



**PROCEDURE
ON
CASH CREDIT IMPLEMENTATION
PRINCIPLES**

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PROCEDURE ON CASH CREDIT IMPLEMENTATION PRINCIPLES

CHAPTER ONE

Purpose, Scope, Basis, Definitions and Abbreviations

ARTICLE 1 - Purpose

- (1) The purpose of this Procedure is to determine the principles and procedures regarding the cash credits granted by the Bank.

ARTICLE 2 - Scope

- (1) Cash credits granted by the Bank fall within the scope of this Procedure.

ARTICLE 3 - Basis

- (1) This Procedure has been prepared in accordance with the Bank Credits Regulation that has entered into force upon its approval in the 19/09/2017 dated and 337 numbered Board of Directors meeting..

ARTICLE 4 - Definitions and Abbreviations

- (1) The terms used in this Procedure shall bear the following meanings:
- a) **Bank:** Istanbul Clearing, Settlement and Custody Bank Inc.,
 - b) **General Manager:**The General Manager of the Bank,
 - c) **Cash Credit:** A credit in cash that is granted to the intermediary institutions by the Bank in order to provide efficiency and convenience in their capital market transactions, to enable them making early use of their settlement receivables and to help increasing the depth of the markets, by early fulfillment of their settlement obligations,
 - d) **BIST:** Borsa Istanbul Inc.,
 - e) **CBRT:** The Central Bank of the Republic of Turkey.

CHAPTER TWO

Transaction Limits, Credit Limits, Letters of Undertaking and Agreements

ARTICLE 5 - Letters of Undertaking and Agreements

- (1) The agreements and letters of undertaking used in the cash credit transactions are specified below:
 - a) **Cash Credit Letter of Undertaking:** The letter of undertaking addressed to the Bank is required to be signed by the intermediary institutions wishing to use cash credit. The intermediary institutions cannot use credit of an amount greater than the amount of the Letter of Undertaking they have signed.
 - b) **Collateral Assignment Agreement:** The agreement required to be signed reciprocally with the Bank by the intermediary institutions in the event they wish to provide collateral from the portfolio account.
 - c) **Pledge Agreement:** The agreement required to be signed reciprocally with the Bank with the customer who will provide the collateral in the event the intermediary institutions wish to provide collateral from the customer account. The intermediary institution should also deliver the notarized statement of signature of the customer by whom the "Pledge Agreement" has been signed to the Bank . Total market value of the collateral to be provided from the customer account cannot exceed the amount of the aforementioned pledge agreement Agreement. If, as a result of the collateral valuation conducted at the end of each day, the total market value of the collateral belonging to the customer exceeds the amount of the "Pledge Agreement", then the intermediary institution shall be asked to eliminate such overrun on the next business day and such amount shall not be taken into account in the collateral calculations.
 - d) **Implementation Agreement regarding the Customer Instructions to be delivered to Istanbul Clearing, Settlement and Custody Bank Inc. via Fax Machine:** The Agreement required to be signed in the event the collateral related instructions of the intermediary institutions and the customers are wished to be delivered to the Bank through fax.

ARTICLE 6 - Credit limit

- (1) A "cash credit limit" shall be granted by the Bank to the intermediary institutions, which designates the upper limit of the credit they can use.
- (2) Cash credit limits shall be notified to the intermediary institutions in written form in a confidential manner and revised in specific time periods.
- (3) If the intermediary institutions have limit increase and limit transfer requests, then these requests shall be evaluated and tried to be concluded in the shortest time possible.

ARTICLE 7 - Transaction limits

- (1) The cash credits have no lower amount limit.
- (2) The upper amount limit of the cash credits is up to the cash credit limit being granted.

CHAPTER THREE

Credit Extension Process and Collateral

ARTICLE 8 - Notification of credit and collateral requests and the credit disbursement hours

- (1) The intermediary institutions shall convey their requests for granting of cash credit to the Bank until 17:00 each day in writing. The fax instructions shall be valid until the receipt of their original. The Bank shall have the right not to meet these requests either in whole or in part.
- (2) Cash credit granting requests met by the Bank shall be notified to the intermediary institutions by the Bank within the same day via fax.
- (3) Except for the letters of guarantee, all collateral inflow transfers shall be entered into the system by using the Bank terminals in the office of the intermediary institution at first, but they are executed by the approval of the Bank upon receipt of the written instruction. The original copies of the customer instructions sent via fax are required to be delivered to the Bank within 5 business days at the latest.

