

Istanbul, 20/03/2020

**General Letter: 1619**

**Energy and Commodity Clearing & Settlement Team**

**Subject:** Amendments to Istanbul Settlement and Custody Bank Inc. Procedure on Electricity Market Cash Settlement and Collateral Management Service Principles (Procedure)

**Related Parties:** Electricity Market Members

Dear General Manager,

In accordance with the; Energy Market Regulatory Authority Board Regulation Amending the Electricity Market Balancing and Settlement Regulation published in the Official Gazette no. 31027 dated 02 February 2020, amendments in EPIAŞ Collateral Regulation and due to Procedure regarding Market Transactions Without Provision, settlement and collateral management processes have been amended in Procedure.

In this framework, the comparison table regarding amendments of Procedure is attached and updated Procedure is accesible at 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**  
**Deputy CEO**  
**Board Member**

Annex: Procedure Change Comparison Table (9 pages)

Annex: Procedure Change Comparison Table

Current	New
<p><b>Definitions and abbreviations</b></p> <p><b>ARTICLE 4</b></p> <p>h) Central Settlement Bank: means Takasbank authorized as the central settlement institution pursuant to the Capital Markets Law no. 6362 dated 06 December 2012, from which services are received for execution of financial operations amongst market participants as to be determined in the Electricity Market Balancing and Settlement Regulation;</p> <p>i) Central Settlement Bank Participant Agreement: means the agreement prepared by the Market Operator and to be signed between market participants and the central settlement bank in relation to collateral management and cash settlement services;</p> <p>i) Cash settlement : means the entirety of processes that enable the funds to be transferred by Takasbank between the parties, through which market participants fulfil their cash settlement obligations arising from the transactions executed at the Market, within the time period and under the terms and</p>	<p><b>Definitions and abbreviations</b></p> <p><b>ARTICLE 4</b></p> <p><u>h) Market transaction without provision: Market transaction amounts of market participants, as defined in the Electricity Market Balancing and Settlement Regulation; transactions determined to exceed the amount calculated by using data on sales, purchases, imports, exports and production.</u></p> <p><u>h)</u> Central Settlement Bank: means Takasbank authorized as the central settlement institution pursuant to the Capital Markets Law no. 6362 dated 06 December 2012, from which services are received for execution of financial operations amongst market participants as to be determined in the Electricity Market Balancing and Settlement Regulation;</p> <p><u>i)</u> Central Settlement Bank Participant Agreement: means the agreement prepared by the Market Operator and to be signed between market participants and the central settlement bank in relation to collateral management and cash settlement services;</p> <p><u>ii)</u> Cash settlement : means the entirety of processes that enable the funds to be transferred by Takasbank between the parties, through which market participants fulfil their cash settlement obligations arising from the transactions executed at the Market, within the time period and under the terms and conditions set by Takasbank and by obtaining the opinion of Energy Exchange Istanbul;</p>

