



General Letter: 1559

İstanbul, 12/06/2019

COLLATERAL AND DEFAULT MANAGEMENT TEAM

Subject: Regarding Swap Market Amendments
Related Parties: Banks

Dear General Manager,

As known, Borsa Istanbul Inc. Swap Market (Market) development process is proceeding in order to increase the effectiveness of collateral management process in the Market. In this context, Republic of Turkey Undersecretariat of Treasury Foreign Debt Securities (Eurobond) and exchange traded gold are added to the assets accepted as collateral in the Market. In addition, an improvement is made in order to calculate initial margin of the transactions in line with the number of days passed instead of the application of the calculation and collection of initial margin based on the maturity in advance.

Istanbul Settlement and Custody Bank Inc. Procedure on Borsa İstanbul A.Ş. Swap Market Clearing and Settlement and Central Counterparty Service Principles (Procedure) is published on the our Bank's website and the implementation will be valid from 17.06.2019. Comparison tables based on the changes in the Procedure are attached and kindly submitted for your information.

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

TAKASBANK
İSTANBUL SETTLEMENT AND CUSTODY BANK INC

NİYAZİ BURAK AKAN
DIRECTOR

GÖKHAN ELİBOL
DEPUTY CEO

Istanbul Settlement and Custody Bank Inc. Procedure on Borsa İstanbul A.Ş. Swap Market Clearing and Settlement and Central Counterparty Service Principles Comparison Table

Article Content – Old	Article Content – New	Reason																																																															
<p>Account Structure</p> <p>ARTICLE 21</p> <p>(7) Operations regarding deposit/withdrawal to/from the relevant account for the collateral are performed through the market screens. No direct transaction is conducted to these accounts listed below and they are used for reporting.</p> <table border="1" data-bbox="138 513 867 1395"> <thead> <tr> <th>Type of Collateral</th> <th>Account Name</th> <th>Account/Depo</th> </tr> </thead> <tbody> <tr> <td>GDDS/Sukuk</td> <td>Trade margin depo (Portfolio)</td> <td>036</td> </tr> <tr> <td>GDDS/Sukuk</td> <td>Guarantee Fund collateral depo</td> <td>037</td> </tr> <tr> <td>TL</td> <td>Trade margin in cash</td> <td>SWPNT</td> </tr> <tr> <td>TL</td> <td>Guarantee fund collateral in cash</td> <td>SGFNT</td> </tr> <tr> <td>Mortgage-backed securities, mortgage-based securities, asset-backed securities and assetbased securities</td> <td>Trade margin</td> <td>036K</td> </tr> <tr> <td>Mortgage-backed securities, mortgage-based securities, asset-backed securities and assetbased securities</td> <td>Guarantee fund collateral</td> <td>037K</td> </tr> <tr> <td>USD</td> <td>Trade margin</td> <td>SWPFX-10101-1</td> </tr> <tr> <td>USD</td> <td>Guarantee fund collateral</td> <td>SGFFX-10101-1</td> </tr> <tr> <td>EUR</td> <td>Trade margin</td> <td>SWPFX-10120-1</td> </tr> <tr> <td>EUR</td> <td>Guarantee fund collateral</td> <td>SGFFX-10120-1</td> </tr> </tbody> </table>	Type of Collateral	Account Name	Account/Depo	GDDS/Sukuk	Trade margin depo (Portfolio)	036	GDDS/Sukuk	Guarantee Fund collateral depo	037	TL	Trade margin in cash	SWPNT	TL	Guarantee fund collateral in cash	SGFNT	Mortgage-backed securities, mortgage-based securities, asset-backed securities and assetbased securities	Trade margin	036K	Mortgage-backed securities, mortgage-based securities, asset-backed securities and assetbased securities	Guarantee fund collateral	037K	USD	Trade margin	SWPFX-10101-1	USD	Guarantee fund collateral	SGFFX-10101-1	EUR	Trade margin	SWPFX-10120-1	EUR	Guarantee fund collateral	SGFFX-10120-1	<p>Account Structure</p> <p>ARTICLE 21</p> <p>(7) Operations regarding deposit/withdrawal to/from the relevant account for the collateral are performed through the market screens. No direct transaction is conducted to these accounts listed below and they are used for reporting.</p> <table border="1" data-bbox="894 513 1623 1395"> <thead> <tr> <th>Type of Collateral</th> <th>Account Name</th> <th>Account/Depo</th> </tr> </thead> <tbody> <tr> <td>GDDS/Sukuk</td> <td>Trade margin depo (Portfolio)</td> <td>036</td> </tr> <tr> <td>GDDS/Sukuk</td> <td>Guarantee Fund collateral depo</td> <td>037</td> </tr> <tr> <td>TL</td> <td>Trade margin in cash</td> <td>SWPNT</td> </tr> <tr> <td>TL</td> <td>Guarantee fund collateral in cash</td> <td>SGFNT</td> </tr> <tr> <td>Mortgage-backed securities, mortgage-based securities, asset-backed securities and assetbased securities</td> <td>Trade margin</td> <td>036K</td> </tr> <tr> <td>Mortgage-backed securities, mortgage-based securities, asset-backed securities and assetbased securities</td> <td>Guarantee fund collateral</td> <td>037K</td> </tr> <tr> <td>USD</td> <td>Trade margin</td> <td>SWPFX-10101-1</td> </tr> <tr> <td>USD</td> <td>Guarantee fund collateral</td> <td>SGFFX-10101-1</td> </tr> <tr> <td>EUR</td> <td>Trade margin</td> <td>SWPFX-10120-1</td> </tr> </tbody> </table>	Type of Collateral	Account Name	Account/Depo	GDDS/Sukuk	Trade margin depo (Portfolio)	036	GDDS/Sukuk	Guarantee Fund collateral depo	037	TL	Trade margin in cash	SWPNT	TL	Guarantee fund collateral in cash	SGFNT	Mortgage-backed securities, mortgage-based securities, asset-backed securities and assetbased securities	Trade margin	036K	Mortgage-backed securities, mortgage-based securities, asset-backed securities and assetbased securities	Guarantee fund collateral	037K	USD	Trade margin	SWPFX-10101-1	USD	Guarantee fund collateral	SGFFX-10101-1	EUR	Trade margin	SWPFX-10120-1	<p>To extend the assets accepted as collateral in the Market</p>
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Istanbul Settlement and Custody Bank Inc. Procedure on Borsa İstanbul A.Ş. Swap Market Clearing and Settlement and Central Counterparty Service Principles Comparison Table

