

GENERAL REQUIREMENTS ON TAKASBANK CCP MEMBERSHIP

Takasbank CCP membership requirements are listed in Central Counterparty Regulation, Article 7. In accordance with the Central Clearing and Settlement Regulation, the prerequisite for CCP Membership is to be a member of Takasbank. The investment institutions, which operate in accordance with the Republic of Turkey Central Bank and Capital Markets Law and other persons, suggested by Takasbank and approved by Capital Markets Board maybe Takasbank member as long as they fulfill the requirements in the Central Clearing Regulation Article 9.

The Requirements in Accordance with the Provisions of the Central Clearing and Settlement Regulation

The following requirements have to be met to be a member.

1. In the markets where Takasbank offers clearing and settlement service, due to violation of the legislation trading authority should not have been revoked,
2. The contract whose contents have been determined by Takasbank and if stipulated the relevant commitments have to be signed and submitted,
3. Technical infrastructure should be constructed to execute the transactions at Takasbank and necessary measures should be taken to ensure its operability,
4. The fulfillment of the additional requirements of the markets where clearing and settlement service shall be provided or of Takasbank depending on the particulars of the capital markets instruments,

The additional membership requirements concerning the markets where Takasbank is the central clearing counterparty is determined by the central counterparty regulation, which shall be issued by the Capital Markets Board. The institutions, which meet the requirements determined in accordance with the provision of the Central Counterparty Regulation, may be a party to the CCP services on market or capital markets instrument basis upon authorization by the Takasbank Board of Directors.

The Requirements Determined in Accordance with the Provisions of Central Counterparty Regulation

To be a CCP member, the requirements below need to be met,

1. In accordance with the Central Clearing Regulation provisions to be a member of Takasbank,
2. In the markets where Takasbank provides clearing and settlement or CCP services due to violation of relevant legislation at the market or on capital market instruments, trading authority should not have been revoked,

3. The CCP service contract whose contents are determined by Takasbank and/or commitments have to be signed and submitted to Takasbank,
4. To ensure sustainability of the CCP service mandatory IT, risk management, internal control and internal audit mechanisms have to be built and made operable.
5. To be a party to the CCP services, having the minimum shareholders' equity, which shall be determined by Takasbank on market or capital markets instrument basis,
6. To have a financial structure strong enough to meet the guarantees in relation to the market or capital market instruments where it is a CCP services party,
7. To fulfill the additional requirements enforced by CCP service-enabled markets or the particulars of capital markets instruments,
8. To submit the other information and documents that shall be demanded by Takasbank.

Application Principles

The general application principles with respect to the implementation of the membership requirements determined in the Regulations published on the Official Gazette are laid down in the General Application Principles Regarding Central Counterparty Risk Management. Accordingly;

1. The members who shall be admitted into CCP membership are obliged to possess the sufficient moral and financial strength and operational competency.
2. In the CCP service-enabled markets, for each capital markets instrument that is cleared, membership categories and membership admission criteria are formed whenever required and published in the relevant market directives and procedures. Such criteria must be transparent, objective and ensure that members possess the financial resources and operational competency to meet their obligations to Takasbank.
3. In measuring and monitoring the CCP members' financial competencies and determining membership types, shareholders' equity, General Principles of Credit Rating and Assessment Systems Regulation, and subject to the relevant procedures internal and/or independent credit rating grades are taken into account.
4. To ensure that the CCP members possess requisite operational competency a written commitment is obtained from the applicant institutions' board of directors stating that they shall establish and maintain the adequate IT, risk management, internal control and internal audit systems. Takasbank Internal Audit Unit may perform on-site audit of IT, risk management, internal control and internal audit systems before admission into membership.

