

**PROCEDURE ON CENTRAL SETTLEMENT SERVICE TO BE PROVIDED BY İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. AT THE NATURAL GAS ORGANIZED WHOLESALE MARKET OF ENERGY EXCHANGE İSTANBUL AND THE PRINCIPLES REGARDING THIS SERVICE**

**CHAPTER ONE**

**General Provisions**

**Purpose**

**ARTICLE 1-** (1) The purpose of this Procedure is to regulate the principles and procedures regarding the cash settlement and collateral management services to be provided by İstanbul Takas ve Saklama Bankası A.Ş. as the Central Settlement Institution at the Natural Gas Organized Wholesale Market.

**Scope**

**ARTICLE 2-** (1) This Procedure covers the principles regarding membership, clearing and settlement, default, collateral, revenues and other issues related with the cash settlement and collateral management services to be provided by İstanbul Takas ve Saklama Bankası A.Ş. as the Central Settlement Institution at the Natural Gas Organized Wholesale Market.

**Basis**

**ARTICLE 3-** (1) This Procedure has been prepared on the basis of article 77 of the Capital Markets Law No. 6362 published in the Official Gazette no. 28513 dated 30 December 2012, the General Regulation on Establishment and Operating Principles of Central Clearing and Settlement Institutions published in the Official Gazette no. 28662 dated 30 May 2013, the Natural Gas Organized Wholesale Market Regulation published in the Official Gazette no. 30024 dated 31 March 2017, the Natural Gas Organized Wholesale Market Operating Principles and Procedures adopted with the Decision no. 6957-1 taken in the meeting of the Energy Market Regulatory Board dated 09 May 2017, and BOTAŞ Transmission Network Operation Principles adopted with the Decision no. 7727 taken in the said Board's meeting dated 08 March 2018, and the Central Settlement Institution Agreement for the Natural Gas Organized Wholesale Market Cash Settlement and Collateral Management Services signed on 29 May 2018 between Energy Exchange İstanbul (Enerji Piyasaları İşletme Anonim Şirketi) and İstanbul Takas ve Saklama Bankası A.Ş.

**Definitions and abbreviations**

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

(a) Correspondent bank: means the bank designated and defined by market participants to Takasbank system for automatic transfer of their Market receivables and withdrawable cash collateral amounts;

- (b) Advance/Advance Payment: means the payment excluding taxes, occurring with reference to the set-off made as a result of finalized matching of market transactions executed in the trading period related to a gas day;
- (c) Imbalance Collateral: means the collateral that the market participants/system users are required to deposit on the basis of accounts for settlement of imbalances in the transmission system;
- (ç) GDDS: means the government domestic debt securities;
- (d) Natural Gas Market/Market: means the Natural Gas Organized Wholesale Market;
- (e) EFT: means the Electronic Fund Transfer system allowing for transfer of payment in Turkish Liras;
- (f) ESTS: means the Electronic Securities Transfer System;
- (g) EXIST: means Energy Exchange İstanbul (EPIAŞ / Enerji Piyasaları İşletme A.Ş.);
- (ğ) EUR: means currency of European Union;
- (h) Invoice Transaction Collateral: means the collateral that the market participants/system users are required to deposit in relation to VAT and Market Operation Fee payments that will arise from the transactions that they execute on the CTP in the related invoice period;
- (ı) Gas day: means any 24-hour time window starting at 08:00 a.m. and ending by 08:00 a.m. on the next day;
- (i) General Manager: means the General Manager of İstanbul Takas ve Saklama Bankası A.Ş.;
- (j) Daily Transaction Collateral: means the collateral that the market participants are required to deposit for giving purchase offers on the CTP;
- (k) Participant Agreement: means the agreement prepared by the Central Settlement Institution and approved by the Market Operator and signed between market participants and the Central Settlement Institution in relation to collateral management and cash settlement services;
- (l) Central Settlement Institution/Takasbank: 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 in relation to execution of financial operations as determined under the Natural Gas Organized Wholesale Market Regulation;
- (m) 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 İstanbul;
- (n) Market Participant/Participant: means the system users that are entitled to perform transactions on the Continuous Trading Platform;
- (o) Market Operator: means Energy Exchange İstanbul (Enerji Piyasaları İşletme A.Ş.) that has established and operates the Continuous Trading Platform and is the holder of market operation license;

