

**PROCEDURE ON CASH SETTLEMENT AND COLLATERAL MANAGEMENT SERVICE
TO BE PROVIDED BY
İSTANBUL CLEARING, SETTLEMENT AND CUSTODY BANK INC. AT THE
ELECTRICITY 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 Istanbul Clearing, Settlement and Custody Bank Inc. as the central settlement bank in the Electricity 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 Istanbul Clearing, Settlement and Custody Bank Inc. as the central settlement bank at the Electricity 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 Regulation Amending the Electricity Market Balancing and Settlement Regulation published in the Official Gazette no. 27751 dated 06 October 2010, the Procedures and Principles Regarding Determining and Implementing the Support Fee Based on Source published in the Official Gazette no. 31782 dated 18 March 2022 the Procedures and Principles Regarding Overdue Payments Within The Scope of Unlicensed Production published in the Official Gazette no. 31867 dated 15 June 2022 and the Central Settlement Bank Agreement signed on 28 August 2015 between Energy Exchange Istanbul (Enerji Piyasaları İşletme Anonim Şirketi) and Istanbul Clearing, Settlement and Custody Bank Inc.

Definitions and abbreviations

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

- a. Correspondent bank: means the bank that the market participants request for transfer of their Market receivables and withdrawable cash collateral amounts to;

- b. EFT: means the Electronic Fund Transfer system allowing for transfer of payment in Turkish Liras;
- c. GDDS: means the government domestic debt securities;
- d. Electronic Letter of Guarantee: means Bank letter of guarantee created electronically with secure electronic signature or mobile signature with electronic signature feature in accordance with the standards and rules determined by EPIAŞ
- e. Electricity Market, Market: means the electricity markets comprising the Day-Ahead Market (DAM), Intra-day Market (IM), and Balancing Power Market (BPM);
- f. ESTS: means the Electronic Securities Transfer System;
- g. EXIST: means Energy Exchange Istanbul (EPIAŞ / Enerji Piyasaları İşletme A.Ş.);
- h. EUR: means the European Currency Unit;
- i. General Manager: means the General Manager of Istanbul Clearing, Settlement and Custody Bank, Inc.;
- j. Assigned Supply Company: means the The supply company established within the scope of legal unbundling of distribution and retail sale activities or the supply company authorized by the Board as the supplier of last resource,
- k. Transaction Collateral: means the collaterals deposited to the collateral accounts opened with Takasbank;
- l. 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.
- m. Board: means the Energy Market Regulatory Board,
- n. Authority: means the Energy Market Regulatory Authority
- o. Unlicensed Producers: means the production facilities that produce within the scope of the Unlicensed Electricity Production Regulation in the Electricity Market,
- p. Unlicensed Producer Blocked Cash Collateral Account: means the account opened at the central settlement institution to which the net advance receivable to be blocked within the scope of the transactions carried out by the assigned supplier company whose transactions are established within the scope of these procedures and principles in the day-ahead market and intra-day market will be transferred,
- q. LUY: Unlicensed Electricity Production Regulation in the Electricity Market,
- r. LUYTOB: The total price to be paid to unlicensed producers and related supply companies,
- s. 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;
- t. 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;
- 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;