ARTICLE 9 - Maturity and the end-of-maturity payment cut-off times

- (1) The maximum maturity of the cash credits is 31 days. The maturity of the credit cannot exceed 31 days even if the credit is renewed.
- (2) The intermediary institutions are obliged to pay their debts on account until 17:00 at the latest on the maturity date of the credit .

ARTICLE 10 - Types of cash credit, their prices and payment principles

- (1) Cash credits are granted with 3 options; spot, earlypayment option before maturity and intraday.
- (2) The Bank shall determine different interest rates on each day for the spot credit and the credit with earlypayment option before maturity. At the maturity date of each credit transaction, the interest amount calculated on the basis of the interest rate designated by the Bank and the legal deductions to be applied on the interest shall be collected together with the principal amount. If the intermediary institutions deposit their funds and pay off their credit debts before 16:15, no interest shall be charged for the last day (maturity date). For the cash credits paid off after 16:15; if the next day falls on a non-business day, interest shall also be charged for the non-business days.
- (3) The intraday credits, on the other hand, are required to be reimbursed on their value date by 16:30 at the latest. An interest at the rate of 5.5% including the Banking and Insurance Transaction Tax deduction shall be collected from the intraday credits being reimbursed within their time period. Intraday credits failed to be reimbursed until 16:30 shall be charged an interest rate up to 50% more than the CBRT Late Liquidity Window Lending Interest Rate and converted to O/N Cash Credit.

ARTICLE 11 - Partial credit payment and renewal

- (1) The intermediary institutions shall deliver their cash credit renewal and partial payment requests within the working hours in writing. The fax instructions shall be valid until receipt of their original.

ARTICLE 12 - Types of collateral

- (1) In the cash credit transactions, the types of eligible collateral that can be provided by the intermediary institutions are as follows:
 - a) **SH** - Shares
 - b) **GB** - Government Bonds
 - c) **TB** - Treasury Bills
 - d) **LG** - Letter of Guarantee (TL/FX)
 - e) **CB** - Cash Blockage (TL/FX)
 - f) **IF** - Mutual Fund Participation Certificates

ARTICLE 13 - Characteristics of collateral, rules for their deposit and withdrawal

- (1) The intermediary institutions shall make the system entries of their collateral deposit/withdrawal transactions until 17:00 on each business day by using the Bank terminals in their offices.
- (2) Except any letter of guarantee inflow, all collateral movements shall be executed upon the Bank's approval. If the collateral is received from the account of a customer of the intermediary institution, then the instruction signed by customer must be delivered to the Bank, whereas, if the collateral is received from the portfolio account of the intermediary institution, then the instruction signed by the intermediary institution must be delivered to the Bank in order for the collateral inflows to be approved by the Bank. In order for the collateral outflows to be approved by the Bank, any request thereof shall be adequate.
- (3) For the dematerialized capital market instruments accepted as collateral, a record shall be created at the Central Registry Agency Inc.
- (4) The commission tariff of the Bank shall be applied for the services to be provided by the Bank regarding the securities held in the collateral accounts.
- (5) Issues relating to the types of collateral are as follows:
 - a) If shares are provided as collateral, then the shares eligible for collateral shall be limited to those selected by the Bank among Class "A" and Class "B" shares traded in the BIST markets. For each of the said shares, the Bank shall designate an upper limit for being accepted as eligible collateral. Shares to be received as collateral shall be in numbers and their multiples.
 - b) If the government bonds and treasury bills are wished to be provided as collateral, then transfer of the government bonds and treasury bills to be provided for the customers of the intermediary institutions shall be executed from the intermediary institutions' free account belonging to their customers at the Central Registry Agency; whereas transfer of the government bonds and treasury bills to be provided for their own portfolios shall be executed from their depo account "501". The redemption and coupon payment operations of the government bonds and treasury bills shall be executed on the collateral account on the redemption date and the redemption and coupon proceeds shall be transferred to the cash collateral accounts of the intermediary institutions.
 - c) If any letter of guarantee is wished to be provided as collateral, then the staff of the Credits Team of the Bank should be conducted before the letter is received and the availability of the limit of the issuer of the letter should be confirmed. In addition, these letters shall be accepted as collateral upon receipt of the written confirmation from the Head Office or confirmation of the active risk record at the issuer Bank through the "Status Inquiry of Letter of Guarantee" system developed by Credit Reference Agency (Kredi Kayıt Bürosu). Letters of guarantee entered into the system as collateral can be used in an interchangeable

