

General Letter: 1578

İstanbul, 23/08/2018

DERIVATIVES AND ENERGY-COMMODITY CLEARING AND SETTLEMENT DEPARTMENT

Subject : The Executed Changes in the Procedure Regarding Precious Metals Settlement

Related Participant : Banks and Precious Metals Market Participants

Dear CEO,

To contribute to the development of BİAŞ Precious Metals Market and minimize losses in default management "İstanbul Clearing and Custody Bank A.Ş., Borsa İstanbul A.Ş. Central Clearing Service for Precious Metals Market and Principles of this Service Procedure" (procedure) changes whose details are shown in the annex are made.

The comparison table for the changes is attached and the changes will be put into effect on 26.08.2019. The procedure is under the heading "Rules and Regulations" on our website (www.takasbank.com.tr). It is accessible from the "Procedures" section.

Respectfully submitted for your information and further action.

Sincerely yours,

TAKASBANK
İSTANBUL CLEARING, SETTLEMENT AND CUSTODY BANK INC

BEYHAN ARASAN
DIRECTOR

GÖKHAN ELİBOL
DEPUTY CEO
BOARD MEMBER

Annex 1: BIAS Precious Metals Market Procedure Change Comparison Table (8 pages)

Annex 1: BIAS Precious Metals Market Procedure Change Comparison Table

Currently	Changed
<p>Basis ARTICLE 3 (1) This Procedure has been prepared in accordance with articles 77 of the Capital Markets Law no. 6362 published in the Official Gazette no. 28513 dated 30.12.2012, the General Regulation on the Establishment and Operating Principles of the Central Clearing and Settlement Institutions published in the Official Gazette no. 28662 dated 30.05.2013, Takasbank Central Clearing and Settlement Regulation published in the Official Gazette no. 28711 dated 18.07.2013, and the Directive on Central Clearing and Settlement Service to be Provided by Takasbank in Borsa Istanbul Inc. Precious Metals Market and the Principles Regarding This Service approved in the Board of Directors no. 344 dated 27.02.2018.</p>	<p>Basis ARTICLE 3 (1) This Procedure has been prepared in accordance with articles 77 of the Capital Markets Law no. 6362 the General Regulation on the Establishment and Operating Principles of the Central Clearing, Takasbank Central Clearing and Settlement Regulation published in the Official, and the Directive on Central Clearing and Settlement Service to be provided by Takasbank in Borsa Istanbul Inc. Precious Metals Market and the Principles Regarding.</p>
<p>Definitions and abbreviations ARTICLE 4 (1) In this Procedure; ş) Board of Directors: The Board of Directors of Takasbank.</p>	<p>Definitions and abbreviations ARTICLE 4 (1) In this Procedure; ş) Regulation : Takasbank Central Clearing and Settlement Regulation t) Board of Directors: The Board of Directors of Takasbank.</p>
<p>Membership application and its acceptance ARTICLE 6 (2) The filed applications shall be reviewed by Takasbank in terms of whether the conditions prescribed in article 6 have been met or not. In order to commence its operations at Takasbank, the institution whose membership application is accepted must, following the notification that its membership application has been found eligible, deposit the membership admission fee and the membership collateral and authorize the personnel who will trade on behalf of the member in Takasbank system.</p>	<p>Membership application and its acceptance ARTICLE 6 (2) The filed applications this procedure shall be reviewed by Takasbank in terms of whether the conditions prescribed in 5th article have been met or not. In order to commence its operations at Takasbank, the institution whose membership application is accepted following the notification that its membership application has been found eligible, must deposit the membership admission fee and the membership collateral and authorize the personnel who will trade on behalf of the member in Takasbank system.</p>