<p>conditions set by Takasbank and by obtaining the opinion of Energy Exchange Istanbul;</p> <p>j) Market Participant, participant: means the license-holder legal persons defined in the Electricity Market Balancing and Settlement Regulation;</p> <p>k) Free account: means the Members' TL (11) and foreign currency (11FX) free current accounts held at Takasbank;</p> <p>l) System: means Takasbank system;</p> <p>m) SWIFT (Society for Worldwide Interbank Financial Telecommunication): Uluslararası finansal telekomünikasyon ağı ve mesajlaşma altyapısını,</p> <p>n) T: means the day on which purchase-sale Transactions are executed;</p> <p>o) Takasbank: means Istanbul Clearing, Settlement and Custody Bank Inc. (İstanbul Takas ve Saklama Bankası A.Ş.) authorized as the Central Settlement Bank;</p> <p>ö) CBRT: means the Central Bank of the Republic of Turkey;</p> <p>p) USD: means the monetary unit of the USA;</p> <p>r) Member: means the market participant/participant authorized to execute trading transactions in the Electricity Market;</p> <p>s) Board of Directors : means the Board of Directors of Takasbank;</p>	<p><del>k</del>) Market Participant, participant: means the license-holder legal persons defined in the Electricity Market Balancing and Settlement Regulation;</p> <p><del>k</del>) Free account: means the Members' TL (11) and foreign currency (11FX) free current accounts held at Takasbank;</p> <p><del>m</del>) System: means Takasbank system;</p> <p><del>n</del>) SWIFT (Society for Worldwide Interbank Financial Telecommunication): Uluslararası finansal telekomünikasyon ağı ve mesajlaşma altyapısını,</p> <p><del>o</del>) T: means the day on which <del>purchase-sale Transactions are executed</del> <u>gross debt/credit information is sent by EXIST</u>;</p> <p><del>ö</del>) Takasbank: means Istanbul Clearing, Settlement and Custody Bank Inc. (İstanbul Takas ve Saklama Bankası A.Ş.) authorized as the Central Settlement Bank;</p> <p><del>p</del>) CBRT: means the Central Bank of the Republic of Turkey;</p> <p><del>r</del>) USD: means the monetary unit of the USA;</p> <p><del>s</del>) Member: means the market participant/participant authorized to execute trading transactions in the Electricity Market;</p> <p><del>s</del>) Board of Directors : means the Board of Directors of Takasbank;</p>
--	--

<p>ş) Regulation: means the Electricity Market Balancing and Settlement Regulation.</p>	<p>₺) Regulation: means the Electricity Market Balancing and Settlement Regulation.</p>
<p><b>Netting-off</b></p> <p><b>ARTICLE 14 - (1)</b> For advance payment transactions, the net debts/credits are calculated by way of netting-off performed over the gross debt/credit data sent by EXIST on the transaction day (T) on an individual participant basis. The net debt/credit difference is calculated as the debt-credit of EXIST. Net debt/credit data resulting from such netting-off are displayed on Takasbank screens.</p>	<p><b>Netting-off</b></p> <p><b>ARTICLE 14 - (1)</b> For advance payment transactions, the net debts/credits are calculated by way of netting-off performed over the gross debt/credit data sent by EXIST on the <del>transaction-day</del> <u>that gross debt/credit data sent</u> (T) on an individual participant basis. The net debt/credit difference is calculated as the debt-credit of EXIST. Net debt/credit data resulting from such netting-off are displayed on Takasbank screens.</p>
<p><b>Collection of advance debts</b></p> <p><b>ARTICLE 16 - (1)</b> The debtor members shall send their debt amounts to their 11 free current accounts at Takasbank via EFT until the cut-off time for clearing and settlement on the first business day following the transaction date (T+1).</p> <p>(2) 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 "Advance 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><b>Collection of advance debts</b></p> <p><b>ARTICLE 16 - (1)</b> The debtor members shall send their debt amounts to their 11 free current accounts at Takasbank via EFT until the cut-off time for clearing and settlement on the first business day following the <del>transaction-day</del> <u>to that gross debt/credit data sent by EXIST</u> (T+1).</p> <p>(2) 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 "Advance 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>(2) The cash debts not closed by the participants by 15.00 are automatically closed by the system from the participant's free current account. If there is insufficient balance in the free account; the participant's cash collateral surplus and if any, the cash surplus of the collateral required to be maintained are utilized.</p> <p>(3) No default interest is calculated for the debts closed out from the free account and the cash collateral surplus.</p> <p>(4) Default interest is calculated for the debts closed out from, if any, the cash portion of the collateral required to be maintained.</p> <p>(5) If EXIT has any debt payable, this debt is closed out from EXIST temporary difference fund account opened by EXIST with Takasbank.</p>	<p><del>(32)</del> The cash debts not closed by the participants by 15.00 are automatically closed by the system from the participant's free current account. If there is insufficient balance in the free account; the participant's <u>TL</u> cash collateral surplus and if any, the <u>TL</u> cash surplus of the collateral required to be maintained are utilized <u>automatically</u>. <u>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.</u></p> <p><del>(43)</del> No default interest is calculated for the debts closed out from the free account and the <u>TL</u> cash collateral surplus.</p> <p><del>(54)</del> Default interest is calculated for the debts closed out from, if any, the cash portion of the collateral required to be maintained.</p> <p><del>(65)</del> If EXIT has any debt payable, this debt is closed out from EXIST temporary difference fund account opened by EXIST with Takasbank.</p>
<p><b>Distribution of advance receivables</b></p> <p><b>ARTICLE 17 - (3)</b> Advance receivables are distributed from "Advance Settlement Pool" account to the members' 11-free</p>	<p><b>Distribution of advance receivables</b></p> <p><b>ARTICLE 17 - (3)</b> Advance receivables are distributed from "Advance Settlement Pool" account to the members' 11-free current accounts. The amounts credited to participants' free current accounts;</p>