- (ö) Market Operating Procedures and Principles (MOPP): means the Natural Gas Organized Wholesale Market Operating Principles and Procedures adopted with the Decision no. 6957-1 taken in the meeting of the Energy Market Regulatory Board dated 09 May 2017;
- (ö) Free account: means the Members' TL (11) and foreign currency (11FX) free current accounts held at Takasbank;
- (p) System: means Takasbank system;
- (r) Continuous Trading Platform (CTP): means the trading platform established and electronically operated by the Market Operator for the natural gas organized wholesale market under the Regulation;
- (s) SWIFT (Society for Worldwide Interbank Financial Telecommunication): means the International financial telecommunication network and messaging infrastructure;
- (ş) NOR/Transmission Network Operating Principles: means BOTAŞ Transmission Network Operation Principles;
- (t) Takasbank: means İstanbul Takas ve Saklama Bankası A.Ş. authorized as the Central Settlement Institution;
- (u) CBRT: means the Central Bank of the Republic of Turkey;
- (ü) USD: means currency of USA;
- (v) Member: means the market participant authorized to execute trading transactions in the Natural Gas Market and the system user injecting gas from the Natural gas transmission system or delivering gas to the system or enabling gas transit over the system;
- (y) Regulation: means the Natural Gas Organized Wholesale Market Regulation.

## CHAPTER TWO

### Principles regarding Membership and Accounts

#### Membership conditions

**ARTICLE 5-** (1) The following membership conditions must be met to receive cash settlement and collateral management services at the Market.

- (a) The authorization of trading at the Market must not have been cancelled due to any breach of the legislation;
- (b) The contract, commitment letter and agreements with their contents determined by Takasbank must have been signed and submitted;
- (c) The necessary measures must have been taken for establishment and continued operation of the technical infrastructure determined and announced by Takasbank to the members in order to execute the transactions at Takasbank;
- (ç) The cash and collateral account must have been timely and accurately opened at/with Takasbank in its own name for the purpose of execution of transactions related with collaterals and payments.

## Membership application and admission

**ARTICLE 6-** (1) The institutions that will apply for membership are required to submit their application requests addressed to Takasbank in writing, together with the attached information and documents as listed below, verifying the fulfilment of the requirements for membership.

- (a) The Central Settlement Institution – Participant Agreement signed with Takasbank;
- (b) Implementation Contract regarding Customer Instructions that will be sent to İstanbul Takas ve Saklama Bankası A.Ş. via Fax under the Scope of Natural Gas Market Activities;
- (c) Commitment Letter for Natural Gas Market Cash, Security, Collateral and Electronic EFT Instructions;
- (ç) Correspondent Bank account details notification;
- (d) Natural Gas Market Participant Member User Declaration;
- (e) Natural Gas Market Participants Joint Liability Commitment Letter;
- (f) Any other information and documents requested by the Member Affairs Team.

(2) In order to commence its operations with Takasbank, the institution whose membership application is accepted must, following the receipt of the notice of acceptance of its membership application;

- a) deposit its membership fee;
- b) deposit the membership collateral;
- c) authorize the personnel that will execute transactions on behalf of the member over Takasbank system.

(3) Following completion of membership procedures, Market Participants/System Users shall execute Market operations by logging into Takasbank’s Natural Gas Market application via internet using their user codes, keys, passwords, and SMS passwords defined by the Member Affairs Team for them.

## General obligations of members

**ARTICLE 7-** (1) Members 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 in relation to Market clearing and settlement transactions;
- (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 under 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 to participate in the tests;

(e) To fulfil other obligations under the Procedure within the prescribed time periods and in a complete manner.

