

Segregation of Collaterals and Attributes of Collateral Accounts

Takasbank has established infrastructure to monitor and segregate collateral in markets where it offers CCP services, taking into consideration the national and international regulations.

The principles concerning segregation of collateral in the market where Takasbank provides CCP service are laid down in the CCP Regulation, Article 25. Market specific regulation in the segregation of position and collateral is laid down in the relevant Market Directives and Procedures.

As a first step in the segregation of collateral, collateral for the CCP-enabled market and guarantee fund contributions are monitored separately from Takasbank's other assets and the collateral accepted for the non-CCP markets.

The segregation of collateral and member collateral is handled in two levels.

(i) The collateral belonging to members' customers are monitored separately from the position and collateral that belongs to the member's own portfolio at Takasbank.

(ii) Upon customer's demand, the individual customers' collateral can be monitored separately from the positions and collateral in the individual customer accounts associated with the member, and it is in Takasbank's discretion to decide whether it shall offer individual account alternative to customers at spot markets. It is compulsory to offer customer's individual position and collateral account option in the derivatives markets.

In accordance with the Market Directives approved by Capital Markets Board, already in both Borsa Istanbul Inc. Derivatives Market (VIOP) and Takasbank Securities Lending Market (ÖPP) the collateral is monitored in individual customer accounts associated with the member, omnibus account option is not offered for customer position and collateral. In this regard, in CCP markets, the collateral deposited in relation to the trades executed in Derivatives Market (VIOP) and Securities Lending Market (ÖPP) are held at Takasbank, Central Registry (Depository) Agency (MKK) or other depository agencies according to the type of the collateral and under the brokerage firm's account, in sub-accounts opened for each customer.

Nevertheless, customers are not allowed to use such accounts via direct instructions to Takasbank. Since the member has the right of possession over the customer accounts opened at Takasbank, Takasbank restricts member's authority to withdraw collateral from these accounts to the requisite collateral (risk) amount. Therefore, the member is not allowed to withdraw freely the collateral amount in individual customer accounts in excess of the requisite obligation. The member's right of possession over the account is restricted in the event of default, unless specifically allowed, the member can not execute trades on behalf of these accounts.

In accordance with the CCP Regulation, Article 25, Paragraph 3 the customer collateral associated with the positions in individual position accounts can not be expended by Takasbank neither towards the collateral deficit in the CCP member own accounts nor in the individual

customer accounts. Hence, unless the Capital Markets Law is violated through the use of customer collateral outside customer knowledge and instruction or outside its purpose, the collateral deposited in the individual accounts at Takasbank are protected by both the member and the other customers' default and insolvencies.

Takasbank, although does not deal directly with the member's customers, aims to enhance customer collateral security via a system whereby they will be able to monitor positions and collateral in the individual accounts associated with members through remote access. Hence, it is in the customer's advantage to benefit from this opportunity offered to them and monitor their positions and collateral information closely in the disposition of the member at Takasbank.

On the other hand, the banks where the cash collateral and guarantee fund contributions collected in the CCP markets are deposited for the purposes of accruing interest are informed that the transferred funds are exempt from the liens specified in Capital Markets Law, Article 73, Paragraph 2. The cash funds subject to remuneration are held in the special accounts opened at related banks, on market basis and customer/portfolio basis.