

# **İSTANBUL SETTLEMENT AND CUSTODY BANK INC.**

## **CASH LOAN APPLICATION PRINCIPLES PROCEDURE**

### **SECTION 1**

#### **Objective, Scope, Basis, Definitions, and Abbreviations**

##### **ARTICLE 1- Objective**

(1) This Procedure aims to regulate the procedures and principles regarding the cash loans extended by the Bank.

##### **ARTICLE 2-Scope**

(1) This Procedure covers the scope of cash loans extended by the Bank.

##### **ARTICLE 3-Basis**

(1) This Procedure has been prepared based on Takasbank Loans Directive.

##### **ARTICLE 4- Definitions and abbreviations**

(1) In the implementation of this Procedure;

- 1) **AML (Anti Money Laundering):** Measures to Prevent Laundering Proceeds of Crime and Financing of Terrorism
- 2) **Bank** Takasbank - Istanbul Settlement and Custody Bank Inc,
- 3) **BİAŞ** Borsa Istanbul A.Ş,
- 4) **General Manager** The General Manager of the Bank,
- 5) **MASAK:** Financial Crimes Investigation Board,
- 6) **Cash Credit:** Cash credit is extended by the Bank to intermediary institutions to provide efficiency and convenience in capital market transactions, to enable them to benefit from settlement receivables early by early settlement of their settlement debts and to help deepen the markets,
- 7) **CBRT** Central Bank of the Republic of Turkey,
- e) **TBB Risk Center:** The Center established by the Banks Association of Turkey to collect the risk information of the customers of credit institutions and financial institutions deemed appropriate by the Banking Regulation and Supervision Agency and to ensure that such information is shared with these institutions and natural or legal persons themselves or with private law legal entities and third natural persons provided that they give their consent refers to.

## SECTION 2

### Transaction Limits, Limits, Commitments, and Agreements

#### ARTICLE 5- Letter of commitment and contracts

(1) The agreements and covenants used in cash loan transactions are listed below:

- 1) **Cash Loan Commitment Letter:** This is a commitment letter addressed to the Bank that brokerage houses that wish to use cash loans must sign. Brokerage houses may not use loans in amounts higher than the amount of the commitment letter they have signed. In addition, intermediary institutions must sign a separate cash loan commitment letter if they use loans for mutual funds. Intermediary institutions may only borrow the amount of the commitment letter signed for the mutual fund loan.
- 2) **Assignment Agreement for Collateral Purposes:** The agreement that brokerage houses must sign with the Bank to provide collateral from their portfolio accounts.
- 3) **Pledge Agreement:** If the intermediary institutions wish to pledge collateral from the customer account and mutual fund portfolio (after this referred to as the customer), these agreements that the customer or the mutual fund will provide the collateral must sign mutually with the Bank, separately. The intermediary institution must also deliver to the Bank the notarized signature declaration of the customer to whom the "Pledge Agreement" is signed. The total market value of the collaterals from the customer or mutual fund account cannot exceed the amount of the signed pledge agreement. Suppose the total market value of the collaterals belonging to the customer or the funds exceeds the amount of the "**Pledge Agreement**" due to the collateral valuation made at the end of the day. In that case, the intermediary institution is requested to eliminate the excess on the following business day, and this amount is not considered in collateral calculations.
- 4) **Implementation Agreement Regarding Customer Instructions to be Sent to Takasbank-Istanbul Settlement and Custody Bank Inc. . via Fax Device:** This agreement will be signed in case the intermediary institution and customer instructions regarding the collaterals are intended to be delivered to the Bank via fax.

#### ARTICLE 6- Limit

- (1) The Bank allocates a "**cash credit limit**" to intermediary institutions, determining the upper limit of the credit they can use.
- (2) The limit amount is based on the cash credit limit for the Day Loan;
  - a. 100 Million = > 10%
  - b. 2n=> 0 Million = > 15%
  - c. 20 Million < 20% per day limit is allocated, and the allocated limit is within the scope of cash credit limit.
- (3) The limit allocated for intraday credit is within the cash credit limit.
- (4) The limit allocated for the investment fund loan is separate from the cash credit limit. The upper limit to be allocated for the investment fund is limited to the cash credit limit.
- (5) Cash credit limits are defined on member banking screens and are revised periodically.

