

General Letter: 1700

Istanbul, 25/05/2021

Energy & Commodity
Clearing and Settlement Team

Subject: About Electricity Markets Procedures

Related Participants : Electricity Market Members

Dear General Manager,

As is known, as of 01.06.2021, with the commencement of the Electricity Futures Market and the Renewable Energy Guarantees of Origin in the Electricity System & Organized Renewable Energy Guarantees of Origin in the Electricity Market within the scope of the Energy Exchange Istanbul (EXIST), within the framework of the "Central Settlement Institution Agreement" signed between EXIST and our Bank, our Bank will provide cash settlement and collateral management services (Service) to the Market as the "Central Settlement Institution".

In this context; covering the principles to be followed by Takasbank and its members regarding membership, clearing, collateral management and default, and which will come into effect upon the opening of the Markets, Procedure On Cash Settlement and Collateral Management Service to be Provided by Istanbul Clearing, Settlement and Custody Bank Inc. at The Electricity Futures Market of Energy Exchange Istanbul and The Principles Regarding This Service and Procedure On Cash Settlement and Collateral Management Service to be Provided by Istanbul Clearing, Settlement and Custody Bank Inc. at The Renewable Energy Guarantees of Origin in the Electricity System & Organized Renewable Energy Guarantees of Origin in the Electricity Market of Energy Exchange Istanbul and The Principles Regarding This Service have been published on our website.

Also; within the scope of the interaction of the markets to be operational, Procedure On Cash Settlement and Collateral Management Service to be Provided by Istanbul Clearing, Settlement and Custody Bank Inc. at The Electricity Market of Energy Exchange Istanbul and The Principles Regarding This Service has also been updated, and the summary of the changes made regarding these issues is given in the attached table.

You can find the mentioned Procedures on our Bank's website (<https://www.takasbank.com.tr/en/rules-and-regulations/procedures>) accessible.

Respectfully submitted for your information and further action.

Sincerely yours,

TAKASBANK
İSTANBUL SETTLEMENT AND CUSTODY BANK INC

Beyhan ARASAN
Director

Gökhan ELİBOL
Executive Vice President

Appendix: Procedure Change Table (6 pages)

**TABLE OF CHANGES IN THE PROCEDURE CASH SETTLEMENT AND COLLATERAL MANAGEMENT SERVICE TO BE PROVIDED BY
ISTANBUL CLEARING, SETTLEMENT AND CUSTODY BANK INC. AT THE ELECTRICITY MARKET OF ENERGY EXCHANGE ISTANBUL AND THE PRINCIPLES REGARDING THIS SERVICE**

| Current | New |
|---|--|
| <p align="center">Definitions and abbreviations</p> <p>ARTICLE 4</p> <p>(§) Board of Directors : means the Board of Directors of Takasbank;</p> <p>(t) Regulation: means the Electricity Market Balancing and Settlement Regulation.</p> <p align="center">Distribution of advance receivables</p> <p>ARTICLE 17</p> <p>(3) b) in case the participant has unpaid debts related to the markets operated by the market operator, the debts are offset.</p> | <p align="center">Definitions and abbreviations</p> <p>ARTICLE 4</p> <p>(§) EFM: Futures Electricity Market by EPIAŞ,</p> <p>(t) EFM Collateral: The collateral given for the Electricity Futures Market,</p> <p>(u) Board of Directors: means the Board of Directors of Takasbank;</p> <p>(v) Regulation: means the Electricity Market Balancing and Settlement Regulation.</p> <p align="center">Distribution of advance receivables</p> <p>ARTICLE 17</p> <p>(3) b) in case the participant has unpaid debts related to the markets operated by the market operator, Spot Invoice Default, EFM Invoice Default, Spot Advance Default and EFM Advance Default respectively the debts are offset.</p> |

Collection of invoice debts

ARTICLE 18

(2) At the time the invoice details are received by Takasbank, in case the participant;

- a) does not have any invoice net debt/receivable;
- b) will have advance receivables blocked due to the participant's monthly assignment;
- c) has advance receivable blocked due to the market transaction without provision;

the participant's advance receivables blocked due to the monthly assignment for the related period and the advance receivables blocked due to the market transaction without provision with its interest are offset against the outstanding debts of the participant and shall be sent/transferred to the participant's assignment account and/or correspondent bank account via EFT at 15.00 on the notification date.