The CCP Members' General Obligations:

It is Takasbank's duty to monitor and audit whether the CCP members are performing their obligations and furthermore, members are obliged to comply with the matters listed below in accordance with the CCP Regulation Article 12 the CCP;

1. To comply with Takasbank Central Counterparty Regulation and other relevant legislation and all principles and rules determined with respect to the CCP service,
2. In the CCP service-enabled markets or capital markets instruments, to take all measures to ensure sustainability of internal control, risk management and internal audit mechanisms which are essential to become a party to such service,
3. If a transferee CCP member has already been designated to port the member accounts in Takasbank and associated sub accounts, including information on such matters in the framework agreements signed with clients,
4. In the markets or capital markets instruments where omnibus accounts are used, if requested by the client, to take all measures to ensure that client positions and associated collateral are held in the individual position account and collateral accounts and to assure monitoring and opening of such accounts.
5. To comply with all principles and rules in the Capital Markets Law No 6362 and other relevant legislations concerning the monitoring and safekeeping of client assets and collateral,
6. In the event that client collateral is part of collateral that shall be entrusted to Takasbank in relation to transactions at CCP markets or in CCP capital markets instruments, to execute the tasks and transactions laid down in the Takasbank Central Counterparty Regulation and the relevant market directives.
7. To perform the membership fee, fees, commission and other liabilities imposed by Takasbank within the CCP services, in due time,
8. To establish constant reconciliation between the records pertaining to individual or omnibus position accounts at Takasbank and client position and collateral accounts it holds,
9. To ensure that the clients are properly and accurately informed on matters regarding the structure of the collateral accounts, the scope of segregation provided by Takasbank and the fact that CCP member has the right of possession over the collateral accounts held with Takasbank and that this authority is restricted to the requisite amount of collateral,
10. To deposit client collateral at related collateral accounts with Takasbank,

11. If stipulated by Takasbank, to comply with the regulations concerning general and specific insurance, which guarantees against the financial and legal liability that might arise against other CCP members,

12. Concerning the tasks and transactions included in the Takasbank Central Counterparty Regulation, to provide all kinds of support with respect to, submission of all kinds of information and document that will be demanded by Takasbank and Capital Markets Board on matters where it is deemed necessary and the examinations that will be carried out by those authorized by Takasbank and Capital Markets Board,

13. To fulfill the other obligations laid down in the Takasbank Central Counterparty Regulation in a timely and complete manner.

Those CCP members that deposit client collateral into collateral accounts associated with omnibus accounts over which they do not have the possession rights, are responsible to clients for any kind of damage that may arise due to such action.

In the event that any CCP member believes that it shall not be able to fully or partially meet its obligations, the situation has to be notified to the Capital Markets Board and other relevant public organizations and institutions with supporting information and documents. Such notification does not constitute an obstacle for Takasbank to taking the necessary measures as per the Central Counterparty Regulation and relevant market directives.

Membership Types:

CCP members are divided into two, direct CCP members and general CCP members.

The admission into CCP membership and determination of the membership type is carried out by Takasbank taking into consideration with respect to the applicant, shareholders' equity, internal credit rating conducted by Takasbank to determine its credit worthiness, financial analysis and intelligence studies, if exists independent credit rating grades and competency of internal systems and technical infrastructure. The criteria utilized to determine the CCP membership types are regulated in the relevant market directives.

Takasbank Board of Directors is authorized to assign CCP membership types on the basis of market or capital markets instruments, aside from those determined in this article, upon the Capital Market Board's approval.

Direct CCP Membership:

Direct CCP members are authorized solely to execute their and/or their clients' clearing.

General CCP Membership:

General CCP members are authorized to execute trading organizations' clearing besides their and /or their clients'. A general CCP member that executes a trading organization's clearing operation

guarantees to Takasbank that it shall unconditionally fulfill the liabilities regarding the transactions the trading organization executes via itself, through a signed contract and/or undertaking.

The general CCP member that is executing the clearing and the related trading organization whose trades are cleared are joint debtor and guarantor for the liabilities arising against Takasbank due to such trading organization's proprietary and client trades executed via the related general CCP member.

A general CCP member is responsible to monitor if the trading organization whose transaction it is clearing is fulfilling its obligations, and if it is seen that it is not doing so to take all necessary measures, and if it is still not doing so despite all the measures taken, to act in accordance with the provisions laid down in Takasbank Central Counterparty Regulation.

General CCP member's responsibility is revoked, on the condition that all rights, liabilities of the trading organization against Takasbank due to the trades executed by such organization in the CCP markets or CCP capital markets instruments and its accounts, are transferred to another general CCP member or disposed of.