GBP	Trade margin	SWPFX-10103-1	EUR	Guarantee fund collateral	SGFFX-10120-1	
GBP	Guarantee fund collateral	SGFFX-10103-1	GBP	Trade margin	SWPFX-10103-1	
			GBP	Guarantee fund collateral	SGFFX-10103-1	
			Republic of Turkey Undersecretariat of Treasury Foreign Debt Securities (Eurobond)	Trade margin	5076	
			Republic of Turkey Undersecretariat of Treasury Foreign Debt Securities (Eurobond)	Guarantee fund collateral	5075	
			Exchange traded gold	Trade margin	SWIAU	
			Exchange traded gold	Guarantee fund collateral	SWGAI	
<p>Initial margin, at-trade and post-trade risk management- Old</p> <p>ARTICLE 26- (4) (4) The initial margin could be differentiated on the basis of the maturity of the transaction and counterparties to trade. For the transactions with a maturity longer than one month, Takasbank may receive additional collateral from the TL-indebted borrower by taking the interest component of the transaction into account. Along with initial margin, additional collateral is required from the party that has the obligation to pay the money that would depreciate at the maturity. The principles and procedures for the receipt of additional collateral shall</p>			<p>Initial margin, at-trade and post-trade risk management- New</p> <p>ARTICLE 26- (4)(4) The initial margin could be differentiated on the basis of the maturity of the transaction, and <u>and the currency.</u> For the transactions with a maturity longer than one month, Takasbank may receive additional collateral from the TL-indebted borrower by taking the interest component of the transaction into account. Along with initial margin, additional collateral is required from the party that has the obligation to pay the money that would depreciate at the maturity. The principles and procedures for the receipt of additional collateral shall be announced via a general</p>			<p>To reduce the collateral management costs of the members</p>

Istanbul Settlement and Custody Bank Inc. Procedure on Borsa İstanbul A.Ş. Swap Market Clearing and Settlement and Central Counterparty Service Principles Comparison Table

