

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
DOMESTIC CLEARING AND SETTLEMENT SYSTEM
COLLATERAL CUSTODY SERVICE PROCEDURE

CHAPTER ONE

General Provisions

Purpose

ARTICLE 1- (1) The purpose of this Procedure is to set forth the principles and procedures regarding the collateral custody service to be provided by Istanbul Clearing, Settlement and Custody Bank Inc. (İstanbul Takas ve Saklama Bankası Anonim Şirketi) as the Custodian Institution within the scope of the collateral mechanism to be established for the Domestic Clearing and Settlement (DCS) System operated by Interbank Card Center (Bankalararası Kart Merkezi).

Scope

ARTICLE 2- (1) This Procedure covers the principles regarding custody, deposition/withdrawal of collaterals, redemption/coupon payments, margin calls, interest accrual processes, realization and liquidation of collaterals and other issues related with collateral custody service to be provided by Istanbul Clearing, Settlement, and Custody Bank Inc. as the Custodian Institution within the scope of the Domestic Clearing and Settlement System Collateral Mechanism.

Basis

ARTICLE 3- (1) This Procedure has been prepared on the basis of the Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions and the related secondary regulations issued by the CBRT (Central Bank of Republic of Turkey), ICC (Interbank Card Center) Domestic Clearing and Settlement System Regulation and ICC Domestic Clearing and Settlement System Collateral Custody Service Agreement.

Definitions and Abbreviations

ARTICLE 4- (1) The following terms used in this Procedure shall have the following meanings:

- a) **ICC:** means Bankalararası Kart Merkezi A.Ş. (Interbank Card Center Inc.);
- b) **GDDS:** means TL-payable government domestic debt securities issued by the Republic of Turkey Ministry of Treasury and Finance;
- c) **EFT:** means the Electronic Fund Transfer System allowing for transfer of payment in Turkish Liras;
- d) **ESTS:** means the Electronic Securities Transfer System;

- e) **Related Legislation:** means the Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions and the related secondary regulations issued by the CBRT, ICC Domestic Clearing and Settlement System Regulation, and Istanbul Clearing, Settlement and Custody Bank DCS System Collateral Custody Service Procedure;
- f) **Procedure:** means Istanbul Clearing, Settlement and Custody Bank DCS System Collateral Custody Service Procedure;
- g) **Pledged Accounts:** means TL cash and GDDS depo accounts pledged in favour of the System Participants;
- h) **System:** means the Domestic Clearing and Settlement (DCS) System;
- i) **System Participant/Participant:** means the ICC members that are notified by ICC to Takasbank and that fulfil the system participation requirements;
- j) **System User:** means the user authorized by the System Participant;
- k) **System Operator:** means Interbank Card Center Inc. (Bankalararası Kart Merkezi A.Ş.);
- l) **Takasbank:** means Istanbul Clearing, Settlement and Custody Bank, Inc. (İstanbul Takas ve Saklama Bankası A.Ş.);
- m) **Collateral:** means TL-payable government domestic debt securities issued by the Republic of Turkey Ministry of Treasury and Finance as well as cash in TL;
- n) **Collateral Custody Service:** means the processes related with collateral custody, valuation, deposition/withdrawal, redemption and coupon payment, margin call, interest accrual and liquidation and transfer of collaterals to DCS System accounts when requested by the ICC;
- o) **DCS:** means the Domestic Clearing and Settlement System;
- p) **DCS System Accounts:** means the accounts opened with Takasbank in the name of the ICC and on the account of the Pledgee Participants, which will be used in liquidation of assets in Pledged Accounts and which are exclusively allocated by Takasbank for this process.

CHAPTER TWO

Principles regarding Participation and Accounts

Conditions for participation

ARTICLE 5- (1) The following participation conditions must have been met to receive Collateral Custody Service.

- a) The authorization of trading in the System must not have been cancelled due to any breach of the related legislation;
- b) The contract, commitment letter and agreements with their contents determined by Takasbank must have been signed and submitted;

- c) Membership collateral must have been deposited;
- d) The necessary measures must have been taken for establishment and continued operation of the technical infrastructure determined and announced by Takasbank to the Participants in order to execute the transactions at Takasbank.

Participation application and admission

ARTICLE 6- (1) The institutions that will apply for participation are required to submit the information and documents contained in Annex-1, verifying the fulfilment of the requirements for participation.

