

Takasbank's Investment Policy and the Protection of Collaterals

Takasbank's investment strategies are determined in the Fund Management Strategies Directive approved by the Board of Directors. In accordance with the investment strategy, Takasbank aims to minimize credit, market and liquidity risks while using its own capital and cash resources.

Takasbank is allowed to invest cash resources at domestic banks, within the established credit limits allocated through the internal credit assessment system and the foreign currency cash resources at banks which are domiciled abroad Takasbank limits all risks related to banking, CCP and non-CCP activities from any counterparty with a single upper limit, taking into consideration the credit rating results and the equity of the counterparty. The upper limits are checked up on at least twice a year. The sum of all credit, risk, transaction, collateral and custody limits allocated for banking, and custody services in countenance of a single counterparty cannot exceed the upper limit.

Whether the cash collateral shall be remunerated or not is determined in the relevant market directives or procedures. However, remuneration of the collateral is possible only if the collateral is entrusted in such way that enables return on the collateral within the framework of daily market conditions and risk management principles. In cases where the market conditions don't allow this or sufficient returns cannot be attained due to risk management constraint, collateral is not remunerated. Moreover, in case of a default event in the markets, remuneration might be halted due to Default Management Committee's ruling and liquidity constraints.

Takasbank, remunerates cash collateral and guarantee fund contributions of the participants at the CBRT, deposit banks which are operating in Turkey, in the BİAŞ Money Market or in the Repo – Reverse Repo Market which is under the BİAŞ Debt Securities Market. Minimum 95% of the cash collateral, which cannot be entrusted in this manner, has to be the subject of repo transactions against the Treasury Domestic Borrowing Securities, with large-scale commercial banks or in organized market. In addition, Takasbank, which serves as CCP, can remunerate its own cash resources at the CBRT, deposit banks which are operating in Turkey, Borsa İstanbul Anonim Şirketi (BİAŞ) Money Market, BİAŞ Swap Market or BİAŞ Debt Securities Market. While the maturity in the CCP service enabled markets for entrusting the collateral or repo is at the maximum two business days, the maturity limit may vary depending on the type of instrument invested while Takasbank direct.

Cash and non-cash collateral and guarantee fund contributions entrusted to Takasbank by CCP members have been taken under protection subject to Capital Markets Law 6362 No, Article 73/2. Such collateral is protected both from Takasbank's liquidation, bankruptcy and pursuit of its debtors and from the liquidation or bankruptcy of the banks' or custody agencies' where they have been transferred for the purpose of remuneration, and the pursuit of their debtors.

In entrusting collateral and guarantee fund contributions to other banks for remuneration purposes, (i) market (ii) guarantee fund/ transaction collateral and (iii) portfolio /client differentiation is made, moreover banks are notified in writing that the transferred funds have been taken under protection subject to the Law Article 73, Paragraph 2.