- (6) In case of limit increase and transfer requests of intermediary institutions, these are reviewed and finalized as soon as possible.

### **ARTICLE 7- Transaction limits**

- (1) There is no lower limit for cash loans.
- (2) The upper limit for cash loans is the allocated cash credit limit.
- (3) The upper limit for loans extended for mutual funds exceeds the allocated cash credit limit.

## **SECTION 3**

### **Loan Disbursement Process and Collaterals**

#### **ARTICLE 8- Submission of loan and collateral requests and loan disbursement hours**

- (1) Brokerage houses transmit their cash credit instructions through the system until 17:00 every day via the Bank's applications, or in case of a problem in the design, in writing via fax or e-mail. Instructions received via fax or e-mail are valid until the originals are received. The Bank reserves the right not to fulfill these requests in whole or in part. The original instructions must be delivered to the Bank within five business days.
- (2) Cash credit utilization requests met by the Bank can be monitored by brokerage houses on the system on the same day.
- (3) Requests for all loan types are created by intermediary institutions through the Bank's applications using their screens. While the loan amount requested by the intermediary institution for the early-day loan is transferred to the free current account of the intermediary institution without the need for Bank approval, the requests created for other loan types are subject to Bank approval.
- (4) Credit requests fulfilled by the Bank are transferred to the free account of the intermediary institution. For the loans used by the intermediary institution for the mutual fund, the loan amount transferred to the free version is transferred to the account opened with our Bank on behalf of the fund with the instruction of the intermediary institution.
- (5) The authorities of the intermediary institutions can make credit requests by the users they have defined in the Takasbank user and authorization system. The responsibility for authorization lies with the intermediary institutions.
- (6) All collateral input transfers, except for letters of guarantee, are first entered into the system using the Bank's terminals at the intermediary institution's office but are realized upon approval by the Bank after the Bank receives the written instruction. The originals of customer instructions transmitted by fax or e-mail must be delivered to the Bank within five business days at the latest.

#### **ARTICLE 10-Maturity and end-of-payment terms**

- (1) The maximum maturity of cash loans is 31 days. Even if the loan is extended, the maturity can be at most 31 days. This period may be differentiated on intermediary institutions or loan basis.
- (2) Brokerage houses submit new cash loan utilization requests between 09:00-17:00 and renewal requests between 09:00-16:15 during the day via the Bank's applications.

- (3) Intermediary institutions must pay their debts at the end of the loan maturity period they have utilized through the Bank's applications until 16:15 at the latest.
- (4) Intra-day loans must be closed by 16:30 at the latest on the day of disbursement. Loans not closed by 16:30 are converted into O/N cash loans.
- (5) The day loan must be closed by midnight. The early-day credits not completed by midnight are converted into intraday credits by Article 10, paragraph 3 of this Procedure.

### **ARTICLE 10-Cash loan types, prices, and payment terms**

- (1) Cash loans are extended in 4 options: spot, with the option to close before maturity, day-to-day, and intraday.
- (2) The Bank determines daily interest rates for spot loans and loans with prepayment options. At the maturity date of each loan transaction, the interest amount calculated over the interest rate determined by the Bank and the legal deductions to be taken over the interest shall be collected together with the principal amount. If the intermediary institutions bring their funds before 16:15 and close their loan debts, no claim is charged for the last day (maturity). For cash loans closed after 4:15 p.m., if the next day is a holiday, interest is also charged for the holidays.
- (3) Interest, including BITT deduction, is charged on intraday loans closed in due time. The interest rate is determined according to market conditions. Intraday loans not closed by 16:30 are converted into O/N cash loans by applying an interest rate 50% higher than the CBRT Late Liquidity Window Lending Interest Rate of that day.