- v. Payment List: means the list conveyed to the central settlement institution by the assigned supplier company, which includes the unlicensed producers and supplier companies to be paid, the amount of payment to be made to unlicensed producers and supplier companies, IBAN information of unlicensed producers and supply companies, and other information that will be needed requested by the central settlement institution,
- w. Market Participant, participant: means the license-holder legal persons defined in the Electricity Market Balancing and Settlement Regulation;
- x. Free account: means the Members' TL (11) and foreign currency (11FX) free current accounts held at Takasbank;
- y. System: means Takasbank system;
- z. SWIFT (Society for Worldwide Interbank Financial Telecommunication): means the International financial telecommunication network and messaging infrastructure;
- aa. T: means the day on which gross debt/credit information is sent by EXIST;
- bb. Takasbank: means Istanbul Clearing, Settlement and Custody Bank Inc. (İstanbul Takas ve Saklama Bankası A.Ş.) authorized as the Central Settlement Bank;
- cc. Supplier Company: A legal entity that can engage in activities of wholesale and/or retail sale, import, export and trade of electricity and/or capacity,
- dd. CBRT: means the Central Bank of the Republic of Turkey;
- ee. USD: means the monetary unit of the USA;
- ff. Member: means the market participant/participant authorized to execute trading transactions in the Electricity Market;
- gg. EFM: Futures Electricity Market by EPIAŞ,
- hh. EFM Collateral: The collateral given for the Electricity Futures Market,
- ii. Board of Directors: means the Board of Directors of Takasbank;
- jj. Regulation: means the Electricity Market Balancing and Settlement Regulation.

CHAPTER TWO

Principles regarding Membership and Accounts

Membership conditions

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

- (1) The authorization of trading at the Market must not have been cancelled due to any contradictions with the related legislation;
- (2) The contract, commitment letter and agreements with their contents determined by Takasbank must have been signed and submitted;
- (3) 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;
- (4) 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 the General Directorate of 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 Bank – Participant Agreement signed with Takasbank;
 - (b) Implementation Contract regarding Customer Instructions that will be sent to Istanbul Clearing, Settlement and Custody Bank Inc. via Fax under the Scope of Electricity Market Activities;
 - (c) Commitment Letter for Electricity Market Cash, Security, Collateral and Electronic EFT Instructions;
 - (ç) Correspondent Bank account details notification;
 - (ç) Electricity Market Participant Member User Declaration;
 - (d) Electricity Market Participants Joint Liability Commitment Letter;
 - (e) Any other information and documents requested by the Member Affairs Team.
- (2) Following completion of membership procedures, Market Participants shall execute settlement and collateral transactions related with Electricity Market transactions by logging into Takasbank’s Electricity Market application via internet using their user codes, keys, passwords, and SMS passwords defined by the Member Affairs Team for them.
- (3) In order to commence its operations with Takasbank, the institution whose membership application is accepted should authorize the personnel that will execute transactions on behalf of the member over Takasbank system from the date of notice of acceptance of its membership application.
- (4) Assigned supply companies are also required to sign the “Assigned Supply Company - Central Settlement Institution Participant Agreement Regarding Overdue Payments within the Scope of Unlicensed Production”.

General obligations of members

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

- (a) To abide by the system 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 other 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;

- (ç) To ensure adaptation to system changes to be made by Takasbank within the specified periods and to participate in the tests;
- (d) 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 for Takasbank preventing it from taking the necessary measures specified in the Procedure.
- (3) Market participants 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 on the system using the allocated passwords as well as from the use of the password by unauthorized people shall solely rest with the Market Participant.
- (5) In cases where access to the system is impossible, the transactions can be executed by Takasbank in accordance with the written instructions to be given by the people authorized to represent the Market Participant.

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 their own name 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;
- (ç) The information regarding a correspondent bank that will make the advance and invoice payments on its own account shall be notified to Takasbank in writing and the changes related with such accounts shall be notified to Takasbank in writing through 1 week's prior notice at the latest;
- (e) 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;

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

(g) Members shall execute their transactions in accordance with the requirements specified in the implementing principles published by Takasbank and announced by EXIST to market participants over the Balancing Power Market Management System.

(2) The Participant 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 participants whose authorizations to execute trading operations in the Electricity Market 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 Market participants 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.

Trading/Transaction accounts

ARTICLE 10 - (1) Trading and commission accounts are opened automatically in Takasbank system upon completion of membership processes and collateral accounts are automatically opened when the participant deposits the required collateral/s.

(2) Clearing and settlement transactions are executed over “11-Member free current account” held with Takasbank.