(2) If any member foresees that it will be unable to fulfil its obligations either partially or completely, the related member is required to notify such situation immediately to EXIST and to Takasbank together with all substantiating information and documents containing the reasons thereof. Such notification shall not constitute an impediment preventing Takasbank from taking the necessary measures specified in the Procedure.

(3) The members shall be 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 members 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 use of the password by unauthorized people shall solely rest with the Member.

(5) 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 Member.

### **Members' obligations regarding settlement and collateral transactions**

**ARTICLE 8 -** (1) Members are required to fulfil the following obligations regarding settlement and collateral transactions:

a) The payments related with the advance payment statuses and invoices notified by EXIST to them shall be timely and accurately made to Takasbank and such payments shall be monitored through Takasbank screens;

b) The transactions that will allow for utilization of cash and non-cash securities entering their accounts at Takasbank for the payment of collaterals, advances and invoices shall be executed through Takasbank screens;

c) The collateral at the required amount notified by EXIST shall be timely and completely deposited to their collateral accounts opened with Takasbank in order to secure their payment obligations;

ç) The fees and commissions requested from them in relation to collateral management and cash settlement service provided by Takasbank shall be timely and completely deposited to Takasbank;

d) Any changes in the authorized signatures specified in the signature circular submitted to Takasbank shall be immediately notified to Takasbank and the new circular shall be delivered duly;

e) Members shall ensure the security of their user name and security passwords given by Takasbank to them;

f) Members shall execute their transactions in accordance with the implementing principles specified in this Procedure.

(2) The Member acknowledges, represents and 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 on behalf of any other person, it shall inform Takasbank in writing thereof before executing the related transaction and immediately submit the documents of the persons on whose account it acts for their identity verification under the provisions of the aforementioned Regulation; otherwise, Takasbank shall be entitled to abstain from accepting the transactions without sending a prior notice and to terminate the agreements unilaterally.

### **Suspension of member activities and removal from membership**

**ARTICLE 9** - (1) The status of the Members whose authorizations are revoked are switched by EXIST from “active” to “passive” status in Takasbank System.

(2) The obligations that have arisen from the transactions included under the scope of the Procedure and required to be fulfilled by the members whose activities have been suspended, or who have been removed by EXIST from membership or who wish to leave membership upon their own written request shall survive.

(3) Takasbank shall be entitled to take any and all measures it deems necessary, including the following measures, to ensure completion of the clearing and settlement transactions of the institution the activities of which are suspended or which is removed from membership.

- (a) Restraining the member from trading directly over its accounts at Takasbank;
- (b) Using the member’s settlement receivables to cover its settlement debts;
- (c) Resorting to the member’s assets held in its free accounts at Takasbank.

### **Member accounts**

**ARTICLE 10** - (1) Clearing and settlement transactions are executed over “11-Member free current account” held with Takasbank. The trading, collateral and commission accounts are opened automatically in Takasbank system upon completion of membership processes.

### **Defining the correspondent banks**

**ARTICLE 11** - (1) The members shall enter into and define in Takasbank system the necessary Correspondent Bank account number for automatic transfer of their receivables related with their advance and invoice payments arising from the Market as well as their withdrawable collateral amounts in TL, USD, EUR and GDDS to their correspondent bank accounts via EFT/SWIFT/ESTS.

## CHAPTER THREE

### Settlement Principles

#### Takasbank's responsibility

**ARTICLE 12 -** (1) Takasbank is not responsible for the members' obligations towards EXIST and other members except for the obligations undertaken by it under this Procedure in relation to cash settlement and collateral management service.

#### General principles of clearing and settlement

**ARTICLE 13-** (1) Cash settlement operations are executed over Takasbank system.

(2) The members execute their transactions by accessing to Takasbank system through the web infrastructure provided by Takasbank.

(3) The members' rights and obligations arising from their transactions subject to clearing and settlement are concluded on account by Takasbank over the designated accounts.

(4) Takasbank does not give any warranty for finalization of transactions on their date of settlement and within their time periods. Finalization of clearing and settlement transactions within their time periods is conditional upon the timely fulfillment by the debtor members of their obligations.