### **ARTICLE 11-Partial loan closure and extension**

- (1) Brokerage houses shall submit their cash loan extension and partial closing requests via the Bank's applications by 16:15 at the latest, or in case of problems in transmission via the system, in writing via fax or e-mail. The faxed and e-mailed instructions are valid until the originals of the loan requests are received. The sources of the instructions must be delivered to the Bank within five business days at the latest.
- (2) All loan types, including spot, the option to close before maturity, early, and intraday, are completed by intermediary institutions using our Bank's applications.

### **ARTICLE 12 -Types of collateral**

- (1) In cash loan transactions, the collaterals that brokerage houses may provide to the Bank, including the loans extended to investment funds, may be of the following types:
  - 1) Pay
  - 2) Government Domestic Debt Securities
  - 3) Letter of Guarantee
  - 4) Cash Blockage (TL/FX)
  - 5) Equity umbrella fund shares
  - 6) Debt securities umbrella fund shares
  - 7) Borsa İstanbul A.Ş. Shares
  - 8) Asset-Backed Securities whose collateralization conditions are determined by the Bank

- 9) Gold of exchange-traded standard
- 10) Euro bond issued by the Republic of Turkey Ministry of Treasury and Finance
- 11) Bank bonds and bills
- 12) Lease certificates issued by T.R. Treasury Asset Leasing Inc.
- 13) Exchange Traded Fund Units

### **ARTICLE 13-Characteristics of collaterals, rules on their deposit and withdrawal**

- (1) In case the dematerialized capital market instruments are subject to collateral, an "Assignment Agreement for Collateral Purposes" shall be executed in writing between Takasbank and the intermediary institution for the capital market instruments whose ownership is transferred, and a "Pledge Agreement" shall be performed separately for the customer and the investment fund in case collateral is provided from the customer and investment fund accounts.
- (2) In the collateral agreements concerning the dematerialized capital market instruments, if it is agreed that the ownership of the collaterals shall be transferred to Takasbank, Takasbank shall acquire the license right at the time the agreement is established, and upon the transfer of the capital market instruments subject to collateral in compliance with the legal procedures.
- (3) In case other assets from the portfolio accounts are subject to collateral, the ownership of such assets shall also be transferred to Takasbank through written collateral agreements.
- (4) Except for the ones taken for mutual funds, Takasbank shall not give any notice or warning, give a deadline, or obtain permission or approval from the judicial or administrative authority when it comes to meeting Takasbank's receivables from the collaterals due to the default of the intermediary institution or for reasons stipulated in the relevant legislation or contract provisions, Without any obligation to fulfill any initial condition such as liquidation of the collateral through auction or any other means, Takasbank shall be entitled to sell the assets subject to collateral. These securities are the collateral of its transaction in organized and over-the-counter markets with Takasbank's best efforts and meet its receivables from the sale price. Takasbank shall also be entitled to set off the value of the capital market instruments and other assets subject to collateral against the debtor's obligations, provided that Takasbank has taken over the ownership of the collateral.
- (5) Takasbank's rights and authority over the collaterals received from the intermediary institutions for cash credit transactions cannot be restricted. The fact that the intermediary institution is not authorized to dispose of the collaterals for any reason shall not prevent Takasbank from acquiring fundamental rights in rem in good faith. Claims of third parties for appropriation or limited absolute rights in rem on the collateral subject values cannot be asserted against Takasbank.
- (6) The granting of a grace period for a concordat, approval of concordat, granting a grace period for concordat after bankruptcy, entering into a concordat process by the abandonment of assets, restructuring through reconciliation, bankruptcy, postponement of bankruptcy or proceeding procedures within the framework of the Execution and Bankruptcy Law or the provisions of the Law regarding gradual liquidation cannot limit Takasbank's rights and authority over collaterals in any way.
- (7) Brokerage houses make the system entries of collateral posting/withdrawal transactions using the Bank screens in their offices until 17:00 on each business day.