Notification and definition of correspondent banks

ARTICLE 11 - (1) Market participants shall notify Takasbank of the Correspondent Bank account number required 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, via the “Correspondent Banks Notification Form” provided in Annex.1 accompanied by a cover letter.

CHAPTER THREE

Settlement Principles

Takasbank’s responsibility

ARTICLE 12 - (1) Takasbank is not responsible for the members’ obligations towards EXIST and other Market participants 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, it is automatically transferred to the correspondent bank accounts notified and entered into and defined by the creditor member in the 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 sent by EXIST on the day that gross debt/credit data sent (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.

(2) For invoice transactions, the net debts/credits are calculated by way of netting-off performed over the gross debt/credit data sent by EXIST monthly 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 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	15:00
Advance Debt Closing (Participant – with default)	T+1	15:00-17:00
Advance Debt Automatic Debt Closing	T+1	15:00
Distribution of Advance Receivables	T+1	at and after 15:00
Invoice Debt Closing	6 th business day following the notification date (T+6)	until the end of the day
Invoice Automatic Debt Closing	7 th business day following the notification date (T+7)	at the beginning of the day
Distribution of Invoice Receivables	7 th business day following the notification date and the following days	at specified periods throughout the day
EFT (within the minimum lower limit)	Three times a day	at 15:00, 16:00 and 17:00

(2) If and when necessary, the settlement times may be temporarily changed by the General Manager.

(3) No settlement operation is executed on half business days.

(4) 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.

(5) 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 day that gross debt/credit data sent by EXIST (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 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 TL cash collateral surplus and if any, the TL cash surplus of the 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.

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

(5) Default interest is calculated for the debts closed out from, if any, the cash portion of the collateral required to be maintained.

(6) If EXIT has any debt payable, this debt is closed out from EXIST temporary difference fund account opened by EXIST with Takasbank.

(7) In cash advance debt payments of the assigned supply companies;

a) Provided that they apply to the Market Operator for the categories of the assigned supply companies created within the scope of subparagraphs (a), (b), (c) and (ç) of the second paragraph of Article 17 of the Electricity Market Balancing and Settlement Regulation, in the event that they do not pay the amounts in the advance payment notifications specified in the first paragraph of Article 132/Ç of the Electricity Market Balancing and Settlement Regulation, partially or completely, during the period determined by the Board;

- i. Payment of the cash advance debt balance amounts for the relevant billing period is made until the invoice deadline
- ii. In the collection of advance debts of market participants within the scope of this paragraph; Cash debts that are not settled by the participants as of 15.00 pm are automatically closed by the system from the participant's free current account, if the balance in the free account is insufficient, from the participant's cash TL collateral surplus.
- iii. Unpaid advance cash debts Default interest is applied to the balance amounts. The default interest rate is the interest rate determined in accordance with "article 51 of the Law no. 6183 on the Procedure for Collection of Public Receivables"

b) The sixth paragraph of Article 132/D of the Regulation is not applicable to the categories within the scope of subparagraph (a) of the 7th paragraph of this article.

Distribution of advance receivables

ARTICLE 17 - (1) Receivables are distributed after 15.00. EXIST receivables are of priority in the distribution of receivables; and the remaining amount is distributed among all participants on a pro-rata basis.

(2) EXIST receivables are distributed and transferred to "EXIST temporary difference fund" account opened by EXIST with Takasbank.

(3) Advance receivables are distributed from "Advance Settlement Pool" account to the members' 11-free current accounts. The amounts credited to participants' free current accounts;