current accounts. The amounts credited to participants' free current accounts;

- a) are blocked in free current account if the participant has a monthly assignment;
- b) are transferred to the assignment account at an amount corresponding to the assignment amount via EFT if the participant has a daily assignment.
- c) are transferred to the participant's correspondent bank account via EFT if the participant does not have any assignment or if the participant has an assignment, the amount except for the daily assignment amount is transferred to the said account via EFT.
- d) The portion excluding the assignment amount is sent to the execution assignment account notified to Takasbank if there is an execution assignment defined in the name of the participant.

a) in case the participant is reported by EPIAŞ as having a market transaction without provision; reported advance amount is blocked and accrued in the TL cash collateral account until the related invoice period. Aforementioned amount is not taken into account within the total collateral amount submitted by the participant during the checks regarding collateral under other legislation.

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

ca) are blocked in free current account if the participant has a monthly assignment;

db) are transferred to the assignment account at an amount corresponding to the assignment amount via EFT if the participant has a daily assignment.

ee) are transferred to the participant's correspondent bank account via EFT if the participant does not have any assignment or if the participant has an assignment, the amount except for the daily assignment amount is transferred to the said account via EFT.

fd) The portion excluding the assignment amount is sent to the execution assignment account notified to Takasbank if there is an execution assignment defined in the name of the participant.

### Collection of invoice debts

**ARTICLE 18 - (2)** If the participant does not have any net debt/receivable at the time the invoice details are received by Takasbank and the participant will have advance receivables blocked due to the participant's monthly assignment; the participant's advance receivables blocked for the related period shall be sent/transferred to the

### Collection of invoice debts

**ARTICLE 18 - (2)** If the participant does not have any net debt/receivable  
a) At the time the invoice details are received by Takasbank, in case the participant;

- a) does not have any invoice net debt/receivable and the participant;
- b) will have advance receivables blocked due to the participant's monthly assignment;

participant's 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 and have advance receivables blocked due to their monthly assignment; the blocked advance receivables 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 cash collateral surplus and cash collateral are utilized.

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, ~~and have~~ advance receivables blocked due to their monthly assignment and advance receivables blocked due to market transaction without provision with its interest; ~~the blocked advance receivables~~ 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.

### Distribution of invoice receivables

**ARTICLE 19 - (2)** The deadline for payment of invoice receivables is the 7<sup>th</sup> business day following the notification date. The date EXIST approves the details of the invoice issued by participants to EXIST constitutes the notification date.

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

(a) are sent/transferred to the participant's assignment account via EFT at the amount corresponding to the assignment amount by combining the blocked advance receivables for the invoice period and the invoice receivables, if the participant has a monthly deed of assignment.

(b) are transferred to the assignment account at an amount corresponding to the assignment amount via EFT if the participant has a daily assignment.