- (8) All collateral transactions except the letter of guarantee entries are realized with the approval of the Bank. For the collateral entries to be approved by the Bank, if the collateral is taken from a customer or mutual fund account of the intermediary institution, the instruction signed by the customer must be delivered to the Bank. If the collateral is taken from the portfolio account of the intermediary institution, the education marked by the intermediary institution must be provided to the Bank.
- (9) A record is created at Central Registry Agency Inc. for dematerialized capital market instruments, and BİAŞ Shares are taken as collateral.
- (10) For the services to be provided by the Bank for the securities in the collateral accounts, the Bank's commission tariff is applied.
- (11) Below are the issues regarding the types of collateral:
- 1) In case the Shares traded on the Stock Exchange are intended to be given as collateral
    - i. It is limited to the shares selected by the Bank from those traded on BİAŞ Stars and Main markets.
    - ii. The Bank determines the upper limit of admissibility as collateral for each specified share.
    - iii. The shares to be taken as collateral are in units and multiples.
    - iv. Shares belonging to companies where the intermediary institution is a subsidiary or shareholder are not accepted as collateral for that institution.
  - 2) If domestic debt securities and lease certificates issued by the Ministry of Treasury and Finance are intended to be given as collateral,
    - i. Lease certificates issued in TL are accepted as collateral,
    - ii. The transfer of the securities to be given for the customers of the intermediary institutions and mutual funds shall be made from the free account of the customer of the intermediary institutions at the Central Registry Agency, and the transfer of the securities to be given for their portfolios shall be made from the "501" depositories at Takasbank.
  - 3) If letters of guarantee are intended to be given as collateral, it is necessary to confirm from the Money Market Team whether the limit of the drawer of the letter at the Bank is appropriate before the letter is received. After receiving written confirmation from the General Directorate of the Bank issuing the letter of guarantee in paper form that they have given the letter of guarantee or if there is an active risk record at the issuing Bank as a result of the inquiry made through the "Letter of Guarantee Status Inquiry" system developed by the Credit Bureau, the letters in question are accepted as collateral. The letters of guarantee entered as collateral can be used alternately with Takasbank Money Market collateral. The letter of guarantee removed from the cash loan collateral is automatically transferred to Takasbank Money Market collateral. Likewise, the letter of guarantee removed from Takasbank Money Market collateral is automatically assigned to cash credit collateral;
    - i. Takasbank shall determine its form and scope.
    - ii. It can be issued in paper form or as an electronic document (e-letter of guarantee).
    - iii. They are accepted within Takasbank limits.
    - iv. Letters of guarantee accepted as collateral must be "definitive, indefinite or definitive and with a minimum term of 1 year.

