guarantees and securities of other banks whose majority of the capital belongs to the Undersecretariat of Treasury), which are accepted as collateral by Takasbank, to total collateral accepted by Takasbank for that market cannot exceed 25%.</p>

<p>Updating the transaction collateral values ARTICLE 44 –</p>	<p>Updating the values of collaterals ARTICLE 44 –</p> <p>(2) <i>(Amendment: Published by the General Letter numbered 1281 and dated 09.05.2016)</i> The theoretical formulas and methods to be used in the valuation of assets accepted as collateral by Takasbank are published on the corporate website of Takasbank.</p>
<p>Size of the Guarantee Fund and the Contribution Amounts made by the Members ARTICLE 52 –</p> <p>(1) The size of the guarantee fund cannot be less than the greater of the funding requirement that may arise as a result of the default of the Member who has the highest margin requirement and of the joint default of the Members who have the second and third highest margin requirement. This funding requirement is composed of the Members' transaction collaterals for their risks and the portion remaining out of the satisfied amount. Such risk equals to the amount of difference between the margin requirements of the Members' positions and the margin requirements calculated by using minimum 99,5% and maximum 99,9% confidence levels and 2 business days holding period.</p>	<p>Guarantee Fund Size and the Contribution Amounts made by the Members ARTICLE 52 –</p> <p>(1) <i>(Amendment: Published by the General Letter numbered 1281 and dated 09.05.2016)</i> The size of the guarantee fund cannot be less than the greater of the funding requirement that may arise as a result of the default of the Member who has the highest margin requirement and of the joint default of the Members who have the second and third highest margin requirement. This funding requirement is composed of the Members' transaction collaterals for their risks and the portion remaining out of the satisfied amount. Such risk equals to the amount of difference between the margin requirements of the Members' positions and the margin requirements calculated by using minimum 99,5% and maximum 99,9% confidence levels and the holding period to be determined through 2 to 5 business days.</p>
<p>Eligible Assets for the Guarantee Fund contribution amount ARTICLE 53 –</p>	<p>Eligible Assets for the Guarantee Fund contribution amount ARTICLE 53 –</p> <p>(7) <i>(Amendment: Published by the General Letter numbered 1281 and dated 09.05.2016)</i> Members cannot submit guarantees and securities which are issued by themselves or by the banks and companies that they are involved as the same investment group (except for the lease certificates issued by the Undersecretariat of Treasury of the Republic of Turkey and for the guarantees and securities of other banks whose majority of the capital belongs to the Undersecretariat of Treasury) as collateral to Takasbank.</p> <p>(8) <i>(Amendment: Published by the General Letter numbered 1281 and dated 09.05.2016)</i> The share of total of the securities and guarantees issued or delivered by any issuer or bank or by other issuers and banks included in the same investment group (except for the lease certificates issued by the Undersecretariat of Treasury of the Republic of Turkey and for the guarantees and securities of other banks whose majority of the capital belongs to the Undersecretariat of Treasury), which are accepted as collateral by Takasbank, to total collateral accepted by Takasbank for that market cannot exceed 25%. In periodic controls, the order of priority is taken account in liquidation of the collaterals which exceed the 25% threshold and the change request of the collaterals led to limit excess by starting from the collaterals deposited at the end is made via the e-mails sent to the members who deposit them.</p>