manner with Takasbank Money Market collateral. Any letter of guarantee removed from the cash credit collateral shall be transferred automatically to Takasbank Money Market collateral and vice versa, any letter of guarantee removed from Takasbank Money Market collateral shall also be transferred automatically to the cash credit collateral .

- 1) Letters of guarantee accepted as collateral must be “definite”.
 - 2) Letters of guarantee provided by the Banks associated with the same group or holding and the letters of guarantee received by the intermediary institutions from the group or holding banks to which they belong shall not be accepted as collateral.
 - 3) Letters of guarantee for a limited period must be replaced when 5 business days remain to their maturity.
- d) Cash collateral can be in the form of TL, US Dollar or Euro.
- e) If the mutual fund participation certificates are provided as collateral, then the intermediary institutions cannot provide as collateral the participation certificates of the investment funds of which they are either the founder or the administrator.

ARTICLE 14 - Collateral withdrawal and replacement

- (1) If they wish, upon approval of the Bank, the intermediary institutions can replace the collateral they have provided, by depositing and withdrawing them in the manner explained above.. The Bank may also ask the replacement of the collateral if it deems necessary. The intermediary institution should replace the requested collateral until 17:00 on the day in which the replacement call was issued. Otherwise, all cash credits of the intermediary institution shall become due and payable and the default provisions shall be applied.
- (2) The shares collateral withdrawal requests of the intermediary institutions notified after the settlement hour shall not prevent the defaults of that day.

ARTICLE 15 - Collateral valuation

- (1) The Bank conducts the valuation of collaterals at the end of each day in the manner described below:
 - a) Shares are valued by the weighted average price formed at the end of the session of the BIST on the day in which the valuation is conducted; and, if no transaction was realized, by the arithmetic mean of the best bid and best offer orders of the last session; however, should either of the best bid or best offer orders be unavailable, by the weighted average price of the last session in which they were traded.
 - b) Government Bonds and Treasury Bills are valued by the “theoretical price determined using the Takasbank yield curve” and if access to these prices is not possible, the benchmark daily values of Government Domestic Debt Securities determined by CBRT.
 - c) FX cash amounts and FX-denominated letters of guarantee are valued by the foreign currency buying rate announced by the CBRT for the day following the day in which the valuation is made.
 - d) Mutual Fund Participation Certificates are valued by their prices announced on the day in which the valuation is made.

ARTICLE 16 - Rights arising from collaterals

- (1) The additional shares obtained as a result of the capital increase through bonus issue of the shares provided as collateral by the intermediary institutions and their dividend amounts shall be transferred to the collateral accounts of the intermediary institutions. If the capital increase is made through rights issue; the intermediary institution may exercise its right by paying the consideration thereof after transferring the number of the preemptive rights (coupons) arising in the collateral account to the free sub-account (that is, after executing the collateral outflow).

ARTICLE 17 - Ratios and margin call

- (1) The ratio of initial margin required for cash credit differs for collateral provided in the form of shares or other than shares:

- a) If the intermediary institutions wish to provide only shares as collateral, then they should bring shares worth 150% of the cash credit risk (that is, with 50% margin). For the cash credits; any single share accepted as collateral cannot exceed;
 - 1) 150% of total cash credit risk, if it is a BIST-30 share;
 - 2) 100% of total cash credit risk, if it is a BIST-100 share;
 - 3) 50% of total cash credit risk, if it is a non-BIST 100 share but included in "A" and "B" classes traded in BIST markets.