<p>be announced via a general letter by considering the market conditions</p>	<p>letter by considering the market conditions <u>If initial margin is not differentiated on the basis of the maturity of the transaction, the daily depreciation implied by the transaction is added to the initial margin obligation of the member who borrow in the currency subject to the depreciation at the end of day risk calculations.</u></p>	
<p>Assets eligible as collateral and guarantee fund contribution- Old ARTICLE 29 (1) The following assets can be used by the Members for the fulfillment of their margin and guarantee fund contribution obligations. Takasbank Board of Directors is authorized to also accept other assets designated in article 19 of the Central Counterparty Regulation as collateral or guarantee fund contribution and determine the group/sub-group limits thereof. a) Cash Turkish Lira. b) Convertible Foreign Currency (USD, EUR, GBP). c) Government Domestic Debt Securities. d) Sukuks issued by the Undersecretariat of Treasury of the Republic of Turkey, Asset Leasing Company. e) Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities</p>	<p>Assets eligible as collateral and guarantee fund contribution- New ARTICLE 29 (1)The following assets can be used by the Members for the fulfillment of their margin and guarantee fund contribution obligations. Takasbank Board of Directors is authorized to also accept other assets designated in article 19 of the Central Counterparty Regulation as collateral or guarantee fund contribution and determine the group/sub-group limits thereof. a) Cash Turkish Lira. b) Convertible Foreign Currency (USD, EUR, GBP). c) Government Domestic Debt Securities. d) Sukuks issued by the Undersecretariat of Treasury of the Republic of Turkey, Asset Leasing Company. e) Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities <u>f) Republic of Turkey Undersecretariat of Treasury Foreign Debt Securities (Eurobond)</u> <u>g) Exchange traded gold</u></p>	<p>To extend the assets accepted as collateral in the Market</p>
<p>Valuation haircuts- Old ARTICLE 31 - (3) The valuation haircuts shall be reviewed once a year. If it is deemed necessary, it is possible to make the review in the shorter time periods. Should any change be occurred in the valuation haircuts after the review, the new valuation haircuts shall be announced to the Members.</p>	<p>Valuation haircuts- New ARTICLE 31 - (3) The valuation haircuts shall be reviewed once a year. If it is deemed necessary, it is possible to make the review in the shorter time periods. Should any change be occurred in the valuation haircuts after the review, the new valuation haircuts shall be announced to the Members.</p>	<p>To extend the assets accepted as collateral in the Market</p>

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(4) In calculating the collateral values of the assets eligible as collateral against the central counterpart and/or clearing and settlement service, the following valuation haircuts shall be taken as a basis.

Collateral Type	Valuation Haircut
Turkish Lira	100%
Convertible Foreign Currency (USD)	92%
Convertible Foreign Currency (EUR)	93%
Convertible Foreign Currency (GBP)	93%
GDDS	91%
Sukuks issued by the Republic of Turkey Undersecretariat of Treasury, Asset Leasing Company	88%
Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities	91%

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Sukuks issued by the Republic of Turkey Undersecretariat of Treasury, Asset Leasing Company	88%
Mortgage-backed securities, mortgage-based securities, asset-backed securities and asset-based securities	91%
<u>Republic of Turkey Undersecretariat of Treasury Foreign Debt Securities (Eurobond)</u>	<u>83%</u>

Istanbul Settlement and Custody Bank Inc. Procedure on Borsa İstanbul A.Ş. Swap Market Clearing and Settlement and Central Counterparty Service Principles Comparison Table

	<p align="center"><u>Exchange traded gold</u></p>	<p align="center"><u>83%</u></p>																		
<p>Collateral composition limits - Old</p> <p>ARTICLE 32- (1)For other assets to be accepted as collateral apart from cash Turkish Lira and the composition limits thereof, the rates given in the following table shall be applied. Takasbank Board of Directors is authorized to set new assets to be accepted as collateral and the composition limits for such assets or make revision in the composition limits including those determined in this Procedure.</p> <table border="1" data-bbox="157 769 833 1341"> <thead> <tr> <th>Assets eligible as trade margin</th> <th>Group Limit</th> <th>Sub-Group Limit (as percent age of Group Limit)</th> </tr> </thead> <tbody> <tr> <td>Cash (TL)</td> <td>Max. 100%</td> <td>-</td> </tr> <tr> <td>Convertible Foreign Currency (USD/EUR)</td> <td>Max. 100%</td> <td>-</td> </tr> </tbody> </table>	Assets eligible as trade margin	Group Limit	Sub-Group Limit (as percent age of Group Limit)	Cash (TL)	Max. 100%	-	Convertible Foreign Currency (USD/EUR)	Max. 100%	-	<p>Collateral composition limits - New</p> <p>ARTICLE 32- (1)For other assets to be accepted as collateral apart from cash Turkish Lira and the composition limits thereof, the rates given in the following table shall be applied. Takasbank Board of Directors is authorized to set new assets to be accepted as collateral and the composition limits for such assets or make revision in the composition limits including those determined in this Procedure.</p> <table border="1" data-bbox="913 769 1583 1341"> <thead> <tr> <th>Assets eligible as trade margin</th> <th>Group Limit</th> <th>Sub-Group Limit (as percent age of Group Limit)</th> </tr> </thead> <tbody> <tr> <td>Cash (TL)</td> <td>Max. 100%</td> <td>-</td> </tr> <tr> <td>Convertible Foreign Currency (USD/EUR)</td> <td>Max. 100%</td> <td>-</td> </tr> </tbody> </table>	Assets eligible as trade margin	Group Limit	Sub-Group Limit (as percent age of Group Limit)	Cash (TL)	Max. 100%	-	Convertible Foreign Currency (USD/EUR)	Max. 100%	-	<p>To extend the assets accepted as collateral in the Market</p>
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Government Domestic Debt Securities	Max. 100%	50%	Government Domestic Debt Securities	Max. 100%	50%
Sukuks issued by the Republic of Turkey Undersecretariat of Treasury, Asset Leasing Company	Max. 100%	50%	Sukuks issued by the Republic of Turkey Undersecretariat of Treasury, Asset Leasing Company	Max. 100%	50%
Mortgage-backed securities, mortgage-based securities, asset-backed securities and assetbased securities	Max 50%	40%	Mortgage-backed securities, mortgage-based securities, asset-backed securities and assetbased securities	Max 50%	40%
			<u>Republic of Turkey Undersecretariat of Treasury Foreign Debt Securities (Eurobond)</u>	<u>Max. 50%</u>	=