(5) The obligations related with transactions executed in the Market are fulfilled on the date of settlement using the related settlement accounts.

a) The payable amount notified by EXIST is collected from the debtor member's free current account opened at Takasbank.

b) Following completion of the transfer of the receivable amount notified by EXIST to the creditor member's free current account opened at Takasbank, the member's insufficient collateral, if any, is supplemented and the remaining receivable amount is automatically transferred to the correspondent bank accounts entered into and defined by the member in Takasbank system via EFT.

(6) It is essential that the currency used in execution of transactions shall be used for payment of cash obligations arising from settlement operations.

#### Netting-off

**ARTICLE 14 -** (1) For advance payment transactions, the net debts/credits are calculated by way of netting-off performed over the gross debt/credit data on an individual member basis on the day the gross debt/credit data are sent by EXIST (day T). 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.

(2) For invoice transactions, the gross debt/credit details and the net debt/credit details are sent by EXIST monthly on an individual member basis. Net debt/credit details are shown on Takasbank screens on an individual period basis.

### Times and periods related with settlement transactions

**ARTICLE 15 - (1)** Settlement times and periods are as follows.

Advance Debt Closing (Participant – without default)	T+1	14.00
Advance Debt Closing (Participant – with default)	T+1	14.00-17.00
Advance Debt Automatic Debt Closing	T+1	14.00
Distribution of Advance Receivables	T+1	until 17.00
Invoice Debt Closing	4 <sup>th</sup> business day following the notification date (T+4)	until the end of the day
Invoice Automatic Debt Closing	5 <sup>th</sup> business day following the notification date (T+5)	at the beginning of the day
Distribution of Invoice Receivables	5 <sup>th</sup> business day following the notification date and the following days	at specified periods throughout the day
EFT (within the minimum lower limit)	Twice a day	at specified periods throughout the day

(2) In case of any technical breakdowns and similar extraordinary situations, the settlement period may be temporarily changed by the General Manager.

(3) No settlement operation is executed on half business days. Regarding advance status notifications made on the immediately preceding business day before weekends and public holidays, the settlement operation is executed on the first business day following the related weekend and public holiday. Regarding advance status notifications related with the transactions executed at weekends and on public holidays, the settlement operation is executed on the second business day following the related weekend and public holiday.

### Collection of advance debts

**ARTICLE 16 - (1)** 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).

(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.

(3) The cash debts not closed by the members by 14.00 are automatically closed from the members’ free current accounts. If the balance in the free account is insufficient, the member’s daily trading/transaction collateral is used.

(4) No default interest is calculated for the debts closed from the free account and daily trading/transaction collateral.

### **Distribution of advance receivables**

**ARTICLE 17 - (1)** Receivables are distributed until 17.00. The amount remaining from the distribution of receivables are distributed among all members on a pro-rata basis.

(2) Advance receivables are distributed from “Advance Settlement Pool” account to the members’ 11-free current accounts.

(3) If the participant has insufficient invoice transaction and imbalance collateral, the invoice transaction and imbalance collaterals are automatically completed, respectively, using the advance receivable. The remaining receivable amount is transferred to the participant’s correspondent bank or assignment bank account via EFT.

### **Collection of invoice debts**

**ARTICLE 18 - (1)** The date the file of invoices separately indicating the debt-credit details subject to imbalance and invoice transaction collaterals is sent by EXIST to Takasbank constitutes the notification date. The deadline for payment of invoice debts is the 4<sup>th</sup> business day following the notification date (T+4).

(2) Members may close out their cash debts from their free current accounts held at Takasbank within the period from the notification date until the end of the deadline for payment.

(3) If EXIST has any debt payable, this debt is closed out from EXIST account opened by EXIST at Takasbank at the beginning of the deadline date.