- v. Letters of guarantee given by banks affiliated to the same group or holding company to each other and letters of confirmation received by intermediary institutions from the group or saving company banks to which they are affiliated are not accepted as collateral.
  - vi. Before the letter is received, the TPP is contacted to determine the Bank and the letter the amount needs to be confirmed.
  - vii. Members submit the letters of guarantee received in paper form to the TPP.
  - viii. Letters of guarantee with maturity dates must be replaced five business days before their maturity date.
  - ix. Such letters are accepted as collateral upon receipt of written confirmation from the General Directorate of the Bank issuing the letter of guarantee in paper form or if there is an active risk record at the issuing Bank as a result of an inquiry made through the "Letter of Guarantee Status Inquiry" system developed by the Credit Bureau.
  - x. E-letters of the guarantee are accepted as collateral if checked and found eligible through the "Electronic Letter of Guarantee Platform (ETMP)" operated by the Credit Bureau.
- 4) Cash collateral may be in TL, USD, or Euro.
  - 5) If mutual fund participation certificates are given as collateral, intermediary institutions cannot provide the mutual fund participation certificates of the portfolio management companies within the group of which they are the founder or managers.
  - 6) If mutual fund assets are collateral, they can only be given as collateral against the relevant fund's loan.
  - 7) In case of Exchange Traded Funds are given as collateral,
    - i. Exchange-traded funds established to track the assets listed in subparagraphs (b), (c), (e), (f), (g), and (ğ) of the first paragraph of Article 19 of the Central Counterparty Regulation are accepted as collateral.
    - ii. If an exchange-traded fund is intended to be given as collateral, the valuation coefficient of the collateral is taken into account with the coefficient of the underlying asset.
  - 8) In the case of pledging Euro bonds as collateral,
    - i. After the Euro bonds given as collateral are sent to Takasbank's account no fifteen thousand five hundred twelve at Euroclear, an accessible format SWIFT message (MT199, 299, or 599) or a written instruction must be sent to Takasbank by the member sending the security for the relevant securities recorded in the member's free collateral depository at Takasbank. The written instruction or accessible format SWIFT message should be sent to the Global Custody and Enumeration Team e-mail address (glo@takasbank.com.tr) or Takasbank BIC code (TVSBTRISXXX) until 16.30 if the member's securities correspondent is Euroclear and until 14.00 if it is Clearstream. Transfers related to instructions sent after the relevant hours will be processed with the next day's value date. The original written instructions must be delivered to Takasbank within five business days at the latest. In such instructions, the member's securities correspondent, account number at the relevant correspondent, ISIN code of the securities subject to the teaching, The said securities transferred by Takasbank to the 5080-Euro bond Collateral Depository account of the suitable brokerage house in Takasbank International Clearing, Settlement, and Custody Operations menu are assigned by the brokerage house to the 5082-Cash Credit Collateral Depository account using Takasbank banking applications.

- ii. The said securities transferred by Takasbank to the relevant brokerage house's 5080-Euro bond Collateral Depository account in Takasbank International Clearing, Settlement, and Custody Operations menu are assigned by the brokerage house to the 5082-Cash Credit Collateral Depository account using the Takasbank banking applications.
  - iii. For the transfer of the securities transferred to the 5080-Euro bond Collateral Deposit Account as a result of collateral release to the brokerage house's account with its securities correspondent, a written instruction or accessible format SWIFT message (MT199, 299 or 599) must be sent to Takasbank Global Custody and Numbering Team. If the securities correspondent of the brokerage house is Clearstream, it should be sent to the Global Custody and Enumeration Team e-mail address (glo@takasbank.com.tr) or Takasbank BIC code (TVSBTRISXXX) until 14.00 Turkish time, if it is Euroclear, until 16.30 Turkish time. Transfers regarding the instructions to be sent after the relevant hours will be realized with the next day's value date.
  - iv. The initially written instruction must be delivered to Takasbank within five business days at the latest.
  - v. In such instructions, the member's securities correspondent, account number at the correspondent, ISIN code of the securities subject to the education, nominal amount, and value date should be specified. The securities correspondent and account number at the correspondent should be limited.
- 9) Regarding pledging bank bills/bonds as collateral,
- i. Those issued in TL are accepted as collateral.
  - ii. They are accepted within Takasbank limits.
  - iii. Takasbank determines the upper limits for total bank bills and bonds that can be accepted as collateral on an issuer basis.
  - iv. Bank bills and bonds belonging to the group or holding banks to which the intermediary institution is affiliated are not accepted as collateral for that intermediary institution.
  - v. Before placing a margin deposit order, the Credit Team should be contacted to confirm the issuer's limit eligibility.
  - vi. The relevant security is collateralized by one business day after the receipt of the collateral deposit instruction by the Bank.
- 10) If gold is to be given as collateral,
- i. Gold of the standard traded on the Borsa Istanbul Precious Metals and Precious Stones Market is accepted.
  - ii. The gold to be subject to collateral must be deposited by an institution that is a member of Borsa Istanbul Precious Metals and Diamond Markets during business hours by way of transfer to the sub-account of the institution linked to the cash loan collateral account at the relevant market.
- 11) If the Exchange shares are intended to be given as collateral, in addition to the approval to be provided by Takasbank after the instruction, the form and scope of which is determined by Takasbank is delivered to our Bank, the collateral entry is realized with the approval of the Exchange following the instruction to be sent to the takasbankpayteminati@borsaistanbul.com e-mail address of the Exchange. For the collateral out transactions of the Exchange shares, education must be sent to the Exchange's e-mail address, and the Exchange's approval is required.
- 12) In case asset-backed securities are pledged as collateral,
- i. Those issued in TL are accepted as collateral.
  - ii. They are accepted within Takasbank limits.