<p>Notification and definition of the intermediary banks and changing the account priority</p> <p>ARTICLE 14 (3) If there is any request by the members for transfer of their market receivables to the intermediary bank account;</p> <p>(a) EFT/System transfers for the early settlement receivables are executed by the system as of 16:00. The members can approve or cancel the EFT/SWIFT messages created for their early settlement receivables through Takasbank screens before 16:00.</p> <p>(b) EFT/SWIFT transfers of the end-of-day settlement receivables are executed by the system upon credit of all receivables to their accounts. The members can approve or cancel the EFT/SWIFT messages created for their end-of-day settlement receivables through Takasbank screens until the system deadline.</p> <p>(5) After the closing of the exchange session and following the delivery of the net debt/receivables information to Takasbank upon execution of the member-based netting on the basis of the currency and precious metal type, no change can be made in the intermediary bank account to which the market receivables are to be transferred. Takasbank shall be entitled to change this time upon request of the member or in extraordinary situations</p>	<p>Notification and definition of the intermediary banks and changing the account priority</p> <p>ARTICLE 14 (3) If there is any request by the members for transfer of their market receivables to the intermediary bank account;</p> <p>(a) If EFT/SWIFT transfers for the early settlement receivables are equal to or above the minimum amount, executed by the system as of 16:00. The members can approve or cancel the EFT/SWIFT messages, without minimum amount control, created for their early settlement receivables through Takasbank screens before 16:00.</p> <p>(b) If EFT/SWIFT transfers of the end-of-day settlement receivables are equal to or above the minimum amount, performed by the system the last hours of sending orders to the intermediary bank. The members can approve or cancel the EFT/SWIFT messages created for their end-of-day settlement receivables through Takasbank screens until the system deadline, without minimum amount control.</p> <p>(5) After the closing of the exchange session and following the creation of the debt/receivables information to Takasbank system upon execution of the member-based on the basis of the currency and precious metal type, no change can be made in the intermediary bank account to which the market receivables are to be transferred. Takasbank shall be entitled to change this time upon request of the member or in extraordinary situations.</p>
<p>Net cash settlement</p> <p>ARTICLE 19 (5) The settlement receivables transferred after the below-stated times to the account of the member to which the receivable distribution is made are sent at the beginning of next business day to its Intermediary Bank Account defined in the system.</p>	<p>Net cash settlement</p> <p>ARTICLE 19 (5) The EFT / SWIFT instructions sent by the automation, are transferred considering the minimum amount in the currency defined in the system. The instructions below the minimum amount are kept waiting to be sent and the instructions equal to or above the minimum amount are transferred by automation.</p> <p>(6) The settlement receivables transferred after the below-stated times to the account of the member to which the receivable distribution is made are sent at the beginning of next business day to its Intermediary Bank Account defined in the system.</p>

<p>Gross cash settlement ARTICLE 21 (5) The settlement receivables transferred after the below-stated times to the account of the member to which the receivable distribution is made are sent at the beginning of next business day to its Intermediary Bank Account defined in the system.</p>	<p>Gross cash settlement ARTICLE 21 (5) The EFT / SWIFT instructions sent by the automation, are transferred considering the minimum amount in the currency defined in the system. The instructions below the minimum amount are kept waiting to be sent and the instructions equal to or above the minimum amount are transferred by automation. (6) The settlement receivables transferred after the below-stated times to the account of the member to which the receivable distribution is made are sent at the beginning of next business day to its Intermediary Bank Account defined in the system.</p>
<p>Use of trade margin ARTICLE 41 (3) Should the collateral be resorted by Takasbank, the collateral held in custody at Takasbank shall be resorted directly. However; for the collateral held at the Exchange, the necessary actions shall be immediately performed by the Exchange in accordance with the instruction to be given to the Exchange. (4) Takasbank shall return the collateral together with their rights upon request of the Member on condition that the obligations have been fulfilled.</p>	<p>Use of trade margin ARTICLE 41 (3) The securities of the members in the collateral account are formally used in the order from the most liquid asset to the lowest liquid asset on the base of convertibility features. (4) Should the collateral be resorted by Takasbank, the collateral held in custody at Takasbank shall be resorted directly. However; for the collateral held at the Exchange, the necessary actions shall be immediately performed by the Exchange in accordance with the instruction to be given to the Exchange. (5) Takasbank shall return the collateral together with their rights upon request of the Member on condition that the obligations have been fulfilled.</p>
<p>Default principles ARTICLE 45 (4) The member can be allotted time by Takasbank to resolve its event of default until 12:00 on the business day following the default date at most. Should the event of default be failed to be resolved until the end of the allotted time period, the transaction subject to the defaulted settlement instruction and the Exchange instruction shall be cancelled and the relevant settlement positions shall be closed.</p>	<p>Default principles ARTICLE 45 (4) The member can be allotted time by Takasbank to resolve its event of default until 12:00 on the business day following the default date at most. Should the event of default be failed to be resolved until the end of the allotted time period, the amount of compensation arising from the price difference of the defaulted member is calculated with the instructions and current price information to be submitted by the Exchange. The calculated amount of penalty fee is collected by Takasbank by using the current account balances of the member in default. In case of the balance is insufficient, the amount of transaction collateral to cover the debt amount is blocked against the risk of non-payment of the remaining debt amount the transaction subject to the defaulted settlement instruction and the Exchange</p>