(4) Cash debts that are not closed out by members on such deadlines shall be automatically closed on the following business day (T+5) if the member’s free current account has sufficient cash balance. For the portion closed out from the free account, the invoice transaction debt constitutes the debt that is of priority. If there is insufficient balance in the free account; the participant’s imbalance collateral is used for the debt related with imbalance collateral and its invoice transaction collateral is used for the debt related with invoice transaction collateral.

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

(6) Default interest is calculated for the debts closed out from the cash collateral required to be maintained.

(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. 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.

### **Distribution of invoice receivables**

**ARTICLE 19 -** (1) The invoice net debt/credit details notified by EXIST are displayed on Takasbank screens on an individual period basis.

(2) The deadline for payment of invoice receivables is the 6<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.

(3) The order of precedence in the distribution of invoice receivables is determined by EXIST.

(4) The receivables of the member for whom the deadline has come for payment of invoice receivables shall be transferred to the participant free current account held at Takasbank at the specified periods starting from the beginning of the day, by checking and ensuring that there is sufficient balance in the invoice settlement and invoice default settlement pool for the related period.

(5) If the participant has insufficient invoice transaction and imbalance collateral, the invoice transaction and imbalance collaterals are automatically completed, respectively, using the invoice receivable. The remaining receivable amount is transferred to the participant’s correspondent bank or assignment bank account via EFT.

(6) If there is insufficient balance in the invoice settlement and invoice default settlement pool for the related period, the next receivable is paid in part.

### **Assignment operations**

**ARTICLE 20-** (1) Participants are obliged to deliver their assignment agreements to EXIST.

(2) Assignment terms and conditions are entered into and defined by EXIST in Takasbank system on an individual participant basis.

(3) Participants’ assignment payments are made on a daily basis.

(4) The advance and invoice payments are effected by Takasbank under the assignment terms and conditions, with reference to the assignment details defined by EXIST.

(5) The amounts entered into participants’ free current accounts as advance or invoice receivables under assignment transactions are transferred to the assignment account defined in the system via EFT.

(6) Execution entries/definitions may also be performed by Takasbank within the framework of the notifications made by legal authorities to the banks.

## CHAPTER FOUR

### Principles regarding Default Procedures

#### General principles of default

**ARTICLE 21** - (1) From the member that fails to fulfil its obligation within the prescribed settlement periods, a default interest calculated over the unfulfilled obligation amount shall be collected together with other legal liabilities thereon, considering the periods specified in the first paragraph of article 15 within the framework of EXIST regulations.

#### Advance default and grievance/compensation payment principles

**ARTICLE 22-** (1) The market participants failing to pay their advance debts until 14:00 on the business day T+1 at the latest or the participants without sufficient balance in their free current accounts and daily transaction collateral accounts during the automatic debt closing process executed at 14:00 shall be deemed to be in default without any further notice and advance default amount shall be calculated by Takasbank.

(2) In the calculation of advance default amount; participants' outstanding debt amounts that cannot be closed out from their free current accounts or collateral surplus accounts by 14:00 shall be taken into account.

(3) Advance grievance/compensation payment is calculated by Takasbank for the participants whose receivables are not transferred to their free current accounts since there are debtor participants remaining on the settlement date.

(4) In the calculation of advance grievance/compensation payment; the amounts of receivables that could not be transferred on the settlement day shall be taken into account.

(5) The participants not closing out their advance debts on the settlement day and whose advance receivables are not transferred may monitor the data related with their debts/credits in default from Takasbank screens on the following business day.

(6) The details related with advance default and grievance/compensation payments calculated for the previous period are collectively sent to EXIST at the beginning of the first business day every month.

#### Invoice default and grievance/compensation payment principles

**ARTICLE 23-** (1) The members failing to pay their invoice debts in four business days following the notification date and the members not having sufficient cash balances in their free current accounts and imbalance and invoice transaction collateral accounts in consideration for the invoice breakdown shall be deemed to be in default without any further notice and the invoice default amounts shall be calculated by Takasbank.

(2) In the calculation of invoice default amount; the debt amounts that are not closed out by the members by the end of the date of deadline for payment and that could not be covered from the members' free current accounts or cash collateral surplus amounts on the 5<sup>th</sup> business day following the notification date are taken into account.