(2) In order to commence its operations with Takasbank, the institution whose participation application is accepted must, following the receipt of the notice of acceptance of its participation application, authorize the personnel that will execute transactions on behalf of the participant over Takasbank system.

(3) Following completion of participation procedures, System Participants/Users shall execute transactions by logging into Takasbank's ICC DCS Collateral Custody application using their user codes, keys, passwords, and SMS passwords defined by Takasbank for them.

General obligations of participants

ARTICLE 7 - (1) Participants are required to comply with the following requirements:

- a) To abide by the times and periods specified by Takasbank and to act in accordance with all rules and principles laid down in the Procedure and the other related legislation;
- b) To timely pay and fulfil the fee, commission and similar obligations required by Takasbank;
- c) To furnish any and all information and documents that may be requested on issues deemed necessary by Takasbank in relation to their business and transactions falling within the scope of the Procedure, and to provide any and all support during the investigations to be carried out by the authorized officers of Takasbank;
- d) To ensure adaptation to functioning- and application-related changes to be made by Takasbank within the specified periods and in a complete manner and to participate in the tests;
- e) To completely fulfil other obligations under the Procedure within the prescribed time periods.

(2) If any participant foresees that it will be unable to fulfil its obligations towards Takasbank either partially or completely, the related participant is required to urgently notify Takasbank of such situation, together with all substantiating information and documents containing also the reasons thereof. Such notification shall not prevent Takasbank from taking the necessary measures specified in the Procedure.

(3) The participants are responsible for fulfilment of all obligations related to the transactions they have executed in accordance with the activities stipulated under the Procedure as well as the works performed by their employees as required by their duties.

(4) The participants shall execute their transactions via remote access using the user codes and passwords allocated to the personnel that they have authorized. The responsibility arising from the transactions

executed over Takasbank system using the allocated passwords as well as from the usage of the password by unauthorized people shall solely rest with the Participant. In cases where access to Takasbank system is impossible, transactions may be executed by Takasbank in accordance with the written instructions to be given by the people authorized to represent the Participant.

Participants' obligations regarding collateral transactions

ARTICLE 8 - (1) Participants are required to fulfil the following obligations regarding collateral transactions:

The Participant is responsible to ensure that:

- a) The transfers related with the pledged collateral amounts required to be maintained as notified by ICC to them via Takasbank screens are timely and correctly made to Takasbank via the banks and such transfers are monitored via Takasbank screens;
- b) The pledged collateral amount notified by the ICC is timely and completely deposited to its pledged collateral accounts opened with Takasbank in order to secure its payment obligations;
- c) The fees and commissions requested from them in relation to collateral custody service provided by Takasbank are timely and completely deposited to its accounts held with Takasbank;
- d) Any changes in the authorized signatures specified in the signature circular submitted to Takasbank are immediately notified to Takasbank and the new circular is delivered duly;
- e) The security of the user name and security passwords given to the Participant by Takasbank is ensured;
- f) The transactions are executed in accordance with the implementing principles specified in this Procedure.

(2) The Participant warrants that it has executed and will execute the transactions over its accounts held with Takasbank in its own name and on its own account, pursuant to the Regulation on Measures regarding Prevention of Laundering of Proceeds of Crime and Financing of Terrorism and the other related applicable laws and regulations; and if it executes any transaction over its accounts for and on behalf of any other person; it shall inform Takasbank in writing thereof before executing the related transaction and immediately submit the documents on whose account it acts for their identity verification under the provisions of the Regulation mentioned herein. Takasbank is entitled to abstain from accepting the transactions without sending a prior notice and to unilaterally terminate the agreements in accordance with the provisions of applicable laws.

Suspension of participant activities and removal from participation

ARTICLE 9 - (1) The obligations that have arisen from the transactions included within the scope of the Procedure and required to be fulfilled by the Participants whose activities have been suspended, or who have been removed by the ICC from membership or who wish to leave participation upon their own written request shall survive.

- (2) The status of the Participants whose authorizations are revoked are switched from “active” to “passive” status in Takasbank System.
- (3) The membership collateral deposited by the participant leaving its participation at the time of its application for participation, if any, shall be returned together with the related interest accrued, following collection of the participant’s obligations towards Takasbank.

Participant pledged collateral accounts

ARTICLE 10 - (1) Collateral transactions are executed over pledged collateral accounts to be opened with Takasbank. Pledged Collateral and commission accounts are opened in Takasbank system upon completion of participation processes.