Istanbul Settlement and Custody Bank Inc. Procedure on Borsa İstanbul A.Ş. Swap Market Clearing and Settlement and Central Counterparty Service Principles Comparison Table

					<u>Exchange traded gold</u>	<u>Max. 25%</u>	-			
Collateral deposit or withdrawal operations-Old ARTICLE 36 (5) Deadlines for collateral deposit and withdrawal operations are as follows.					Collateral deposit or withdrawal operations-New ARTICLE 36 (5) Deadlines for collateral deposit and withdrawal operations are as follows.					To extend the assets accepted as collateral in the Market
Assets Eligible as Trade Margin	Full Day Deposit Deadline	Half Day Deposit Deadline	Full Day Withdrawal Deadline	Half Day Withdrawal Deadline	Assets Eligible as Trade Margin	Full Day Deposit Deadline	Half Day Deposit Deadline	Full Day Withdrawal Deadline	Half Day Withdrawal Deadline	
Cash Turkish Lira	18:15	12:45	15:40	11:40	Cash Turkish Lira	18:15	12:45	15:40	11:40	

Istanbul Settlement and Custody Bank Inc. Procedure on Borsa İstanbul A.Ş. Swap Market Clearing and Settlement and Central Counterparty Service Principles Comparison Table

Convertible Foreign Currency (USD/EUR, GBP)	18:15	12:45	18:15	12:45	Convertible Foreign Currency (USD/EUR, GBP)	18:15	12:45	18:15	12:45		
GDSS	18:15	12:45	18:15	12:45	GDSS	18:15	12:45	18:15	12:45		
Sukuks issued by the Republic of Turkey Undersecretariat of Treasury,	18:15	12:45	18:15	12:45	Sukuks issued by the Republic of Turkey Undersecretariat of Treasury,	18:15	12:45	18:15	12:45		
Mortgage-backed securities, mortgage-based securities, asset-backed	18:15	12:45	18:15	12:45	Mortgage-backed securities, mortgage-based securities, asset-backed	18:15	12:45	18:15	12:45		

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	Republic of Turkey Undersecretariat of Treasury Foreign Debt Securities	18:15	12:45	18:15	12:45		
<p>Assets eligible as contribution to the guarantee fund and the obligation to restore contribution amount - old ARTICLE 41- (1) Assets eligible as contribution to the guarantee fund and the composition limits thereof are given in the following table. Takasbank Board of Directors is authorized to set new assets to be accepted as collateral and the composition limits for such assets or make revision in the composition limits including those determined in this Procedure.</p>	Exchange traded gold	18:15	12:45	18:15	12:45		<p>Assets eligible as contribution to the guarantee fund and the obligation to restore contribution amount - new ARTICLE 41- (1) Assets eligible as contribution to the guarantee fund and the composition limits thereof are given in the following table. Takasbank Board of Directors is authorized to set new assets to be accepted as collateral and the composition limits for such assets or make revision in the composition limits including those determined in this Procedure.</p> <p>To extend the assets accepted as collateral in the Market</p>

Istanbul Settlement and Custody Bank Inc. Procedure on Borsa İstanbul A.Ş. Swap Market Clearing and Settlement and Central Counterparty Service Principles Comparison Table

Assets eligible to guarantee fund	Group Limit	Sub-Group Limit (as percentage of Group)		Assets eligible to guarantee fund	Group Limit	Sub-Group Limit (as percentage of Group)	
Cash (TL)	Max. 100%	-		Cash (TL)	Max. 100%	-	
Convertible Foreign Currency	Max. 100%	-		Convertible Foreign Currency	Max. 100%	-	
GDDS	Max. 100%	50%		GDDS	Max. 100%	50%	
Sukuks issued by the Republic	Max. 100%	50%		Sukuks issued by the Republic	Max. 100%	50%	
Mortgage-backed securities, mortgage-based securities,	Max. 50%	40%		Mortgage-backed securities, mortgage-based securities,	Max. 50%	40%	

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		<u>Republic of Turkey Undersecretariat of Treasury Foreign</u>	<u>Max. 50%</u>	=	
		<u>Exchange traded gold</u>	<u>Max. 25%</u>	=	