- 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, Spot Invoice Default, EFM Invoice Default, Spot Advance Default and EFM Advance Default respectively the debts are offset.
- c) In case it is decided to establish a transaction within the scope of the Procedures and Principles Regarding Overdue Payments within the Scope of Unlicensed Production, the relevant amount is blocked and profited in the o.Unlicensed Producer Blocked Cash Collateral Account opened within the scope of the principles set forth in Article 20 of this Procedure.
- d) Within the scope of the Procedures and Principles for Determining and Implementing the Support Fee Based on Source, if the collateral amount held for the spot market by the market participants notified to Takasbank by EPIAŞ does not meet the total collateral amount they must hold, the said missing amount is automatically completed in the advance receivable.
- e) are blocked in free current account if the participant has a monthly assignment;
- f) are transferred to the assignment account at an amount corresponding to the assignment amount via EFT if the participant has a daily assignment.
- g) 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.
- h) 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 - (1) The deadline for payment of invoice debts is the 6th business day following the notification date (T+6). The date the invoice details are sent by EXIST to Takasbank constitutes the notification date.

(2) At the time the invoice details are received by Takasbank, in case the participant;

- a) does not have any invoice net debt/receivable;
- b) will have advance receivables blocked due to the participant's monthly assignment;
- c) has advance receivable blocked due to the market transaction without provision;

the participant's the advance receivables blocked due to the market transaction without provision with its interest and advance receivables blocked due to the monthly assignment for the related period respectively Spot Invoice Default, EFM Invoice Default, Spot Advance Default and EFM Advance Default 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.

(3) Participants 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.

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

(5) If participants do not close out their invoice dates by the beginning of the T+6 business day, firstly advance receivables blocked due to market transaction without provision with its interest and advance receivables blocked due to their monthly assignment and 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;

- a) Participant's spot TL cash collateral surplus,
- b) Participant's futures electricity market (EFM) cash collateral surplus,
- c) The TL cash collaterals required for spot market
- ç) The non-cash of the collaterals required spot
- d) The TL cash collaterals required EFM,
- e) The non-cash collaterals required EFM,

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.

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

(8) Default interest is calculated for the debts closed out from, if any, the cash portion of the collateral required to be maintained.

(9) 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.

Distribution of invoice receivables

ARTICLE 19 - (1) The net receivable details are displayed on Takasbank screens on an individual period basis after the netting-off performed with reference to the invoice debt/credit details notified by EXIST.

(2) The deadline for payment of invoice receivables is the 7th 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) After the invoice message is received by Takasbank and approved by EXIST, the order of distribution of EXIST receivables is determined by the system. The order of precedence in the distribution of invoice receivables is automatically determined by the system according to the order of precedence related with EXIST's approval for distribution of receivables.

(4) EXIST's invoice receivables are credited to EXIST free current account held with Takasbank until the receivable amount is fully completed through debt closings performed by the participants starting from the notification date.

(5) The invoice receivables credited to EXIST free account are sent/transferred to the correspondent bank account notified by EXIST to Takasbank at 15.00 every business day until completion of the total amount to be transferred to the correspondent bank account as notified by EXIST in writing.

(6) The receivables of the participant 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. 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.

(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, respectively Spot Invoice Default, EFM Invoice Default, Spot Advance Default and EFM Advance Default are offset.
- b) In case it is decided to establish a transaction within the scope of the Procedures and Principles Regarding Overdue Payments Within The Scope of Unlicensed Production, the Unlicensed Producer Blocked Cash Collateral Account opened within the scope of the principles set forth in Article 20 of this Procedure is blocked and retained. The said amount is not taken into account within the total collateral amount submitted by the participant in the controls regarding the collateral within the scope of other legislation provisions by EPIAŞ.
- c) 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, 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.
- d) 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.

- e) 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 are transferred to the said account via EFT.
- f) 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.

Making Overdue Payments within the Scope of Unlicensed Production

ARTICLE 20- (1) Within the scope of Article 4 of the Procedures and Principles Regarding Overdue Payments Within The Scope of Unlicensed Production, net advance receivables are blocked in the Unlicensed Producer Blocked Cash Collateral Account opened at Takasbank on behalf of the relevant assigned supply company for the period determined by the Board within the scope of the transactions carried out by the assigned supplier company, which action is taken, in the day ahead market and intraday market, in order to make the payments to be made to the unlicensed producers and related supplier companies. The relevant amount shall be given interest by Takasbank and not paid to the assigned supply company.