(2) “YTHNT – YTH Rehin Teminat Nakit Hesabı” (DCSCC – DCS Pledged Collateral Cash Account) is used for cash collaterals; and “031-YTH Rehin Teminatı Deposu” (031 – DCS Pledged Collateral Depo) account is used for GDDS-type collaterals.

CHAPTER THREE

Pledged Collateral Transactions

Notification of collaterals

ARTICLE 11 – (1) Pledged Collateral transactions are executed over Takasbank system.

(2) The pledged collateral amounts required to be maintained by participants are calculated by the ICC on a quarterly basis and reported to the Participants via Takasbank System.

(3) The periods are monitored by the ICC; and the calculations shall be continued to be made over the former entries until a new entry is made.

(4) In case of extraordinary circumstances, the collateral amounts may be revised by the ICC without awaiting this period.

(5) Collateral revisions may be made either via a screen to be allocated by Takasbank to the ICC; or by Takasbank users upon the ICC’s written instruction.

Assets accepted as collaterals at Takasbank

ARTICLE 12– (1) Participants have to deposit to their accounts/depo accounts held with Takasbank the assets listed below that are acceptable to the ICC for provision as collaterals for the fulfilment of their obligations arising from their DCS System transactions.

- a) Cash in Turkish Lira
- b) TL-payable government domestic debt securities (GDDS) issued by the Republic of Turkey Ministry of Treasury and Finance.

Valuation of collaterals

ARTICLE 13 – (1) The valuation haircuts to be applied to the assets accepted as collaterals are determined by the ICC.

(2) Collaterals are subjected to valuation by Takasbank within the time periods specified in article 17 of this Procedure. GDDS collaterals are valued using the daily indicator values of GDDS determined by the CBRT.

Depositing collaterals

ARTICLE 14 – (1) Collateral depositing transactions are executed using the collateral deposition module over Takasbank screens.

(2) Collaterals are deposited to the collateral account/depo account using the balances in the participant’s free current account no. 11 / free depo account no. 501.

(3) Participants may give instructions for depositing collaterals in writing; and in such cases, the transaction of depositing collaterals is executed by Takasbank users on behalf of the Participant.

(4) No collateral depositing transaction is executed at weekends and on public holidays.

Withdrawal of collaterals

ARTICLE 15 – (1) Participants may withdraw collaterals from their collateral accounts/depo accounts to their free current accounts no. 11/ depo accounts no. 501 via Takasbank system.

(2) If the participants maintain collaterals in excess of the pledged collateral amount required to be maintained as notified by the ICC; they may withdraw such collateral in excess.

(3) If participants execute any collateral withdrawal transaction; their cash TL and GDDS collaterals held at Takasbank are transferred to their free accounts/depo accounts.

(4) Participants may give instructions for withdrawal of collaterals in writing; in such cases, the transaction of withdrawal of collaterals is executed by Takasbank users on behalf of the Participant.

(5) No collateral withdrawal transaction is executed at weekends and on public holidays.

Times for Collateral Transactions

ARTICLE 16 – (1) The deposition and withdrawal transactions related with the assets acceptable as collaterals may be executed over the user screens and by a written instruction to be given to Takasbank. No direct transaction may be executed to such accounts.

(2) Collateral depositing and withdrawal transactions are executed from or to the participants’ free accounts/depo accounts, using the collateral deposition/withdrawal module.

(3) The cut-off times for deposition and withdrawals by the assets accepted as collaterals are as follows:

Assets Acceptable as Collaterals	Cut-off Time for Depositions on Full-Days	Cut-off Time for Depositions on Half-Days	Cut-off Time for Withdrawals on Full-Days	Cut-off Time for Withdrawals on Half-Days
Cash in Turkish Lira	18:15	12:45	(*)15:40	(*)11:40
GDDS	18:15	12:45	18:15	12:45

- (4) The cut-off times for depositing collaterals and for withdrawal of assets other than Turkish Lira are given for transfers between accounts held with Takasbank. For any transfer of collateral amounts withdrawn from free accounts/depo accounts outside Takasbank or any transfer of collateral amounts from outside into the free accounts, the operational business rules of the relevant payment system/depository institution shall apply.
- (5) The participants that are obliged to deposit additional collaterals under a margin call may not withdraw collaterals.
- (6) (*) For the participants that do not wish to receive interest, the cut-off time for withdrawal of collaterals is 18:15 on full-days and 12:45 on half-days.
- (7) Cash collaterals deposited after the cut-off time for interest accrual shall be included in the calculation of interest accrual on the following business day.
- (8) For transfers outside Takasbank, EFT/ESTS official transaction cut-off times published on Takasbank website shall apply.

