

DERIVATIVES CLEARING AND SETTLEMENT TEAM

Subject: Amendments to the Directive and Procedure Regarding the Transactions Made in the Over the Counter Derivative Markets

Related Parties: Banks

Dear General Manager,

Within the scope of clearing and central counterparty services provided by our Bank regarding the transactions in Over the Counter Derivative Markets, the following improvements regarding Overnight Indexed Swap (OIS) transactions have been completed. These new features will be deployed by 06.07.2020 with the BISTECH System 2.11 version transition.

- Periodic payments are settled on the business day following the period end date, not on the period end date.
- When calculating the interest rate index of this instrument, the TLREF rate for the relevant day is used instead of the TLREF rate for the previous business day.

Within this scope, revised “İstanbul Settlement and Custody Bank Inc. 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” (Directive) and revised within the scope of the Directive “İstanbul Settlement and Custody Bank Inc. 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” (Procedure) has been published on our Bank’s website. Comparison tables related to the amendments in the Directive and Procedure are attached.

Sincerely Yours,

TAKASBANK

İSTANBUL SETTLEMENT AND CUSTODY BANK INC

Beyhan ARASAN

Gökhan ELİBOL

DIRECTOR

DEPUTY CEO

BOARD MEMBER

Annex 1: Directive Change Comparison Table (2 pages)

Annex 2: Procedure Change Comparison Table (3 pages)

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

Change Comparison Table

ARTICLE Content – Old Version	ARTICLE Content – New Version
<p>Definitions and Abbreviations ARTICLE 4- (1) For the purposes of this Directive, the following terms shall bear the following meanings:</p>	<p>Definitions and Abbreviations ARTICLE 4- (1) For the purposes of this Directive, the following terms shall bear the following meanings: .. (new subparagraph - subparagraph number will be added in alphabetical order) Periodic Payment: Bilateral payment amounts calculated using the contract size, fixed rate, floating rate and number of days specified in the relevant contract.</p>
<p>Settlement Date and Period ARTICLE 16- (1) The transactions accepted for clearing are subject to the clearing & settlement of variation margin and the clearing and settlement of the financing cost related with the contract value within the same day.</p>	<p>Settlement Date and Period ARTICLE 16- (1) The transactions accepted for clearing are subject to the clearing & settlement of variation margin, the financing cost related with the contract value and periodic payment amount within the same day.</p>
<p>Principles of clearing and settlement transactions ARTICLE 19- (3) The periodical reciprocal payment amounts related to each related contract subject to clearing are paid and completed on the payment days specified in the related agreement and according to the cut-off times specified in the Procedure. (4) Members’ obligations arising from their transactions subject to clearing are fulfilled through payment by the member using the trading and the associated custodian accounts opened with Takasbank until the cut-off times for settlement specified in the Procedure.</p>	<p>Principles of clearing and settlement transactions ARTICLE 19- (3) The payment days and the cut-off times of the periodic payments related to each relevant contract subject to clearing are specified in the Procedure. (4) Members’ obligations arising from their transactions subject to clearing are fulfilled through payment by the member until the cut-off times for settlement specified in the Procedure.</p>
<p>Clearing and settlement of the variation margins and the financing cost related to contract value ARTICLE 20- (1) The party for which a net positive “variation margin amount” is calculated by the end of the business day receives the related variation margin amount on the following business day. The party for which a net negative variation margin amount is calculated by the end of the business day pays the related variation margin amount on the</p>	<p>Clearing and settlement of the variation margins and the financing cost related to contract value ARTICLE 20- (1) The party for which a net positive “variation margin amount” is calculated by the end of the business day, receives the related variation margin amount starting from the end of the day of the calculation (T) until the next business day (T+1). The party for which a net negative variation margin amount is calculated by the end of the business day</p>

following business day. The cut-off times for payment and the other related principles are specified in the Procedure.

(2) The party with a net positive contract value shall pay the financing cost of such amount after two business days; the party with a net negative contract value shall receive the financing cost of such amount after two business days. The cut-off times for payment and the other related principles are specified in the Procedure.

pays the related variation margin amount starting from the end of the day of the calculation (T) until the next business day (T+1). The cut-off times for payment and the other related principles are specified in the Procedure.

(2) The party with a net positive contract value shall pay the financing cost of such amount starting from the end of the day following the day of the calculation (T+1) until the next business day (T+2); the party with a net negative contract value shall receive the financing cost of such amount starting from the end of the day following the day of the calculation (T+1) until the next business day (T+2). The cut-off times for payment and the other related principles are specified in the Procedure.

