

General Letter: 1701

Istanbul, 26/05/2021

Energy & Commodity
Clearing and Settlement Team

Subject: Amendment to Procedure on EXIST Natural Gas Market Cash Settlement and Collateral Management Service and Principles

Related Participants : Natural Gas Market Members

Dear General Manager,

As is known, "Organized Wholesale Natural Gas Sales Market Procedures and Principles" was changed by EPIAŞ regarding the acceptance of Eurobonds (Eurobonds) issued by the Republic of Turkey Ministry of Treasury and Finance as collateral in the Organized Wholesale Natural Gas Sales Market.

Technical developments regarding the acceptance of Eurobonds as collateral within the scope of the collateral management service provided by our Bank in the EXIST Organized Wholesale Natural Gas Sales Market have been completed and the application is now available in the current menu.

In this context, Procedure on Cash Settlement and Collateral Management Service to be Provided by Istanbul Clearing, Settlement and Custody Bank Inc. at The Natural Gas 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 are given in the attached table.

In this context, the updates made in the "Procedure On Cash Settlement and Collateral Management Service to be Provided by Istanbul Clearing, Settlement and Custody Bank Inc. at The Natural Gas Market of Energy Exchange Istanbul and The Principles Regarding This Service " are included in the Annex and the final version of the Procedure can be accessed on our website. (<https://www.takasbank.com.tr/en/rules-and-regulations/procedures>)

Respectfully submitted for your information and further action.

Sincerely yours,

TAKASBANK
ISTANBUL SETTLEMENT AND CUSTODY BANK INC

Beyhan ARASAN
Director

Gökhan ELİBOL
Executive Vice President

Annex: EXIST Natural Gas Market Procedure Comparison Chart (3 pages)

Current	New
<p>Collection of invoice debts ARTICLE 18</p> <p>(7) In Takasbank system, cash debts are closed by transferring the debts collected from members' 11 free current accounts until the settlement cut-off time to "Invoice Settlement Pool" account and the debts collected after the settlement cut-off time and on the following days to "Advance Default Pool" account. It is also possible to close out debts in part.</p> <p>Default penalty and grievance/compensation payment interest ARTICLE 24</p> <p>Assets accepted as collaterals at Takasbank ARTICLE 30 – (1) Members 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.</p> <p>a) Cash in Turkish Lira</p>	<p>Collection of invoice debts ARTICLE 18</p> <p>(7) In Takasbank system, cash debts are closed by transferring the debts collected from members' 11 free current accounts until the settlement cut-off time to "Invoice Settlement Pool" account and the debts collected after the settlement cut-off time and on the following days to "Advance Default Pool" account. It is also possible to close out debts in part. <u>The obligations of the debtor members are closed by making the best effort without any obligation to fulfil any prerequisites and by converting them to cash at the best price.</u></p> <p>Default penalty and grievance/compensation payment interest ARTICLE 24</p> <p><u>(8) No compensation payments are made to the members for delays caused for Takasbank and CBRT system.</u></p> <p>Assets accepted as collaterals at Takasbank ARTICLE 30 – (1) Members 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.</p> <p>a) Cash in Turkish Lira</p>

- b) Foreign Currency in USD and EUR
c) Government Domestic Debt Securities (GDDS)

Valuation of daily transaction, invoice transaction and imbalance collaterals

ARTICLE 31– (1) The valuation haircuts listed below shall be applied to the assets accepted as collaterals.

Collateral Type	Collateral Group	Valuation Haircuts
TL	TL	1.00
Foreign Currency (USD, EUR)	DVZ	0.95
Treasury Bills/Government Bonds	HB / DT	0.91
FX-Indexed Government Bonds	DTE	0.83
Letter of Guarantee (TL)	TM	1,00
Letter of Guarantee (EURO and USD)	TM	0,95

(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

- b) Foreign Currency in USD and EUR
c) Government Domestic Debt Securities (GDDS)

(ç) Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey

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<u>Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey</u>	<u>EUT</u>	<u>0.88</u>

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.

Withdrawal of collaterals

ARTICLE 33 – (5) The cut-off times for collateral withdrawals are specified below.

Collateral Type	Collateral Withdrawal Finish Time
Cash (TL)	15:40
Non Cash (USD, EUR, DIBS, Letter of Guarantee)	17:00

(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.](#)

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Cash (TL)	15:40
Non Cash (USD, EUR, DIBS, Letter of Guarantee, Eurobond)	17:00