If, as a result of the collateral valuation conducted each day, the total shares collateral falls below 140% of the total cash credit risk (that is, 40% of the margin), a margin call shall be issued by the Bank for the intermediary institutions and the collateral shall be asked to be replenished up to the initial margin rate.

- b) If the intermediary institutions wish to provide other types of collateral (GB/TB/LG/CB/IF) apart from the shares, they should provide collateral up to 115% of the cash credit risk (that is, with 15% margin).

If, as a result of the collateral valuation conducted each day, the total non-shares collateral falls below 105% of the total cash credit risk (that is, 5% of the margin), then a margin call shall be issued by the Bank to the intermediary institutions and the collateral shall be asked to be replenished up to the initial margin rate.

- (2) The intermediary institutions are required to deposit the requested additional collateral until 17:00 on the day in which the margin call was issued. Otherwise, all cash credits of the intermediary institution shall become due and payable and the default provisions shall be applied.

CHAPTER FOUR

Credit Payment, Acceleration of Debt and Default

ARTICLE 18 - Cash credit debt payment

- (1) The cash credit debt shall be paid by transferring the principal of the credit, its interest and legal tax deductions to the Bank at the end of the maturity.

ARTICLE 19 - Acceleration of Cash Credit Debt

- (1) The cash credit shall become due and payable in the following circumstances:
 - a) Despite the Margin Call issued by the Bank, failure of the intermediary institutions to replenish their collateral until 17:00 on the day in which the call was issued.
 - b) Despite the margin replacement call issued by the Bank, failure of the intermediary institutions to replace their collateral until 17:00 on the day in which the call was issued.
 - c) Failure of the intermediary institutions to fulfill the maturity date obligations of their cash credits.
 - d) Temporary or permanent suspension of the transactions of the intermediary institution by the competent administrative and judicial authorities.
- (2) In the event the credits have become due and payable and the intermediary institution fails to fulfill its obligations, the default provisions shall be applied.

ARTICLE 20 - Default

- (1) In case of any default, cash of the intermediary institutions held in the Bank shall be offset against their debts. If the available cash amount fails to cover the debt of the intermediary institution, then the collateral shall be converted into cash.
- (2) During the default period, a default interest shall be charged to the total debt. The default interest rate is 50% more of the higher interest rate applied to the credits by the Bank on the date the default has occurred.
- (3) The defaulting intermediary institution cannot trade in Takasbank Money Market during the default period. In addition, the intermediary institution falling into default in Takasbank Money Market cannot also use any cash credit during the default period.

ARTICLE 21 - Retaining granting of credit

- (1) The allocated credit limit is not a commitment of the Bank. Granting of credit can be retained by the Bank, whenever deemed necessary.
- (2) Granting of the credit can be retained by the Bank in case of occurrence of any financial and legal adversity such as any protest, attachment, preliminary injunction, etc. or receipt of any negative intelligence about the intermediary institution during the continuation of the credit relationship, and its outstanding credit can be ex-officio closed out without requiring any notice thereof. If the ceasing of the unfavorable situations is proven by the intermediary institution with legally valid documents, the Bank may restart granting the credit.
- (3) In case of occurrence of any situation referred to in the item (a) below, the credit debt of the intermediary institution shall be liquidated and the granting of credit shall be stopped. On the other hand, if any situation

referred to in the item (b) and item (c) below occurs, the credit debt shall be liquidated, the granting of credit shall be stopped and the credit limit of the intermediary institution shall be cancelled.

- a) Those institutions whose activities are temporarily or permanently suspended.
- b) Those institutions determined to have no creditworthiness as a result of the intelligence, financial analysis and/or rating studies conducted by the Bank in a periodic manner.
- c) Those institutions against whom any legal proceeding is initiated by the Bank or other financial institutions and public entities and institutions due to failure to pay their debts.

CHAPTER FIVE

Miscellaneous and Final Provisions

ARTICLE 22 - Repealed Procedure

The Procedure on Cash Credit Implementing Principles entered into force on 09/05/2018 has been repealed effective from 02/07/2018.

ARTICLE 23 - Enforcement

(1) This Procedure shall enter into force on 02/07/2018.

ARTICLE 24 - Execution

(1) The provisions of this Procedure shall be executed by the Credits Team.