(2) The interest accrual process is carried out by making the best effort according to the market conditions of the day. On the next business day, the gross return amount obtained as a result of remuneration is transferred to the Unlicensed Producer Blocked Cash Collateral Account of the assigned supplier company by deducting taxes, other legal obligations, other expenses related to remuneration and Takasbank commission. Taxes and other legal liabilities, other expenses related to accrual process 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. The remaining amount is transferred to the Unlicensed Producer Blocked Cash Guarantee Account of the assigned supplier company.

(3) Blocked amounts are not taken into account within the total collateral amount submitted by the participant in the controls regarding the collateral within the scope of other relevant legislation provisions by EPIAŞ.

(4) LUYTOB amounts are notified to Takasbank by the market operator and the relevant assigned supply company, until the invoice deadline and 17:00 on the 6th business day following the notification date, at the latest, following the final settlement notification for each invoice period within the implementation period. If a change is requested in the payment list, the said change can be made until 17:00 on the 6th business day following the notification date at the latest. If LUYTOB amounts are different, the amount larger than the amounts reported by the market operator and the assigned supplier shall be taken into account.

(5) If the LUYTOP amount reported by EPIAŞ is greater than the LUYTOP amount reported by the assigned supplier company, the payment list must be updated by the assigned supplier company by 17:00 on the 7th business day following the notification date at the latest. The supplier company in charge is responsible for the missing payments made within the scope of the not updated payment list.

(6) The amounts blocked within the scope specified in the first paragraph of this article during the relevant billing period within the implementation period are sent by Takasbank to the IBAN

accounts of the relevant unlicensed producers and relevant supplier companies, notified by the assigned supplier, on the 8th working day following the notification date at 14:30 within the framework of the payment list notified to Takasbank by the relevant assigned supplier company.

(7) If the blocked advance amount for the relevant billing period within the implementation period is less than the amount specified in the fourth paragraph, respectively;

- a) Invoice receivables of the relevant assigned supplier company, if any, are blocked,
 - b) If the blocked invoice receivable is not sufficient, the missing amount is transferred to the Unlicensed Producer Blocked Cash Guarantee Account by the relevant assigned supplier company until 14:00 on the 8th business day following the notification date.
 - c) If the amount collected within the scope of subparagraphs (a) and (b) is not sufficient, the payments are made by proportioning the total amount to be paid as of 14:30 on the 8th business day following the notification date.
- (8) The relevant assigned supplier company is responsible for the accuracy of the information in the payment list. TAKASBANK cannot be held responsible for the costs and losses incurred due to the incorrect information in the payment list, and for the failure to carry out the transactions to be made by TAKASBANK due to the notifications not made on time.
- (9) After the payments made within the scope of the fourth paragraph of this article, the remaining amount from the relevant invoice payment period, together with the interest amount, is transferred to the spot cash guarantee account of the relevant assigned supplier company.

Assignment operations

ARTICLE 21- (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 may be made on a monthly or daily basis.
- (4) The advance and invoice payments are effected by Takasbank under the assignment terms and conditions, with reference to the assignment details entered and defined by EXIST in the system.
- (5) Execution assignment 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 22 - (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 23- (1) The market participants failing to pay their advance debts until 15:00 on the business day T+1 at the latest or the participants without sufficient balance in their free current accounts and as cash collateral surplus in their cash collateral accounts during the automatic debt closing process executed at 15:00 shall be deemed to be in default without any further notice and an advance default penalty shall be calculated by Takasbank.

(2) In the calculation of advance default penalty; participants' outstanding debt amounts that cannot be closed out from their free current accounts or collateral surplus accounts by 15:00 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. EXIST may report the related details of all participants.