Trading Organizations

The trading organizations' liabilities are regulated in the CCP Regulation, Article 16. Accordingly, the trading organizations whose trades are guaranteed to Takasbank by general CCP members are obliged to;

1. Monitor the client position and collateral both via itself and if required via the CCP member and to comply with the regulations laid down in this Regulation and relevant market directives concerning collateral treatments,
2. To act in accordance with all the principles and rules laid down in the Law related to monitoring and safekeeping of client assets and collateral, and other related legislation,
3. To ensure constant reconciliation between the records pertaining to the client accounts with the associated general CCP member and the client position and collateral held with it,
4. To ensure client is properly and accurately informed that the relevant general CCP member has right of possession over the client collateral accounts opened with the general CCP member and this right is restricted by Takasbank to the requisite collateral amount,
5. The general CCP member is obliged to provide all information and document concerning the business and transaction within the scope of the CCP Regulation that shall be requested by Takasbank and Capital Markets Board where it is deemed necessary and to provide all kinds of support to those assigned by Takasbank and the Board to conduct examinations.

If the relevant CCP member determines that any of the trading organizations is not fulfilling partially or fully its liabilities listed above, the situation is urgently reported to Takasbank with all supporting information and documents and all measures are taken to remove such violations.

If despite all the measures taken by the general CCP member, the trading organization is not fully performing its obligations, the positions and collateral which belong to such organization's clients are transferred to the related general CCP member upon the demand of such CCP member from Takasbank in accordance with the contract between them. The trading organization communicates the transferred client position and collateral ownership information to the transferee member. Takasbank submits information regarding the rationale for the transfer, which is obtained, from the related CCP member, and the transferred transaction to the Board and the relevant public authority in one business day.

Switching between CCP Membership Types:

The general and direct CCP Members; membership types may be revised according to their compliance with the requirement determined by Takasbank. Subject to this, just like a direct CCP member may become a general CCP member, a general CCP member may also become a direct CCP member.

A direct CCP member may switch to general CCP membership after suitability assessment by Takasbank Board of Directors following its application to Takasbank.

In the event that the conditions as per the market directives prevail, through Takasbank's independent action or the member's application, a general CCP member can be switched to direct CCP member following Takasbank Board of Directors' ruling.

Under such circumstances it is compulsory that, if exist, all rights, liabilities and accounts pertaining to the trading organization are transferred or disposed of. In case of switching between different types of CCP membership, the relevant market's manager is informed on the switch in the business day following the Takasbank Board of Directors' ruling.

Disciplinary Provisions:

In accordance with the 51st Article of the CCP Regulation, the disciplinary provisions laid down in the seventh section of the Central Clearing Regulation shall be applied to the CCP members who violate the Regulation's provisions.

DISCIPLINARY PENALTIES



Warning penalty is issued by the Takasbank General Manager. Membership suspension and permanent dismissal of membership penalties are adjudicated by Takasbank Board of Directors. In case that the continuation of the clearing operation by the member, who is the subject of disciplinary investigation due to an action requiring suspension of membership or permanent membership dismissal, shall lead to uncompensable damage, the member's clearing operation may be halted as a measure of precaution until the end of the disciplinary investigation by the Board of Directors' decision. The precautionary decision is immediately notified to the Capital Markets Board and the relevant market operators. Following imposition of disciplinary penalty upon the member, if the member executes a new act that requires the same penalty during the period determined for removal of the penalties from the registry subject to Takasbank Central Clearing Regulation, Article 60, such member is charged with a degree aggravated penalty. Suspension of membership and permanent dismissal of membership penalties are immediately notified to the stock exchange or market operator and the Capital Markets Board. The stock exchange or the market operator adjudicates whether the member concerned shall transact in the market.

Disciplinary Committee:

In investigating the disciplinary offenses above, to assist the Takasbank Board of Directors, a Disciplinary Committee will be formed comprising of a President selected among Takasbank managers and four members.

The committee is responsible and authorized to make examinations with respect to the foreseen disciplinary offenses and submit the report prepared at the end of such examination to the general manager or the board of directors depending on the nature of the offense.