- iii. Takasbank determines the upper limits for total asset-backed securities that can be accepted as collateral on an issuer basis.
- iv. Asset-backed securities belonging to the group or holding banks to which the intermediary institution is affiliated are not accepted as collateral for that intermediary institution.
- v. Before placing a margin deposit order, the Credit Team should be contacted to confirm the issuer's limit eligibility.
- vi. The relevant security is collateralized by one business day after the receipt of the collateral deposit instruction by the Bank.

#### **ARTICLE 14-Withdrawal and replacement of collaterals**

- (1) The collaterals given by brokerage houses for customer and portfolio accounts and those provided for mutual fund loans may be changed by entering and exiting as described above upon the Bank's approval. The Bank may also request the collaterals to be modified when deemed necessary. The intermediary institution must replace the requested collaterals by 17:00 on the day of the collateral replacement call. Otherwise, all cash loans of the intermediary institution shall become due and payable, and default provisions shall apply.
- (2) Share collateral withdrawal requests in cash loan collateral given by brokerage houses after the Equity Market settlement time do not prevent settlement defaults on that day.

#### **ARTICLE 15-Valuation of collaterals**

- (1) The Bank values the collateral at the end of each day during the maturity period as follows:
  - 1) The share is valued at the weighted average price at the end of the session at BİAŞ on the day of the valuation; if there is no transaction, the arithmetic average of the best buy and best sell orders of the last session, or if there is no best buy or best sell order, the weighted average price of the previous session in which it was traded,
  - 2) For Government Domestic Debt Securities, on the day of valuation, the theoretical price is determined by using the Takasbank yield curve, or if these prices cannot be reached, the indicative daily values of Government Domestic Debt Securities determined by the CBRT,
  - 3) FX cash amounts; at the foreign exchange buying rates announced by the CBRT for the day following the day on which the valuation is done,
  - 4) Investment Fund Participation Certificates; at the prices announced on the valuation day.
  - 5) BİAŞ shares **are** based on the price determined in the protocol concluded with Borsa İstanbul A.Ş. If Borsa İstanbul A.Ş. determines a separate price after the dividend payment and capital increase, the collaterals are revalued with the price.
  - 6) Euro bonds; theoretical price determined by using the Takasbank yield curve on the day of valuation,
  - 7) Bank bills and bonds; Theoretical price determined by Takasbank,
  - 8) Lease certificates; the theoretical price determined by Takasbank on the day of valuation; or if these prices are not available, the indicative daily values of the lease certificates specified by the CBRT,
  - 9) Gold; the cost calculated by using the USD/ONS price for transactions with T+0 value date in the last session of the Borsa İstanbul Precious Metals and Diamond Market on the day of the valuation and the CBRT foreign exchange buying rate, or if there is no transaction, the weighted average price in the previous session,

- 10) Asset-Backed Securities; Theoretical price determined by Takasbank,
- (2) Foreign currency-denominated Government, Domestic Debt Securities are not taken into collateral valuation after five business days and are requested to be replaced.