(3) In case that EXIST does not pay the invoice amount payable to members in five business days following the date of receipt of the invoice, grievance/compensation payment is calculated for the amount required to be paid.

(4) In the calculation of invoice grievance/compensation payment; the amounts of receivables not transferred to the member on the deadline for payment are taken into account.

(5) The members not closing out their invoice debts on the deadline for payment and whose invoice receivables are not transferred on the deadline for payment may monitor the details related with their debts/credits in default from Takasbank screens on the following business day.

(6) The details related with invoice default and grievance/compensation payments calculated for the previous period are collectively sent to EXIST at the beginning of the first business day every month.

### **Default penalty and grievance/compensation payment interest**

**ARTICLE 24-** (1) The interest rate used in the calculation of advance default amount is 50% of the interest rate determined pursuant to article 51 of the Law no. 6183 on the Procedure for Collection of Public Receivables for the payments made after 14.00; and the interest rate determined according to the same article for the debts closed out on the following business day.

(2) The interest rate used in the calculation of advance grievance/compensation payment is the interest rate determined pursuant to article 51 of the Law no. 6183 on the Procedure for Collection of Public Receivables for the payments made after the settlement day.

(3) The interest rate used in the calculation of invoice default amount is the monthly interest rate determined pursuant to “article 51 of the Law no. 6183 on the Procedure for Collection of Public Receivables” for the payments made after the deadline for payment.

(4) The interest rate used in the calculation of invoice grievance/compensation payment is the monthly interest rate determined pursuant to “article 51 of the Law no. 6183 on the Procedure for Collection of Public Receivables” for the payments made after the deadline for payment of invoice receivables.

The advance, invoice default amount and grievance/compensation payment are calculated with the formula given below.

$$\begin{array}{l} \text{Advance/Invoice Default amount} \\ \text{Grievance/Compensation Payment} \end{array} = \frac{\text{Base} * \text{Interest Rate}}{30} * \text{Day}$$

(5) The default amount 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 amount is TL 10. No default is calculated for the amounts below the minimum default base. The minimum default amount is collected from the members for the default amounts calculated and found below the minimum default amount.

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

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

### **Accrual, notification and collection**

**ARTICLE 25** - (1) The amounts related with default amount and grievance/compensation payment are reflected as debts/credits into the related members' invoices for the same period.

## **CHAPTER FIVE**

### **Collateral Operations**

#### **Collateral types**

**ARTICLE 26** – (1) Participants have to hold and maintain four types of collaterals entitled as “Daily transaction collateral”, “Imbalance collateral”, “Invoice transaction collateral” and “Membership collateral”.

(2) Daily transaction collateral refers to the collateral that participants are obliged to deposit in order to perform transactions on the CTP.

(3) Invoice transaction collateral refers to the collateral with its amount specified by EXIST, which is collected for recourse and utilization purposes if members do not pay the VAT amounts arising from their debt amounts accrued in the advance period in relation to the transactions that they have executed on the CTP or their debt amounts realized within the invoice period or the Market Operation Fee amounts.

(4) Imbalance collateral refers to the collateral with its amount specified by EXIST, which is collected for recourse and utilization purposes if the members do not pay their debt amounts accrued in relation to their imbalances in an invoice period.

(5) Membership collateral refers to the collateral collected during the stage of membership in consideration for the commission debts arising from the members' cash settlement and collateral management transactions at Takasbank.

#### **Daily transaction collateral**

**ARTICLE 27-** (1) Market participants deposit cash collaterals in TL into their daily transaction collateral account at Takasbank in order to execute purchase-based transactions on the CTP. Market participants may give purchase offers on the CTP up to the cash TL collateral amount held in the daily transaction collateral account.

(2) The file containing the daily transaction collateral details related with market participants is normally obtained by EXIST from Takasbank at the beginning of every hour between 08.00-17.00 on full business days.