(5) If participants do not close out their invoice dates by the beginning of the T+6 business day, advance receivables blocked due to their monthly assignment and advance receivables blocked due to market transaction without provision with its interest shall be set off from and against their invoice debts.

Collection of invoice debts

ARTICLE 18

(2) At the time the invoice details are received by Takasbank, in case the participant;

- a) does not have any invoice net debt/receivable;
- b) will have advance receivables blocked due to the participant's monthly assignment;
- c) has advance receivable blocked due to the market transaction without provision;

the participant's the advance receivables blocked due to the market transaction without provision with its interest and advance receivables blocked due to the monthly assignment for the related period respectively Spot Invoice Default, EFM Invoice Default, Spot Advance Default and EFM Advance Default are offset against the outstanding debts of the participant and shall be sent/transferred to the participant's assignment account and/or correspondent bank account via EFT at 15.00 on the notification date.

(5) If participants do not close out their invoice dates by the beginning of the T+6 business day, firstly advance receivables blocked due to market transaction without provision with its interest and advance receivables blocked due to their monthly assignment shall be set off from and against their invoice debts.

(6) The cash debts not closed by the participants by the date of deadline are automatically closed by the system from the participant's free current account on the following business day (T+7). If there is insufficient balance in the free account; the participant's TL cash collateral surplus and if any, the TL cash collateral required to be maintained are utilized automatically. In case of remaining debt that cannot be covered by cash collateral, other collaterals of the participant are deducted from their debts without any notice. The obligations of the debtor participant are closed by making the best effort without any obligation to fulfil any prerequisites and by converting them to cash at the best price.

(7) No default interest is calculated for the debts closed out from the free account and the cash collateral surplus.

(6) The cash debts not closed by the participants by the date of deadline are automatically closed by the system from the participant's free current account on the following business day (T+7). If there is insufficient balance in the free account;

- a) Participant's spot TL cash collateral surplus,
- b) Participant's futures electricity market (EFM) cash collateral surplus,
- c) The TL cash collaterals required for spot market
- ç) The non-cash of the collaterals required spot
- d) The TL cash collaterals required EFM,
- e) The non-cash collaterals required EFM,

The obligations of the debtor participant are closed by making the best effort without any obligation to fulfil any prerequisites and by converting them to cash at the best price.

(7) No default interest is calculated for the debts closed out from the free account and the spot and EFM cash collateral surplus.

Distribution of invoice receivables

ARTICLE 19

(7) The amounts credited to participants' free current accounts;

Distribution of invoice receivables

ARTICLE 19

(7)The amounts credited to participants' free current accounts;

(a) in case the participant has unpaid debts related to the markets operated by the market operator, the debts are offset.

Default penalty and grievance/compensation payment interest

ARTICLE 24

(6)The default interest is calculated on the basis of the calendar days between the date of default and the date of fulfilment of the obligations.

(7) The minimum default base is TL 100; and the minimum default interest amount is TL 10. No default is calculated for the amounts below the minimum default base. The minimum default interest is collected from the Market participant for the default interests calculated and found below the minimum default interest.

(8) As for grievance/compensation payments, calculations are made regardless of the minimum default interest.

(a) in case the participant has unpaid debts related to the markets operated by the market operator, respectively Spot Invoice Default, EFM Invoice Default, Spot Advance Default and EFM Advance Default are offset.

Default penalty and grievance/compensation payment interest

ARTICLE 24

(5)The default interest is calculated on the basis of the calendar days between the date of default and the date of fulfilment of the obligations.

(6) The minimum default base is TL 100; and the minimum default interest amount is TL 10. No default is calculated for the amounts below the minimum default base. The minimum default interest is collected from the Market participant for the default interests calculated and found below the minimum default interest.

(7) As for grievance/compensation payments, calculations are made regardless of the minimum default interest.

(8) No compensation payments are members for delays caused for Takasbank and CBRT system

Assets accepted as collaterals at Takasbank

ARTICLE 28 – (1) Participants have to deposit to their accounts held with Takasbank the assets listed below that are acceptable to EXIST for provision as collaterals for the fulfilment of their obligations arising from settlement transactions.