Margin call

ARTICLE 17 - (1) A margin call is essentially made/issued electronically. After Takasbank electronically sends a margin call, the Participant is deemed to have received the call without a further warning and notice.

- (2) The Participant that receives a margin call shall deposit its collaterals to Takasbank.
- (3) The margin call cut-off times are determined by the ICC and notified to the Participants.
- (4) A margin call is issued to the participants found to have insufficient collaterals at the end of the collateral valuation made by Takasbank at 16:45 on every business day (at 11:30 a.m. on half-business days).
- (5) As a result of the call made at 16:45 on Day T, participants are required to complete their collaterals until 12:00 on day T+1 (until 9:30 a.m. on half-business days).
- (6) Another margin call shall be issued as a final reminder to the participants that still have insufficient collaterals at the end of the collateral valuation to be made at 11:30 a.m. on day T+1 (at 09:00 a.m. on half-business days).
- (7) The final situation shall be notified to the ICC at 12:00 on day T+1 (at 9:30 a.m. on half-business days).
- (8) If the currently effective prices of the CBRT are not yet announced by the valuation time in case of a valuation made on half-business days; the most current price (the price used in the former valuation) shall be taken into account.

Accrual of interest on cash collaterals

ARTICLE 18- (1) Out of the collaterals deposited by the Participants, the cash collaterals in Turkish Lira shall be accrued interest by Takasbank under the best possible conditions, taking the credit risk and liquidity conditions into consideration. Such accrual process is performed by depositing the amount subject to interest accrual to the banks as depo or deposits or making it subject to a repo (repurchase) transaction. Takasbank may also place the cash collaterals in over-the-counter markets for interest accrual purposes. Interest accrual may not be necessarily made in case of extraordinary market conditions. No interest shall be paid if Takasbank fails to perform interest accrual due to market conditions.

- (2) The interest accruals for cash collaterals are performed over the Participant's Turkish Lira-denominated Cash collaterals by 15:40. No interest shall be accrued on the same day for cash Turkish

Liras deposited to Takasbank as collateral after 15:40. The cut-off time for interest accrual on half business days is 11:40 a.m.; and no interest shall be accrued on the same day for Turkish Lira collaterals deposited after that time.

(3) The Banking and Insurance Transactions Tax (BITT) and other legal charges and the amount to be determined and collected by Takasbank as “collateral monitoring and interest accrual fee” at a rate proposed by Takasbank are deducted from the gross interest amounts earned from accrual of interest on cash collaterals; and the remaining balance are credited to collateral accounts as interest.

(4) The Participants that do not wish to receive interest must notify such requests to Takasbank in writing. The related preference must be defined and entered into the system before the cut-off time for interest accrual.

Liquidation of collaterals

ARTICLE 19 – (1) In cases where it is necessary to liquidate collaterals by way of sales within the scope of the collateral custody service to be provided for the ICC; the price found by Takasbank for collateral liquidation shall be deemed accepted by the ICC and no claim may be raised for reversal of transaction already executed due to this reason. However, due to the market conditions, there is a risk of failure in transferring the related amounts to the ICC accounts within the same day due to the reasons such as the lack of adequate liquidity in over-the-counter or organized markets, lack of adequate depth in markets and lack of Participants, etc. In this context, Takasbank does not warrant that the related amounts shall be transferred to the ICC accounts within the same day under any circumstances.

(2) The release of collaterals is at the sole discretion of the ICC; and Takasbank has no obligation to question it.

(3) GDSS and TL collaterals liquidated and converted into cash upon the ICC’s instruction are transferred by Takasbank to the blocked account/depo account to be opened in the name of the ICC at Takasbank and the transactions are executed over such accounts.

(4) The securities liquidated and converted into cash upon the ICC instruction are transferred to the ICC’s DCS correspondent account held at the CBRT as notified by the ICC. Cash collaterals are not transferred via EFT to another account except for this account.

(5) At the time of liquidation of GDSS collaterals, the securities are transferred from the ICC account to the bank to which the collaterals are sold via the ESTS and the amount in consideration of such sale is transferred by the counter bank to the ICC’s relevant account held with Takasbank.