Conducting the Disciplinary Investigation:

The disciplinary investigation may be launched by the Takasbank General Manager's ruling following Takasbank's independent application or upon the warning from the relevant stock exchange or market operator. The Disciplinary Committee commences the disciplinary proceedings at most in 10 days following the announcement of Takasbank General Manager's ruling to start the investigation. In the investigation it is compulsory to ask for written defense and to grant at least 15-day period for such defense commencing from the date of receipt of the accusation by the member. The member who does not provide its defense in such period is deemed to have waived its right of defense. The Committee may invite the member who is under investigation upon the member's request or independently, for a hearing with the member or its representatives. Those who do not comply with the invitation without an acceptable excuse are excluded from the hearing. The Committee in 10 days following the completion of the investigation submits the report stipulating warning penalty to the general manager, and those stipulating suspension of the membership or permanent dismissal from membership to the board of directors. Takasbank Board of Director or General Manager may adopt the report as it is or may rule differently. Takabank Board of Directors rules on the investigation in accordance with the current regulation and market practices and principles of equity. The board of directors' members are not allowed to attend ruling sessions or vote concerning the members that they have an employment or partnership relation with. The ruling is delivered to the known addresses of the concerned parties in three business days following the verdict via registered letter or notified by signed hand delivery.

Recording the Disciplinary Penalties to the Registry and Deletion from the Registry

The disciplinary penalties are recorded into the related member's registry. In the event that a disciplinary offense is not committed one year from the verdict, except for permanent dismissal of membership, the previous penalties recorded into the registry are not regarded as recurring.

Restriction of CCP Members' Operations:

The operations of CCP members, whose activities are subject to restriction or temporary suspension by Capital Markets Board or the relevant public organization and institutions, in the CCP markets or CCP capital markets instruments are restricted by Takasbank until otherwise notified by Capital Markets Board or the relevant public organization and institutions.

If Takasbank determines that any CCP member's financial capacity is inadequate in comparison the risks taken on, Takasbank Board of Directors, may restrict the operations of such CCP member on the basis of the CCP- enabled market or capital markets instrument.

Takasbank Board of Directors may take measures against the restricted CCP member such as fulfilling the depot requirement before the transaction in accordance with the Takasbank Central Clearing Regulation, Article 23, suspension of the CCP membership for a maximum of three months period, gross collateral or increasing collateral rates, allowing only risk reducing transaction and

obstruction of account opening, and one or several of the other measures laid down in the relevant legislation.

It is determined in the relevant market directives, which of the measures taken against the restricted CCP member requires porting of the account held on behalf of a CCP member to another CCP member.

Capital Markets Board and other related public organizations and institutions and market managers have to be urgently notified regarding the CCP member whose operations across the relevant markets and capital markets instruments are restricted, and in the absence of Capital Markets Board and other related public organizations and institutions' consent no announcement should be made to the public. The relevant CCP member's ability to operate in the market or capital markets instruments relies upon the decisions of the market managers' authorized bodies.

The CCP whose operations are restricted in the related market and capital markets instruments is granted a period of maximum six months by Takasbank in light of the market rules and trading hours, to remedy the deficiencies with respect to the matters that led to restriction of its operations. At the end of such period if one or several of the conditions still prevail Takasbank Board of Director is authorized to revoke the membership of the CCP member and execute the mandatory transactions.

Termination of the CCP Membership:

CCP membership may be terminated on the basis of market or capital markets instrument if;

- It is determined by Takasbank that the CCP membership eligibility is lost in accordance with the Takasbank Central Counterparty Clearing Regulation and other related legislations,
- It is determined by Takasbank that, risks have emerged significant enough jeopardize the CCP system's safe and seamless operation owing to failure to deliver the obligations laid down in Takasbank Central Counterparty Regulation and other relevant legislation,
- The restricted CCP members have failed to deliver the obligations in the maximum period of six months granted to them,
- If The CCP member requests it, the membership may be terminated upon Takasbank Board of Directors' decision.

The CCP members who desire to terminate their membership notify the situation to Takasbank in writing.

- Takasbank takes the opinion of the related market manager in terminating the CCP member's membership.
- Takasbank is authorized to take all measures to ensure that the processes related to the trading organization whose trades are cleared by the expelled member, are carried out in an orderly and seamless manner, including the transfer of the trading organization's and their clients' positions transfer to another general CCP member.

- Even in the event of termination of membership, the expelled member's obligations to Takasbank due to transactions executed until the date of the Takasbank Board of Directors' membership termination ruling in accordance with the Takasbank Central Counterparty Regulation and other relevant legislations continue.

Regarding a CCP member whose membership is terminated in a market or capital markets instrument, Capital Markets Board, other relevant public organizations and institutions and related market manager have to be urgently notified.