### ARTICLE 16-Rights arising from guarantees

- (1) Shares and dividend amounts obtained as a result of the bonus issue of the shares given as collateral by the intermediary institutions are transferred to the collateral account of the intermediary institutions. Suppose the capital increase is a rights issue. In that case, the intermediary institution may use the pre-emptive rights (coupons) formed in the collateral by depositing the amount after transferring it to the free sub-account (collateral outflow).
- (2) Shares and dividend amounts obtained from the bonus issue of BIAS shares given as collateral by the intermediary institutions are transferred to the Takasbank collateral account. The intermediary institution may exercise its rights arising from the capital increase through rights issues by depositing the consideration.
- (3) Redemption prices and coupon payments of TL-paying Government Domestic Debt Securities, lease certificates, asset-backed securities, bank bills and bonds, and Euro bonds in the collateral account are transferred to the collateral account of the intermediary institution. Redemption prices and FX-paying Government, Domestic Debt Securities coupon payments are transferred to the 11YP-Intermediary Institution's Free Account.

### ARTICLE 17-Collateral valuation coefficients

- (1) Collateral valuation coefficients are determined by considering the credit risk of the relevant collateral assessed by Takasbank, its maturity, its fluctuation in extraordinary market conditions, its liquidity, and if any, its currency risk.
- (2) The coefficients to be used in collateral valuation are stated below:

COLLATERAL GROUP	TYPE OF GUARANTEE	MATURITY REMAINING TIME/INDEX	VALUATION COEFFICIENT (%)
1	Gold of exchange-traded standard		87%
2	Borsa Istanbul A.Ş. shares		100%
3	Government Domestic Debt Securities - TL, USD, and EUR Payable	0-1 year	97%
		1-5 years	84%
		Over five years	84%
4	Euro bonds (Eurobond-USD) issued by the Republic of Turkey Ministry of Treasury and Finance	0-5 years	89%
		5-10 years	89%
		10-30 years	88%
		Over 30 years	86%
5	Euro bonds (Eurobond-EUR) issued by the Republic of Turkey Ministry of Treasury and Finance	0-5 years	89%
		5-10 years	85%
		10-30 years	72%

		Over 30 years	72%
6	Lease Certificates issued by the Republic of Turkey Ministry of Treasury and Finance	0-1 year	95%
		1-5 years	82%
		Over five years	82%
7	Equities traded on BİAŞ	BIST-30	83%
		BIST-100	79%
		Outside BIST 100	76%
8	Cash EUR		89%
9	Cash USD		90%
10	Cash TL		100%
11	Bank Bills/Bonds		73%
12	Letter of Guarantee		100%
13	Asset-Backed Securities	0-1 year	95%
		1-5 years	82%
		Over five years	82%
14	Share and Debt Securities Umbrella Fund Investment Fund Subscription Certificate		89%
15	BIST 30 Index-Based Exchange Traded Fund Participation Certificates		83%

### ARTICLE 18-Collateral ratios

- (1) Collateral ratios are calculated based on the valued collateral. The loved collateral amount is calculated by multiplying the market value of the collateral by the valuation coefficients.
- (2) Initial and minimum coverage rates are as follows
  - a) Initial Margin Ratio: Valued collateral should be 105% of the Credit Risk.
  - b) The Minimum Collateral Ratio should be 102% of the Credit Risk.
- (3) If brokerage houses wish to provide only shares as collateral, the ratio of a single type of share taken as collateral in the valued collateral
  - a) 100% if it is a BIST-30 included share,
  - b) If it is a BIST-100 inclusive share, 70%
  - c) If it is a share traded on BİAŞ Stars and Main markets other than BIST-100, it cannot exceed 35%.
- (4) The collaterals to be provided by the intermediary institution for the loans to be used by the funds shall be separated from the collaterals provided for itself and its customers and monitored in a separate collateral pool. Since collateralization will be observed based on the fund utilizing the loan, each fund using the loan shall individually fulfill the conditions in paragraphs (2) and (3) of this Article.