(c) are transferred to the correspondent bank account notified by the participant to Takasbank via EFT if the participant does not have any assignment; or if the participant has an assignment, the amount excluding the daily/monthly assignment amount is transferred to the said account via EFT.

(ç) The portion excluding the assignment amount is sent to the execution assignment account notified to Takasbank if there is an execution assignment defined in the name of the participant.

### Distribution of invoice receivables

**ARTICLE 19 - (2)** The deadline for payment of invoice receivables is the 7<sup>th</sup> business day following the notification date. The date EXIST approves the details of the invoice issued by participants to EXIST constitutes the notification date.

(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.

(ba) are sent/transferred to the participant's assignment account via EFT at the amount corresponding to the assignment amount by combining the blocked advance receivables for the invoice period, and the invoice receivables and advance receivables blocked due to the market transaction without provision for the relevant invoicing period if any, if the participant has a monthly deed of assignment.

(cb) are transferred to the assignment account at an amount corresponding to the assignment amount by combining the invoice receivables and advance receivables blocked due to the market transaction without provision if any via EFT if the participant has a daily assignment.

(çe) are transferred to the correspondent bank account notified by the participant to Takasbank via EFT if the participant does not have any assignment; or if the participant has an assignment, the amount excluding the daily/monthly assignment amount and advance receivables blocked due to the market transaction without provision isare transferred to the said account via EFT.



	( <del>€</del> ) The portion excluding the assignment amount is sent to the execution assignment account notified to Takasbank if there is an execution assignment defined in the name of the participant.
<p><b>Transaction collateral</b></p> <p><b>ARTICLE 27 - (8)</b> Participant have to complete their missing letters of guarantee that they are obliged to deposit to EXIST, until 10:30 on the business day following the notification date (T+1) for DAM; and until 17:00 on the notification date for IM.</p> <p>(9) The assets to be accepted as collaterals, valuation haircuts related with collaterals and composition of collaterals are determined by Takasbank with the affirmative opinion of EXIST.</p>	<p><b>Transaction collateral</b></p> <p><b>ARTICLE 27 - (8)</b> Participants <del>have to complete their missing letters of guarantee that they</del> are obliged to <u>submit deposit to their letters of guarantee to EXIST</u>, until <u>the cut-off time determined by Collateral Principles and Procedures Legislation 10:30 on the business day following the notification date (T+1) for DAM; and until 17:00 on the notification date for IM.</u></p> <p>(9) The assets to be accepted as collaterals, valuation haircuts related with collaterals and composition of collaterals are determined by <u>EXIST Takasbank</u> with the <del>affirmative</del> opinion of <u>EXIST central settlement agency</u>.</p>
<p><b>Valuation of transaction collaterals</b></p> <p><b>ARTICLE 29 - (2)</b> 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 collaterals in USD and EUR, the daily foreign exchange buying rates announced by the CBRT are used.</p>	<p><b>Valuation of transaction collaterals</b></p> <p><b>ARTICLE 29 - (2)</b> 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 <u>valuation of collaterals in foreign currency (USD and EUR), and foreign currency letters of guarantee</u> the daily foreign exchange buying rates announced by the CBRT are used.</p>
<p><b>Depositing collaterals</b></p>	<p><b>Depositing collaterals</b></p>

**MADDE 30** - (2) Collateral depositing transactions may be performed within the hours during which the system is open for trading.

**MADDE 30** - (2) Collateral depositing transactions may be performed within the hours during which the system is open for trading. In half business days collateral depositing transactions cannot be performed and it is considered as a full day holiday.

**Withdrawal of collaterals**

**ARTICLE 31** - (4) The cut-off times for collateral withdrawals are specified below.

<b>Cash (TL)</b>	<b>Non-cash</b>
	<b>(USD, EUR, DIBS, Letter of Guarantee)</b>
15:40	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.

<b>Cash (TL)</b>	<b>Non-cash</b>
	<b>(USD, EUR, DIBS, Letter of Guarantee)</b>
15:40	17:00

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