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

Change Comparison Table

ARTICLE Content – Old Version	ARTICLE Content – New Version
<p>Definitions and Abbreviations ARTICLE 4- (1) Terms used in this Procedure shall bear the following meanings</p> <p>..</p>	<p>Definitions and Abbreviations ARTICLE 4- (1) Terms used in this Procedure shall bear the following meanings</p> <p>..</p> <p>(new subparagraphs)</p> <p>(f) Periodic Payment: Bilateral payment amounts calculated using the contract size, fixed rate, floating rate and number of days specified in the relevant contract.</p> <p>..</p> <p>(i) Interest Rate Swap: The derivative contract in which floating and fixed interest rate payments are exchanged based on the principal amount and periods determined by the parties.</p> <p>..</p> <p>(ö) Overnight Indexed Swap: The derivative contract in which floating and fixed interest rate payments, which are calculated on the basis of principal amount and periods determined by the parties, are exchanged and the floating interest rate depends on the change of an interest index.</p> <p>..</p>
<p>General principles for clearing and settlement ARTICLE 22- (3) The mutual periodic payment amount based on the transaction and linked custodial accounts related to each transaction subject to clearing, variation margins, and financing costs associated with contract value shall be reflected in the relevant accounts after being calculated during the end-of-day cycle. In the event that the TRY collateral amount in the transaction and linked custodial account is not sufficient to cover the debt amount, the remaining sum shall be covered by the Member in TRY until the deadline specified in Article 24 for clearing any negative cash balance. Otherwise the member shall default.</p>	<p>General principles for clearing and settlement ARTICLE 22- (3) The periodic payment amount related to each transaction subject to clearing, variation margins and financing costs associated with contract value shall be calculated during the end-of-day cycle specified in Article 24. The periodic payment amount for interest rate swap transactions is collected from debtor accounts starting from the end of the day before the end of the period date and distributed to the creditor accounts at the end of the period until the short cash balance fulfillment cut-off time specified in Article 24. The periodic payment amount for overnight indexed swap transactions is collected from debtor accounts from the end of the day on the end of the</p>

<p>(4) The mutual periodic payment amount, variation margins and financing costs associated with contract value shall be distributed as of the end of the night cycle until the "Negative Cash Balance Clearing Deadline" specified in Article 24. Provided that there is a negative balance in Takasbank distribution reserve, profit shall be distributed partially, starting with the member with the lowest receivable and moving up.</p>	<p>period and distributed to the creditor accounts on the next business day from the end of the period until the short cash balance fulfillment cut-off time specified in Article 24. In the event that the TRY collateral amount in the transaction and linked custodial account is not sufficient to cover the debt amount, the remaining sum shall be covered by the Member in TRY until the short cash balance fulfillment cut-off time specified in Article 24. Otherwise, the member shall default.</p> <p>(4) The periodic payment amount, variation margins and financing costs associated with contract value shall be distributed as of the end of the night cycle until the "Negative Cash Balance Clearing Deadline" specified in Article 24. Provided that there is a negative balance in Takasbank distribution reserve, profit shall be distributed partially, starting with the member with the lowest receivable and moving up.</p>
<p>Clearing transactions for variation margins and financing costs associated with contract value ARTICLE 23-</p> <p>(1) The party for which a net positive "variation margin amount" was calculated at the end of the day shall receive the variation margin amount on the next business day. The party for which a net negative variation margin amount was calculated shall pay the relevant variation margin amount until the deadline for negative cash clearing specified in Article 24.</p> <p>(2) The party that has a net positive contract value at the end of the day shall pay the financing costs of this amount in two business days until the deadline for negative cash clearing, and the party that has a negative contract value shall receive the financing costs of this amount within two business days.</p>	<p>Clearing transactions for variation margins and financing costs associated with contract value ARTICLE 23-</p> <p>(1) The party for which a net positive "variation margin amount" was calculated at the end of the day shall receive the variation margin amount starting from the end of the day on the day of the transactions (T) until the short cash balance fulfillment cut-off time specified in Article 24 the following business day (T+1). The party for which a net negative "variation margin amount" was calculated at the end of the day shall pay the variation margin amount starting from the end of the day on the day of the transactions (T) until the short cash balance fulfillment cut-off time specified in Article 24 the following business day (T+1).</p> <p>(2) The party that has a net positive contract value at the end of the day shall pay the financing costs of this amount from the end of the day following the day of the transactions (T+1) until the deadline for negative cash clearing specified in Article 24 the next business day (T+2). The party that has a net negative contract value at the end of the day shall receive the financing costs of this amount from the end of the day following the day of the transactions (T+1) until the deadline for negative cash clearing specified in Article 24 the next business day (T+2).</p>

Settlement Date and Period**ARTICLE 24-**

(1) The transactions accepted for clearing are subject to the clearing & settlement of variation margin and the clearing and settlement of the financing cost related with the contract value within the same day.

Settlement Date and Period**ARTICLE 24-**

(1) The transactions accepted for clearing are subject to the clearing & settlement of variation margin, financing cost related with the contract value and periodic payment amount within the same day.