- (3) EXIST restricts market participants' trading/transaction limits with the daily transaction collateral amounts obtained from Takasbank. These transaction limits are updated with every collateral file.
- (4) The cash amount held in market participants' daily transaction collateral accounts is blocked by EXIST up to the related participant's purchase offer and purchase-based matching and the participant's trading/transaction limit is decreased accordingly.
- (5) The MOPP contains the details related with the changes in the daily transaction collateral amount and transaction limit and the lifting of the blockages on daily transaction collaterals in case of matching of sale offers for a gas day.

### **Imbalance and invoice transaction collateral**

**ARTICLE 28** – (1) Members have to hold and maintain invoice transaction and imbalance collaterals at sufficient amounts specified by EXIST. The implementing principles regarding collateral calculations are determined by EXIST.

- (2) The invoice transaction and imbalance collateral amounts that the members are required to maintain are notified by EXIST to Takasbank at 15.45 every day. Members' current invoice transaction and imbalance collaterals are also sent by Takasbank to EXIST at 15.00 every business day.
- (3) If any member's invoice transaction and/or imbalance collateral falls below the collateral amount required to be maintained; the insufficient collateral information is also notified by Takasbank to members via Takasbank screens, short messages and electronic mails.
- (4) Market participants shall supplement and complete the invoice transaction and imbalance collateral amounts specified in the notice sent by Takasbank until 15.00 on the first business day following such notification.
- (5) Half business days are considered within the scope of weekends and public holidays.
- (6) Members are obliged to deliver their collaterals in the form of letter of guarantee to EXIST, and other collaterals except for letters of guarantee to Takasbank.
- (7) EXIST shall notify Takasbank of the amounts of letters of guarantee on an individual participant basis following delivery of such letters of guarantee to EXIST. EXIST shall notify Takasbank of the letters of guarantee delivered to it after 16.00 on the next business day at the latest.
- (8) In case of a change in the related applicable laws, processes and methods, the provisions of the superior legislation shall prevail.

### **Membership collateral**

**ARTICLE 29** - (1) Participants are obliged to deposit to Takasbank the cash amount of TL 5.000,- as the security for the service commissions to be collected by Takasbank in consideration for cash settlement and collateral management services. When the collateral amount falls below TL 5.000,- after collection of monthly commissions, the deficient portion is supplemented and completed by participants. The membership collaterals that are not completed and remaining insufficient are directly collected by Takasbank from the members' free accounts. No interest shall accrue for

membership collaterals. In case of termination of membership, the membership collateral is returned providing that all obligations of the Member towards Takasbank are completely collected.

### 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.

- Cash in Turkish Lira
- Foreign Currency in USD and EUR
- Government Domestic Debt Securities (GDSS)
- Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey (Eurobond)

### 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	HB	0.91
Government Bonds	DT	0.91
FX-Indexed Government Bonds	DTE	0.83
Letter of Guarantee (TL)	TM	1.00
Letter of Guarantee (EUR and USD)	TM	0.95
Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey (Eurobond)	EUT	0.88

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

### Depositing collaterals

**ARTICLE 32** – (1) Members shall deposit collaterals to their collateral accounts over Takasbank system.

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

(3) Members may give instructions for depositing collaterals in writing; and in such cases, the transaction of depositing collaterals on behalf of the member shall be executed by Takasbank users.

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

### Withdrawal of collaterals

**ARTICLE 33** – (1) Members may withdraw collaterals from their collateral accounts to their free accounts or to their correspondent bank accounts that they have notified to Takasbank via Takasbank system.

(2) When members notify their daily transaction collateral withdrawal transaction to Takasbank system, they may withdraw the related collateral amount only after the collateral withdrawal transaction is approved by EXIST. The requests for withdrawal of daily transaction collaterals are sent to EXIST for approval by 15:00 on the business days.

(3) As for imbalance or invoice transaction collaterals, members may withdraw any surplus of collaterals if they maintain collaterals exceeding the minimum collateral amount required to be maintained as notified by EXIST.