(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 24- (1) The market participants failing to pay their invoice debts in six business days following the notification date and the participants not having sufficient balances in their free current accounts and as cash collateral surplus in their cash collateral accounts at the beginning of the 7th business day following the notification date shall be deemed to be in default without any further notice and the invoice default penalties shall be calculated by Takasbank.

(2) In the calculation of invoice default penalty; the debt amounts that are not closed out by the participants by the end of the date of deadline for payment and that could not be covered from the participants' free current accounts or cash collateral surplus amounts on the 7th business day following the notification date are taken into account.

(3) In case that EXIST does not pay the invoice amount payable to market participants in seven 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 participant on the deadline for payment are taken into account.

(5) The participants 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. EXIST may report the related details of all participants.

(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 25- (1) The interest rate used in the calculation of advance default penalty 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 15.00; and the interest rate determined according to the same article for the debts closed out on the following business days.

(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 penalty 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 penalty and grievance/compensation payment are calculated with the formula given below.

$$\begin{array}{lcl} \text{Advance/Invoice Default Penalty} & & \text{Base * Interest Rate} \\ \text{Grievance/Compensation Payment} & = & \frac{\text{-----}}{30} * \text{Day} \end{array}$$

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

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

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

Accrual, notification and collection

ARTICLE 26 -(1) The amounts related with default interest and grievance/compensation payment are reflected as debts/credits into the related market participant's invoice for the same period.

CHAPTER FIVE

Collateral Operations

Collateral types

ARTICLE 27 – (1) Participants have to hold and maintain two types of collaterals entitled as “trading/transaction collateral” and “membership collateral”. Trading/transaction collateral refers to the collateral with its size specified by EXIST, which is collected from the participants against their balancing mechanism and settlement related obligations. Membership collateral refers to the collateral collected during the stage of membership in consideration for the commission debts arising from the participants' cash settlement and collateral management transactions at Takasbank.

Transaction collateral

ARTICLE 28 – (1) Participants have to hold and maintain sufficient amount of transaction collateral as specified by EXIST in order to execute trading transactions in the market. The implementing principles regarding collateral calculations are determined by EXIST.

(2) Total transaction collateral amounts that participants are required to maintain are notified by EXIST to Takasbank. Participants' current total transaction collateral amounts are also sent by Takasbank to EXIST at the hours requested.

(3) If the participant's total collateral amount falls below the total collateral amount required to be maintained, the insufficient collateral information is also notified by Takasbank to participants via Takasbank screens, short messages and electronic mails.

(4) The amounts held in Takasbank in the free accounts of participants with collateral deficits are utilized for completion of collateral without any need for a further margin call.

(5) Participants are obliged to hold their collaterals in the form of electronic letter of guarantee at EXIST, and other collaterals except for electronic letters of guarantee at Takasbank.

(6) Participant have to complete their collateral deficits that they are obliged to deposit to Takasbank, until 11:00 on the business day following the notification date (T+1) for DAM (Day-Ahead Market); and until 17:00 on the notification date for IM (Intra-day Market).

(7) Participants have to complete their collateral deficits that they are obliged to deposit and that is notified through the margin call made at 14:30 on the date of notification for DAM and IM until 17:00 if on the business day before a public holiday.

(8) Participants are obliged to submit their electronic letters of guarantee to EXIST, until the cut-off time determined by Collateral Principles and Procedures Legislation.

The assets to be accepted as collaterals, valuation haircuts related with collaterals and composition of collaterals are determined by EXIST with the opinion of central settlement agency.

Assets accepted as collaterals at Takasbank

ARTICLE 29 – (1) Participants 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.

- a) Cash (Turkish Lira)
- b) Foreign Currency (Euro, USD)
- c) Government Domestic Debt Securities (GDDS)
- ç) Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey

Valuation of transaction collaterals

ARTICLE 30 – (1) The valuation haircuts listed below shall be applied to the assets accepted as collaterals.

