

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.

In BİAŞ Money Market, all members that wish to trade at the Market, are obliged to open cash, margin and guarantee fund accounts required to execute trades with Takasbank. Accounts are opened automatically for members who have an account with Takasbank. Trade margins are followed under two separate accounts, "Member" for the Portfolio and "Client" for the clients. Client trade, position and margins are followed under omnibus accounts or individual trade and positions accounts opened in association to the client and margin accounts associated with such accounts, and separate from Member's proprietary trade, position and margins. Member's proprietary position and margins are held under a position account that shall be opened exclusively and margin account associated with this account.

In BİAŞ Equity Market, all members intending to trade in the Market are obliged to open their cash and securities accounts necessary for the execution of settlement transactions at Takasbank, CRA and, if the nature of transaction necessitates, at the correspondent bank to be designated by Takasbank. Collateral accounts where the collateral related to the positions of the members' own portfolios or of their customers are monitored shall be opened at Takasbank. No customer/portfolio segregation shall be made for the collateral accounts where the securities are monitored and/or the markets/marketplaces to which the CCP service is not provided in accordance with the permission of the Board. The position and collateral accounts associated with the trading accounts can be opened at Takasbank in two different types as to be "Customer" and "Portfolio". Portfolio account is an account in which the transactions made by the member for its own portfolio is monitored. Monitoring customer positions in the multiple position accounts in a collective manner is essential. No customer and/or portfolio segregation shall be made for the accounts where the securities are monitored and/or the markets/marketplaces to which the CCP service is not provided in accordance with the permission of the Board.

In Borsa Istanbul Debt Securities Market, All members intending to trade in the Market are obliged to open their cash and securities accounts necessary for execution of the clearing and settlement operations at Takasbank and the CRA and, if the nature of transaction necessitates, at the correspondent bank to be designated by Takasbank. Collateral accounts where the collateral related to the positions of the members' own portfolios or of their customers are monitored shall be opened at Takasbank. Customer/portfolio segregation shall be made for the collateral accounts where the securities and/or the markets/marketplaces to which the CCP service is not provided in accordance with the permission of the Board are monitored. The position and collateral accounts associated with the trading accounts can be opened at Takasbank in two different types: the "Client" and the "Portfolio". The portfolio account is the account in which the transactions conducted by the member for its own portfolio are monitored. Monitoring client positions in the multiple position accounts in a collective manner is essential. For the trading institutions, portfolio and multiple client portfolio accounts that are linked to the general CCP member but separate from other client and trading institution accounts of the general CCP member shall be opened. The members shall monitor the positions and collateral of their own portfolio and the customer positions and collateral in a separate manner in the accounts to be opened at Takasbank. Takasbank accepts that collateral deposited by its members to the collateral accounts associated with the multiple position accounts belongs to the Member. In the Market, the customer transactions, positions and

collateral are monitored in the multiple trading and position accounts opened and linked to the Member and in the collateral accounts associated with these accounts, in a separate manner from the member's own transactions, positions and collateral.) Transactions, positions and collateral of the member's own portfolio are monitored in the single trading and position accounts to be exclusively opened for the members and in the collateral account associated with these accounts.

In Borsa Istanbul Swap Market, All members intending to trade in the Market are obliged to open at Takasbank their cash, trade margin and guarantee fund accounts required for conducting their transactions. The trade margins are monitored at two different accounts: for the Portfolio, the "Member Account" and for the customers, the "Customer Account". In the Market, the customer transactions, positions and collateral are monitored in the multiple or single trading and position accounts opened and linked to the Member and in the margin accounts associated with these accounts, in a separate manner from the Member's own transactions, positions and collateral. Positions and collateral of the member's own portfolio are monitored in a position account to be exclusively opened and in the margin account associated with this account.

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.