(4) If members execute any collateral withdrawal transaction, the collaterals held at Takasbank in cash TL, foreign currency and GDDS shall be automatically sent/transferred to the correspondent bank account.

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

<u>Cash (TL)</u>	<u>Non-cash (USD, EUR, GDDS, Letter of Guarantee, Eurobond)*</u>
15:40	17:00

(\*) For transfers outside Takasbank, the operational business rules of the relevant Cash Operations/Depository institution shall be applied.

(6) Members may give instructions for withdrawal of collaterals in writing; and in such cases, the transaction of withdrawal of collaterals on behalf of the Member shall be executed by Takasbank users.

(7) No collateral withdrawal transaction is executed on half business days, at weekends and on public holidays.



(8) In the event that the details related with cash and total collaterals required to be maintained are notified by EXIST to Takasbank for more than once, the members with insufficient collaterals according to the most recently notified balances are informed again.

### **Margin call**

**ARTICLE 34 - (1)** A margin call is essentially made/issued electronically. After Takasbank electronically sends a margin call, the member is deemed to have received the call without a further warning and notice.

(2) The member that receives a margin call shall deposit to Takasbank its collaterals except for letters of guarantee.

(3) Since letters of guarantee are accepted, stored and kept in custody by EXIST; they are deposited by EXIST as collaterals in Takasbank system on behalf of the member.

(4) The margin call cut-off times are determined by EXIST and notified to Members. Takasbank sends the file containing the members' total valued invoice transaction and imbalance collateral amounts to EXIST at 15.00. EXIST notifies Takasbank of the members' invoice transaction and imbalance collateral amounts that it has calculated at 15.45; and the Members shall complete the deficient collateral amounts until 15.00 on the first business day following such notification.

### **Accrual of interest on cash collaterals**

**ARTICLE 35 - (1)** The cash collaterals in Turkish Lira deposited by the members shall be given interest by Takasbank under the best possible conditions considering the credit risk and liquidity conditions over the remaining amount of collaterals after withholding of the portion to be maintained as compulsory reserves. The interest accrual process shall be conducted within the limits of Takasbank.

(2) Taxes and other legal liabilities and Takasbank commission shall be deducted, at the time of distribution, from the gross interest amounts that have been earned through such interest accrual process.

(3) The cut-off time for interest accrual is 15:40 on full business days and 10:45 on half business days.

(4) The interest accrual process shall not be conducted for the members that do not wish to earn interest. The related choice must have been entered into and defined in the system before the cut-off time for interest accruals.

## **CHAPTER SIX**

### **Miscellaneous Provisions**

#### **Fees and commissions**

**ARTICLE 36-** (1) Takasbank fees tariff for the services provided under the Procedure is determined by obtaining the opinion of EXIST and then announced to members.

(2) Fees and commissions shall be 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 fee and commission amount not objected to in 2 business days after the date of accrual shall be deemed accepted.

(4) The fees and commissions calculated on a monthly basis should be paid in 3 business days following the accrual date. The participants may pay their commission debts accrued on a monthly basis, either manually by selecting Takasbank commission debt payment from the “Payment Transactions” screen” in the Natural Gas Market menu using the balance in their free accounts in 3 business days following the date of accrual; or close out them by directly sending cash funds at the amount of the debt to their membership collateral and/or commission account.

(5) The monthly commissions not paid within the due period shall be directly collected firstly from the members’ free accounts, and then from their membership collateral accounts.

### **Disciplinary provisions**

**ARTICLE 37 -** (1) The disciplinary provisions provided in chapter seven of the Central Clearing and Settlement Regulation shall apply for the members not complying with the obligations specified herein.

### **Implementing principles**

**ARTICLE 38 –** (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. The opinion of EXIST is obtained before making any change in relation to the implementing principles specified in the procedure.

### **Entry into Force**

**ARTICLE 39 -** (1) The Procedure shall enter into force on the date of its publication.

### **Execution**

**ARTICLE 40 -** (1) The provisions of the Procedure shall be executed by the General Manager.