Collateral Type	Collateral Group	Valuation Haircuts
TL	TL	1.00
Foreign Currency (USD, EUR)	DVZ	0.95
Treasury Bills/Government Bonds	HB / DT	0.91
FX-Indexed Government Bonds	DTE	0.83
Electronic Letter of Guarantee (TL)	ETM	1.00
Electronic Letter of Guarantee (EURO and USD)	ETM	0.95
Eurobond issued by the Ministry of Treasury and Finance of the Republic of Turkey	EUT	0.88

(2) Collaterals are subjected to valuation by Takasbank at the end of the day. GDDS collaterals are valued using the daily indicator values of GDDS determined by the CBRT. For the valuation of collaterals in foreign currency (USD and EUR), and foreign currency electronic letters of guarantee the daily foreign exchange buying rates announced by the CBRT are used. For the valuation of Eurobonds issued by the Ministry of Treasury and Finance of the Republic of Turkey, prices calculated by the yield curve comprising of the traded Eurobonds and if the yield curve is failed to be formed, the price determined by Takasbank is used.

Depositing collaterals

ARTICLE 31 – (1) Members shall deposit collaterals to their collateral accounts over Takasbank system.

(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.

(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.

Withdrawal of collaterals

ARTICLE 32 – (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) Members may withdraw any surplus of collaterals if they maintain collaterals exceeding the minimum collateral amount required to be maintained as notified by EXIST.

(3) The collaterals withdrawn are automatically transferred to the correspondent bank account via EFT or SWIFT if and when requested by the Market participants; and the collaterals in the form of GDDS are automatically transferred via ESTS.

(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.

Collateral Type	Collateral Withdrawal Start Time	Collateral Withdrawal Cut-Off Time
Cash (TL)	15:05	15:40
Non Cash (USD, EUR, DIBS, Electronic Letter of Guarantee, Eurobond)	15:05	16:40

(5) Members may close their market debt with the cash collateral amounts that they have transferred to their free accounts before the cut-off time for withdrawal of collaterals.

(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 Market participant shall be executed by Takasbank users.

(7) In the event that the details related with total withdrawable collaterals are notified by EXIST to Takasbank for more than once, the participants with insufficient collaterals according to the most recently notified balances are informed again.

Margin call

ARTICLE 33 - (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 to Takasbank its collaterals except for electronic letters of guarantee.

(3) Since electronic 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 participant.

(4) The margin call cut-off times are determined by EXIST.

Accrual of interest on cash collaterals

ARTICLE 34 - (1) The cash collaterals in Turkish Lira deposited by 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.

Membership collaterals and features

ARTICLE 35 - (1) Participants are obliged to deposit to Takasbank the cash amount of membership guarantee in Turkish Lira determined 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 the cash amount determined after collection of monthly commissions, the deficient portion is supplemented and completed by participants. The membership collaterals that are not completed or remaining insufficient are directly collected by Takasbank from the members' free accounts. No interest shall accrue for membership collaterals.

CHAPTER SIX

Miscellaneous Provisions

Fees and commissions

ARTICLE 36- (1) The cash settlement, collateral management, interest accrual commission and other fees and charges related with the settlement and collateral services under the Procedure are determined by Takasbank by obtaining EXIST's opinion and then notified to members through the fees tariff posted on the website.

(2) The fee shall be accrued at the time of transaction or on a monthly basis, as the case may be, according to the nature of the transaction and collected from the participant's accounts held at Takasbank.

(3) The commission amount not objected in 3 business days after the date of accrual shall be deemed accepted.

(4) 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 Electricity Market menu using the balance in their free accounts within 6 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 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 participants 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.

PROVISIONAL ARTICLE 1 - (1) The clauses and regulations specified herein cancel and supersede the General Letters through which they have been previously announced.

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.

Annex.1: Correspondent Banks Information Form

Provided below is the instruction form containing the information that must be provided by market participants within their written notification that they will send to Istanbul Clearing, Settlement and Custody Bank Inc. via an instruction in order to notify their correspondent bank account numbers to be used in the transactions related with transfer of their market receivables arising from their transactions executed at the Electricity Market of Energy Exchange Istanbul and withdrawal of collaterals:

ISTANBUL CLEARING, SETTLEMENT AND CUSTODY BANK INC.

