

**General Letter: 1536**  
**Equities and Debt Securities Clearing & Settlement Team**

**Istanbul, 15/03/2019**

**Subject:** Swap Market Directive and Procedure Amendments  
**Related Parties:** Banks

Dear General Manager,

In order to contribute to the development of Borsa Istanbul Swap Market, upon our members' request, development process is in progress in terms of operational process enhancement, and in the current situation variation margin refund amounts to be paid on the due date of trades has been included in clearing and settlement process; together with the development, regulations and enhancement regarding the inclusion of variation margin amounts to clearing and settlement process have been completed.

In this context, the " Istanbul Settlement And Custody Bank INC. Borsa Istanbul INC. Directive On Swap Market Clearing And Settlement And Central Counterparty Service Principles" (Directive) was approved by the Capital Markets Board of Turkey on 07.03.019.

Directive and within the frame of directive updated "İstanbul Settlement and Custody Bank Inc. Procedure On Borsa İstanbul A.Ş. Swap Market Clearing And Settlement And Central Counterparty Service Principles " (Procedure) published on the our Bank's website and the implementation will be valid from 18.03.2019.

The business rules to be applied together with the implementation of the application are detailed in the Procedure and the comparison tables for the amendments to the Directive and the Procedure are attached.

We kindly request you to take necessary action,  
Sincerely yours,

TAKASBANK

ISTANBUL SETTLEMENT AND CUSTODY BANK INC.

Gökhan ELİBOL  
Executive Vice President

Mahmut KAYACIK  
CEO  
Board Member

## Istanbul Settlement and Custody Bank. Inc. Borsa Istanbul Inc. Swap Clearing and Settlement and Central Counterparty Service Principles

Article Content-Old	Article Content-New
<p><b>Market clearing and settlement operations</b> <b>ARTICLE 19</b></p> <p>(1) The clearing and settlement of the trades conducted in the Market is performed on the start and expiry dates. The variation margin return amounts of the expired contracts are added to or deducted from the maturity amount on the due date.</p>	<p><b>Market clearing and settlement operations</b> <b>ARTICLE 19</b></p> <p>(1) The clearing and settlement of the trades conducted in the Market is performed on the start and expiry dates.</p>
<p><b>Variation margin (P/L) settlement operations</b> <b>ARTICLE 20</b></p> <p>(1) The variation margin settlement process includes the settlement of the variation margins and their financing cost. The variation margin refund amounts to be paid on the due date of the transaction is not included.</p>	<p><b>Variation margin (P/L) settlement operations</b> <b>ARTICLE 20</b></p> <p>(1) The variation margin settlement process includes the settlement of the variation margins, variation margin refund amount which is paid at the value date and their financing cost.</p>
<p><b>Variation margin and funding cost calculations</b> <b>ARTICLE 27</b></p> <p>(2) The variation margin amount being calculated on the basis of each contract pursuant to the first paragraph shall be netted on a currency basis. The funding cost, if any, shall be added to or deducted from such amount.</p> <p>(5) The party holding a cumulative net positive balance from the variation margin amounts that have transferred throughout the term of each transaction shall pay such amount at the due date of the transaction together with its principal settlement debt.</p>	<p><b>Variation margin and funding cost calculations</b> <b>ARTICLE 27</b></p> <p>(2) The variation margin amount being calculated on the basis of each contract pursuant to the first paragraph shall be netted on a currency basis. The funding cost, if any, and variation margin refund related to contacts at maturity, if any, shall be added to or deducted from such amount.</p> <p>(5) The party's cumulative net positive balance from the variation margin amounts that have transferred throughout the term of each transaction shall be part of netting between daily variation margin and funding costs.</p>
<p><b>Default interest</b> <b>ARTICLE 45</b></p> <p>(3) The defaulting member shall be charged a default interest,</p> <p style="padding-left: 40px;">a) up to the amount of TL denominated non-fulfilled obligation amount to be</p>	<p><b>Default interest</b> <b>ARTICLE 45</b></p> <p>(3) The defaulting member shall be charged a default interest,</p> <p style="padding-left: 40px;">a) up to the amount of TL denominated non-fulfilled obligation amount to be</p>

<p>calculated based on the below-given haircuts by using the higher of the weighted average overnight interest rates formed in BIAS Repo Reverse-Repo Market, BIAS Interbank Repo Reverse-Repo Market, CBRT Interbank Money Market or Takasbank Money Market.</p>	<p>calculated based on the below-given haircuts by using the higher of the weighted average overnight interest rates formed in BIAS Repo Reverse-Repo Market, CBRT Interbank Money Market or Takasbank Money Market.</p>
<p><b>Compensation Payment</b> <b>ARTICLE 49</b></p> <p>(4) A compensation payment at <math>\frac{3}{4}</math> of the highest of the weighted average overnight interest rates that have been formed in BIAS Repo-Reverse Repo Market, BIAS Interbank Repo-Reverse Repo Markey, CBRT Interbank Money Market or Takasbank Money Market shall be made for the payments failed to be made on the value date to the obligee members on the basis of the calendar days between the value date and the date on which the payment or delivery has been made.</p>	<p><b>Compensation Payment</b> <b>ARTICLE 49</b></p> <p>(4) A compensation payment at <math>\frac{3}{4}</math> of the highest of the weighted average overnight interest rates that have been formed in BIAS Repo-Reverse Repo Market, CBRT Interbank Money Market or Takasbank Money Market shall be made for the payments failed to be made on the value date to the obligee members on the basis of the calendar days between the value date and the date on which the payment or delivery has been made.</p>

**Istanbul Clearing, Settlement and Custody Bank Inc. - Borsa Istanbul Swap  
Market Directive on Clearing and Central Counterparty Service Principles**

Article Content-Old	Article Content-New
<p><b>Market clearing and settlement operations</b>  <b>ARTICLE 17</b>  (3) The variation margin refund amounts of the expired contracts shall be added to or deducted from the maturity amount on the due date.</p>	<p><b>Market clearing and settlement operations</b>  <b>ARTICLE 17</b></p>
<p><b>Variation margin settlement operations</b>  <b>ARTICLE 18</b>  (1) The variation margin settlement process includes the settlement of the variation margins and their financing cost. The variation margin refund amounts to be paid on the maturity of the transaction shall not be included.</p>	<p><b>Variation margin settlement operations</b>  <b>ARTICLE 18</b>  (1) The variation margin settlement process includes the settlement of the variation margins variation margin refund amount which is paid at the value date and their financing cost.</p>
<p><b>Default interest</b>  <b>ARTICLE 39</b>  (3) The defaulting member shall be charged a default interest up to the amount to be calculated over the non-fulfilled obligation amount based on the haircuts set forth in the Procedure by applying the higher of the weighted average overnight interest rates formed in BIAS Repo Reverse-Repo Market, BIAS Interbank Repo Reverse-Repo Market, CBRT Interbank Money Market or Takasbank Money Market.</p>	<p><b>Default interest</b>  <b>ARTICLE 39</b>  (3) The defaulting member shall be charged a default interest up to the amount to be calculated over the non-fulfilled obligation amount based on the haircuts set forth in the Procedure by applying the higher of the weighted average overnight interest rates formed in BIAS Repo Reverse-Repo Market, CBRT Interbank Money Market or Takasbank Money Market.</p>