Redemption and coupon payments of collaterals

ARTICLE 20– (1) The amounts related with redemption/coupon payments of GDSS collaterals are transferred to the participants’ **DCSCC – DCS Pledged Collateral Cash Account** held with Takasbank on the due date.

CHAPTER SIX

Miscellaneous Provisions

Fees and commissions

ARTICLE 21- (1) Takasbank fees tariff for the services provided under the Procedure is announced to the Participants. Takasbank reserves its right to revise/change its fees tariff at any time by sending a prior notice to the participants.

(2) Fees and commissions are collected at the time of transaction or calculated and accrued on a monthly basis, as the case may be, according to the nature of the transaction.

(3) The fees and commissions calculated on a monthly basis should be paid in 3 business days following the accrual date.

(4) The monthly commissions not paid within the due period may be directly collected firstly from the Participant's free account; and if there is not any sufficient balance in the Participant's free account, then from the membership collateral; and if there is no sufficient membership collateral, then from the collateral in excess held in the collateral account/depo account.

(5) The membership collateral deposited at the time of application for participation is used for collection of commissions not deposited within the given period.

Disciplinary provisions

ARTICLE 22- (1) The disciplinary provisions provided in Chapter Seven of the Central Clearing and Settlement Regulation of Istanbul Clearing, Settlement and Custody Bank, Inc. shall also apply for the Participants not complying with the obligations specified herein, in addition to the provisions specified in the Procedure.

Measures to be taken in extraordinary circumstances

ARTICLE 23- (1) Takasbank is entitled and authorized to determine and implement the measures to be taken in case of presence of extraordinary circumstances where it foresees that the DCS Collateral Custody service may be adversely affected.

Announcements

ARTICLE 24- (1) The details and amendments related to the issues included within the scope of the Procedure shall be announced to the members through the General Letters and Announcements to be published by Takasbank.

Extraordinary circumstances

ARTICLE 25- (1) The decision-making processes to be followed in case of extraordinary circumstances and the technical and methods and tools related thereof shall be identified and announced by Takasbank to the members with the emergency manual prepared by Takasbank.

System business continuity

ARTICLE 26- (1) The system business continuity plan and emergency rules are stipulated with “Takasbank Business Continuity Directive” and the secondary regulations and continuity plans issued in relation to such directive. General policy texts for business continuity are announced to the participants via Takasbank website.

Implementing principles

ARTICLE 27 – (1) Takasbank is entitled and authorized to interpret the provisions of this Procedure, and to take decisions by considering also the general provisions for any issues not specified or clarified herein.

Entry into Force

ARTICLE 28 - (1) The Procedure shall enter into force on the date of its publication.

Execution

ARTICLE 29- (1) The provisions of the Procedure shall be executed by the General Manager.

Annex: 1: Participation requirements

The participants that will become a member of Takasbank for the first time are required to provide the following documents:

1. Custody Agreement and the related Pre-Agreement Information Form;
2. Implementation Agreement regarding Customer Instructions that will be sent to Takasbank via Fax and the related Pre-Agreement Information Form;
3. Commitment Letter for Cash, Security, Collateral, and Conditional Transfer and Electronic EFT Instructions and the related Pre-Agreement Information Form;
4. Customer Details Form;
5. Ultimate Beneficial Owner Information Form (sealed and originally signed by the authorized signatory);
6. The institution's Trade Registry Gazette and, if any, the Trade Registry Gazettes showing the amendments (Photocopies);
7. Tax Registration Certificate (Photocopy);
8. Signature Circular (notarized version bearing an original seal);
9. A letter indicating that it has neither gone bankrupt or declared a concordat (composition with creditors) (excluding banks);
10. IP Address Form;
11. Member User Declaration;
12. FATCA Natural Person Declaration Form;
13. W8-BEN-E-Legal-Person;
14. Authorization Documents;
15. Domestic Clearing and Settlement System Collateral Custody Service Participant Agreement;
16. Domestic Clearing and Settlement System Collateral Custody Service Participant Agreement Pre-Agreement Information Form

Note: BRSA Operating License is accepted in its photocopied version.

The banks that are members of Takasbank are required to provide the following documents only:

17. Domestic Clearing and Settlement System Collateral Custody Service Participant Agreement;
18. Domestic Clearing and Settlement System Collateral Custody Service Participant Agreement Pre-Agreement Information Form