	instruction shall be cancelled and the relevant settlement positions shall be closed.
<p>Asset Default ARTICLE 46 (2) In case of any asset default, the default interest shall be applied in accordance with article 45. A mistreatment payment shall be made to the asset beneficiary pursuant to article 48.</p>	<p>Asset Default ARTICLE 46 (2) In case of any asset default, the default interest shall be applied in accordance with article 45. A mistreatment payment shall be made to the asset beneficiary pursuant to article 48.</p>
<p>Cash Default ARTICLE 47 (2) In case of any cash default, the default interest shall be applied in accordance with article 45. A mistreatment payment shall be made to the cash beneficiary pursuant to article 48.</p>	<p>Cash Default ARTICLE 47 (2) In case of any cash default, the default interest shall be applied in accordance with article 45. A mistreatment payment shall be made to the cash beneficiary pursuant to article 48.</p>
<p>Default interest ARTICLE 48 (3) A default interest shall be applied to the defaulting member up to the amount to be calculated over the unfulfilled obligation amount by using the highest of the overnight weighted average interest rates created in BİAŞ Repo Reverse-Repo Market, BİAŞ Interbank Repo Reverse-Repo Market, CBRT Interbank Money Market or Takasbank Money Market by taking the haircuts determined by the Procedure as the base</p>	<p>Default interest ARTICLE 48 (3) A default interest shall be applied to the defaulting member up to the amount to be calculated over the unfulfilled obligation amount by using the highest of the overnight weighted average interest rates created in BİAŞ Repo Reverse-Repo Market, CBRT Interbank Money Market or Takasbank Money Market by taking the haircuts determined by the Procedure as the base. The default interest is not applied if default arises from problems in the Exchange, Takasbank and the CBRT systems.</p>
	<p>Compensation Calculation from Price Difference ARTICLE 50 (1) Takasbank carries out the calculation of compensation fee of the compensated member because of price difference, after the current prices are submitted by the Exchange. (2) The price obtained from the Exchange is based on a currency other than the defaulted currency subject to the default transaction, the current price currency obtained from the CBRT exchange rate announced the day before is converted to the price based on the default currency. If weight unit of the prices is different, the weight unit is also converted to the weight unit of the defaulted securities. (3) The compensated member's transaction is calculated with the current prices. The current prices that are obtained, are multiplied by the number, fineness and weight information of the precious metal related to the defaulted amount.</p>

	<p>(4) If the amount calculated on the current price provided in case of default of the security seller is higher than the amount of the compensated transaction and the amount calculated on the current price obtained in case of default of the cash debtor is less than the amount of transaction subject to the compensation, the difference between the amounts is the compensation amount due to the price difference.</p> <p>(5) The calculated amount is multiplied by the CBRT foreign exchange selling rate and converted into TL currency.</p>
<p>Accrual, notification and collection ARTICLE 50*</p>	<p>Accrual, notification and collection ARTICLE 51 (5) The compensated amount due to the price difference is calculated as of 12:00 on the working day after the default date and the defaulting member is notified. Following the submission of the electronic notification, the member shall be deemed to have received the notification.</p> <p>(6) The compensation payment due to the price difference is paid by default member within 3 working days after notification. The collected amounts are transferred to the free accounts of the compensating members within the same day. The amount of compensation due to the price difference which is not paid within the defined period shall be collected in accordance with the provisions of Article 41 of the Procedure.</p> <p>(7) The compensated amount due to the price difference to be paid is limited to the transaction guarantee amount of the relevant contract.</p>
	<p>Takasbank Default Management Committee ARTICLE 52 (1) The objections to Takasbank from defaulting member are evaluated by the Default Management Committee.</p>
<p>Mistreatment Payment ARTICLE 51*</p>	<p>Mistreatment Payment ARTICLE 53*</p>
<p>Fees and commissions ARTICLE 52*</p>	<p>Fees and commissions ARTICLE 54*</p>
<p>Disciplinary provisions ARTICLE 53*</p>	<p>Disciplinary provisions ARTICLE 55*</p>

Enforcement ARTICLE 55*	Provisions to be applied in case of no provision in the Procedure ARTICLE 56*
Execution ARTICLE 56*	Enforcement ARTICLE 57*