

DERIVATIVES CLEARING AND SETTLEMENT TEAM

Subject : About the Clearing, Settlement and Risk Management Services for Over-the-Counter Derivatives

Concerned : Banks

Dear General Manager,

One of the primary targets of our Bank, which provides central counterparty (CCP) services in Borsa Istanbul markets, is to add over-the-counter derivative products to the central counterparty service range.

In the first stage, our Bank will provide clearing and risk management services to Interest Rate Swap (IRS) and Overnight Index Swap (OIS) contracts based on Turkish Lira interest rates under the central counterparty guarantee. "Directive On Principles Regarding Clearing And Central Counterparty Services To Be Provided By Istanbul Settlement And Custody Bank Inc For Transactions Executed In Over-The-Counter Derivatives Markets" has been approved by the Capital Markets Board of Turkey in the meeting dated 07.11.2019 numbered 64 and as per the approval, it has been deemed appropriate that our bank renders the CCP services.

Within this context, further details regarding the clearing, settlement and CCP services to be rendered by our Bank are here below.

A. Membership

In conjunction with the operation of the service, obtaining from Takasbank Member Relations Department, the members must deliver the "Clearing and Central Counterparty Services for Transactions Executed in Over-The-Counter Derivatives Markets Participant Agreement" and the information form related to the said agreement by 16.12.2019 at the latest. It is compulsory that aforementioned documents and agreements should be delivered with wet signature signed by the relevant authorized signatories. Samples of membership application documents can be accessed through our website via (<https://www.takasbank.com.tr/tr/uyelik/tezgah-ustu-turev-islemler>).

Trade limits shall be announced in writing to the Institutions which have fulfilled the abovementioned procedures and that are accepted to the CCP membership.

B. System Rules and Regulations

"Directive On Principles Regarding Clearing And Central Counterparty Services To Be Provided By Istanbul Settlement And Custody Bank Inc For Transactions Executed In Over-The-Counter Derivatives Markets" which comes into effect upon the market operation date and covering the membership, clearing, settlement, risk management and default processes was approved by the Capital Markets Board of Turkey on 07.11.2019 and published in our website via (<https://www.takasbank.com.tr/en/rules-and-regulations/directives>).

“Procedure On Principles Regarding Clearing And Central Counterparty Services To Be Provided By Istanbul Settlement And Custody Bank Inc For Transactions Executed In Over-The-Counter Derivatives Markets” covering the market operation rules will be published in our website via (<https://www.takasbank.com.tr/en/rules-and-regulations/procedures>).

C. Fees and Commissions

With the aim of contributing to the market development, no additional fee be charged except for the cash interest accrual fee until 31.03.2020.

Clearing, settlement and collateral custody fee table approved by the Capital Markets Board in the meeting numbered 70 and dated 05/12/2019 and to be effective as of the market operation date is presented here below.

Service Name	Service Description	Fee Base	Fee/Rate	Explanation
OTC Derivatives Trading Fee	Service fee charged for transactions accepted to the central counterparty service by Takasbank	Notional Amount of the Trade	There will be no charge until 31.03.2020.	
OTC Derivatives Clearing and Settlement Fee	Service fee charged for clearing and settlement of fixed / float interest payments resulting from transactions accepted to the central counterparty service by Takasbank	Notional Amount of the Trade	There will be no charge until 31.03.2020.	
Clearing Membership Admission Fee	Fee charged during the acceptance of membership	Fixed TRY	There will be no charge until 31.03.2020.	
Clearing Membership Annual Fee	Annual fee collected from the clearing members	Fixed TRY	There will be no charge until 31.03.2020.	
Transaction Collateral Monitoring and Interest Accrual Fee	Fee charged to Members for accrued interest on cash TRY transaction collateral	Gross Accrued Interest Amount	5 % (five percent)	Collected together with the BITT and other legal obligations, during the transfer of accrued interest to the participant

				accounts next business day.
Guarantee Fund Interest Accrual Fee	Fee charged to Members for accrued interest on cash TRY Guarantee Fund contribution amount	Gross Accrued Interest Amount	5 % (five percent)	Collected together with the BITT and other legal obligations, during the transfer of accrued interest to the participant accounts next business day.
Membership Collateral Interest Accrual Fee	Fee charged to Members for accrued interest on cash TRY membership collateral	Gross Accrued Interest Amount	5 % (five percent)	Collected together with the BITT and other legal obligations, during the transfer of accrued interest to the participant accounts next business day.
Collateral Custody Fee (Turkish Lira and Foreign Currency)	Custody fee charged over the collateral balances held for OTC derivative transactions	Collateral Amount	There will be no charge until 31.03.2020.	
Collateral Custody Fee (Other Collateral)	Custody fee charged over the collateral balances held for OTC derivative transactions	Collateral Amount	There will be no charge until 31.03.2020.	

D. Points to take into consideration regarding the market transition

In order for banks to become a clearing member within the scope of the related service, in other words, for Takasbank to accept transactions in the over-the-counter market to the central counterparty service, all membership requirements must be met. Details of these requirements are also specified in the procedure. Briefly, the following requirements must be fulfilled:

- Signing of Participant Agreement and Pre-Agreement Information Form
- Deposit of the membership collateral
- Deposit of the guarantee fund contribution amount

The guarantee fund and template accounts of the banks that fulfill the membership requirements will be opened by Takasbank in the BISTECH system. The accounts must first be opened in Central Securities Custody system. The authorization codes of the related accounts in CSD system are shared in the table below. Our members can open portfolio or customer account.

Following the opening of the related accounts at MKK, our members can open these accounts in BISTECH system with TV, TP or TA coded Clearing Workstation users.

MKK Market	MKK Explanation	MARKETCODE	MARKETPREFIX	BISTECH
H	All	OTC	OT-	Y
H	All	TRV	DE-	Y
H	All	FOREX		N
O	OTC	OTC	OT-	Y
T	Futures and Options Market - FOREX	TRV	DE-	Y
T	Futures and Options Market - FOREX	FOREX		N
Y	Futures and Options Market	TRV	DE-	Y
K	FOREX	FOREX		N
P	OTC - Futures and Options Market	TRV	DE-	Y
P	OTC - Futures and Options Market	OTC	OT-	Y

For the questions about; (please contact)

Membership: uye@takasbank.com.tr

Clearing and settlement: tat@takasbank.com.tr

Risk calculation, collateral valuation and guarantee fund: mkt@takasbank.com.tr

Sincerely Yours,

TAKASBANK

ISTANBUL SETTLEMENT AND CUSTODY BANK INC

SERKAN AŞKAR

GÖKHAN ELİBOL

EXECUTIVE VICE

DEPUTY CEO

PRESIDENT

BOARD MEMBER