Reşitpaşa Mahallesi, Borsa Caddesi, No:4

Sarıyer 34467 Istanbul

Please find below the details of our correspondent bank to which the “Invoice and Advance Receivables and withdrawable cash “TL” collaterals” arising from the transactions executed by our Institution in the Electricity Market will be transferred. We hereby kindly request from you to make the necessary definition/revision accordingly.

Correspondent bank account no. details for transfer of Invoice/Advance receivables and TL collaterals	
Necessary information	Description
Receiver/beneficiary name	The receiver/beneficiary name of the TL account to be used for withdrawal of collaterals and distribution of receivables. Company Trade-Name
IBAN No	IBAN information of the TL account to be used for withdrawal of collaterals and distribution of receivables. TRXX XXXX XXXX XXXX XXXX XXXX XX

Yours sincerely,

Seal Signature

ISTANBUL CLEARING, SETTLEMENT AND CUSTODY BANK INC.

Reşitpaşa Mahallesi, Borsa Caddesi, No:4

Sarıyer 34467 İstanbul

Please find below the details of our correspondent bank to which the withdrawable cash collateral amounts in foreign currencies (USD/EUR) will be transferred. We hereby kindly request from you to make the necessary definition/revision accordingly.

Correspondent Bank Account No. Details for Transfer of Collaterals in Foreign Currencies (USD/EUR)	
Necessary information	Description
Correspondent Bank BIC Code	The correspondent bank's international banking institution identifier code. The Correspondent Bank refers to the overseas correspondent bank of the domestic bank where the market participants holds its USD/EUR account to which the market participant's collaterals in USD/EUR will be sent.
Correspondent Bank Account Number	The information on the number of the account held at the correspondent bank of the domestic bank where the market participants holds its USD/EUR account to which the market participant's collaterals in USD/EUR will be sent.
Receiver/Beneficiary IBAN	The information on the IBAN number of the USD/EUR account to which the market participants' collaterals in USD/EUR will be sent. TRXX XXXX XXXX XXXX XXXX XXXX XX
Branch Code	The information on the branch code of the bank that the market participant holds its USD/EUR account with.
Receiver/Beneficiary Name	The information on the receiver/beneficiary name of the related USD/EUR account. Company Trade-Name
Bank BIC Code	The information on the international banking institution code of the bank that the market participant holds its USD/EUR account with.

Yours sincerely,

Seal Signature

ISTANBUL CLEARING, SETTLEMENT AND CUSTODY BANK INC.

Reşitpaşa Mahallesi, Borsa Caddesi, No:4

Sarıyer 34467 İstanbul

Please find below the details of our correspondent bank to which the withdrawable GDDS collaterals provided in the form of Government Domestic Debt Securities (GDDS) will be sent/transferred. We hereby kindly request from you to make the necessary definition/revision accordingly.

Correspondent Bank Account No. Details for Transfer of Collaterals provided as Government Domestic Debt Securities (GDDS)	
Necessary information	Description
Bank Name	The name of the bank that the participants hold their Investment account with and to which the related securities will be sent in case of any withdrawal of collaterals in GDDS.
Branch Code	The branch code of the bank that the participants hold their Investment account with and to which the related securities will be sent in case of any withdrawal of collaterals in GDDS.
Market participant's Investment Account Number	The number of the TL Investment account in the bank to which the related securities will be sent if the participants want to withdraw their collaterals in GDDS.
IBAN Number of the Market Participant's Investment Account	The IBAN number of the TL Investment account in the bank to which the related securities will be sent if the participants want to withdraw their collaterals in GDDS. TRXX XXXX XXXX XXXX XXXX XXXX XX

Yours sincerely,

Seal Signature