- a) Cash (Turkish Lira)
- b) Foreign Currency (Euro, USD)
- c) Government Domestic Debt Securities (GDDS)

Valuation of transaction collaterals

ARTICLE 29 – (1) The valuation haircuts listed below shall be applied to the assets accepted as collaterals.

Assets accepted as collaterals at Takasbank

ARTICLE 28 – (1) Participants have to deposit to their accounts held with Takasbank the assets listed below that are acceptable to EXIST for provision as collaterals for the fulfilment of their obligations arising from settlement transactions.

- a) Cash (Turkish Lira)
- b) Foreign Currency (Euro, USD)
- c) Government Domestic Debt Securities (GDDS)
- ç) Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey

Valuation of transaction collaterals

ARTICLE 29 – (1) The valuation haircuts listed below shall be applied to the assets accepted as collaterals.

| Collateral Type | Collateral Group | Valuation Haircuts | Collateral Type | Collateral Group | Valuation Haircuts |
|------------------------------------|------------------|--------------------|---|------------------|--------------------|
| TL | TL | 1.00 | TL | TL | 1.00 |
| Foreign Currency (USD, EUR) | DVZ | 0.95 | Foreign Currency (USD, EUR) | DVZ | 0.95 |
| Treasury Bills/Government Bonds | HB / DT | 0.91 | Treasury Bills/Government Bonds | HB / DT | 0.91 |
| FX-Indexed Government Bonds | DTE | 0.83 | FX-Indexed Government Bonds | DTE | 0.83 |
| Letter of Guarantee (TL) | TM | 1,00 | Letter of Guarantee (TL) | TM | 1.00 |
| Letter of Guarantee (EURO and USD) | TM | 0,95 | Letter of Guarantee (EURO and USD) | TM | 0.95 |
| | | | Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey | EUT | 0.88 |

2) Collaterals are subjected to valuation by Takasbank at the end of the day. GDDS collaterals are valued using the daily indicator values of GDDS determined by the CBRT. For the valuation of collaterals in foreign currency (USD and EUR), and foreign currency letters of guarantee the daily foreign exchange buying rates announced by the CBRT are used.

2) Collaterals are subjected to valuation by Takasbank at the end of the day. GDDS collaterals are valued using the daily indicator values of GDDS determined by the CBRT. For the valuation of collaterals in foreign currency (USD and EUR), and foreign currency letters of guarantee the daily foreign exchange buying rates announced by the CBRT are used. For the valuation of Eurobonds issued by the Ministry of Treasury and Finance of the Republic of Turkey, prices calculated by the yield curve comprising of the traded Eurobonds and if the yield curve is failed to be formed, the price determined by Takasbank is used.

Withdrawal of collaterals

ARTICLE 31 – (4) The start and cut-off times for collateral withdrawals are specified table below. If the collateral information that must be kept by the Market Operator is notified to the central settlement institution after 15:05 due to technical problem, the deadlines for withdrawal in the table below are applied. Collateral withdrawal will not be possible in half business days and is considered a full day holiday.

| Collateral Type | Collateral Withdrawal Start Time | Collateral Withdrawal Cut-Off Time |
|--|----------------------------------|------------------------------------|
| Cash (TL) | 15:05 | 15:40 |
| Non Cash (USD, EUR, DIBS, Letter of Guarantee) | 15:05 | 17:00 |

Withdrawal of collaterals

ARTICLE 31 – (4) The start and cut-off times for collateral withdrawals are specified table below. If the collateral information that must be kept by the Market Operator is notified to the central settlement institution after 15:05 due to technical problem, the deadlines for withdrawal in the table below are applied. Collateral withdrawal will not be possible in half business days and is considered a full day holiday.

| Collateral Type | Collateral Withdrawal Start Time | Collateral Withdrawal Cut-Off Time |
|--|----------------------------------|------------------------------------|
| Cash (TL) | 15:05 | 15:40 |
| Non Cash (USD, EUR, DIBS, Letter of Guarantee, Eurobond) | 15:05 | 17:00 |