### **ARTICLE 19-Call for collateral completion**

- (1) When the valued collateral falls below the minimum collateral ratio of 102%, Takasbank makes a margin call to the brokerage house and asks it to replenish its collateral to the initial margin ratio.
- (2) The margin call is made via message and reporting to the member screens provided by Takasbank. If the margin call is sent via the system, the intermediary institution is deemed to have received the call without further notice and notification. The intermediary institution must follow the margin call information from the "Margin Call Monitoring" screen.
- (3) The intermediary institution subject to the margin call may exit from the margin call status by depositing additional collateral and closing the loan to bring the collateral ratio to the initial margin (105%).
- (4) Intermediary institutions must deposit the requested additional collateral by 17:00 on the day of the margin call. Otherwise, all cash loans of the intermediary institution will become due, and default provisions will be applied.
- (5) Since the margin call will be made on an investment fund basis, each loan of the fund receiving the margin call shall individually satisfy the conditions in paragraphs (1), (2), (3), and (4) of this Article.

## **SECTION 4**

### **Loan Closing, Acceleration, and Default**

#### **ARTICLE 20-Cash Loan debt settlement**

- (1) At the end of the maturity period, the cash loan debt is closed when the loan's principal, interest, and legal deductions are transferred to the Bank by the end of the day.

#### **ARTICLE 21-Cash Loan debt acceleration and default**

- (1) Cash loans, including loans to investment funds, become due and payable in the following cases:
  - 1) Despite the Collateral Completion Call made by the Bank, the brokerage houses did not complete their collaterals until 17:00 on the day of the call,
  - 2) Despite the collateral change call made by the Bank, the brokerage houses did not change their collateral until 17:00 on the day of the ring,
  - 3) Maturity of cash loans of brokerage houses,
  - 4) Suspension of the transactions of the intermediary institution by the competent judicial and administrative authorities for a while or permanently.
- (2) The intermediary institution must fulfill its obligations by the procedures and principles outlined in this Procedure when its debts arising from cash credit transactions, including the loans extended to mutual funds, become due and payable. Suppose the obligations are not fulfilled by the procedures and principles outlined in this Procedure on the date the debt becomes due and payable. In that case, the intermediary institution shall default without any further notice.
- (3) In case of default, including the loans extended to mutual funds, the cash of the intermediary institutions at the Bank is offset against the entire cash loan debt, including the loan debt used for the mutual fund. If the cash amount does not cover the obligation of the intermediary institution, then the collateral is converted into cash.

- (4) Takasbank converts the portion of BIAS Shares given by the intermediary institution as collateral corresponding to the debt into cash by transferring them to BIAS and setting off the amount obtained against the debt.

### **ARTICLE 22-Default Interest**

- (1) Default interest shall be applied to the total debt within the default period. The default interest rate is 50% more than the highest interest rate the Bank applies for loans on the day of default.
- (2) Default interest is calculated with the formula; Base x Default Interest Rate x (days/360), and legal obligations, if any, are added.
- (3) The loans the intermediary institution uses for mutual funds are also subject to the applications in paragraphs (1) and (2) of this Article.

### **ARTICLE 23-Accrual and collection**

- (1) The defaulting brokerage house is obliged to pay default interest by the principles outlined in article 22 of this Procedure. If the outstanding credit is not closed at the last closing time, the default interest calculated by Takasbank over the default interest rate determined in article 22 of this Procedure shall be accrued to the relevant brokerage house account. Suppose Takasbank has incurred a loss exceeding the default interest due to the failure of the intermediary institution to fulfill its obligations partially or wholly. In that case, such loss shall be compensated by the intermediary institution.
- (2) Default interest and other legal liabilities shall be collected from the free current account of the intermediary institution by Takasbank ex officio.
- (3) The loans the intermediary institution uses for mutual funds are also subject to the applications in paragraphs (1) and (2) of this Article.

### **ARTICLE 24-Default management process**

- (1) The cash credit utilization of the intermediary institution that fails to fulfill its cash and collateral obligations on time and does not settle its debt within the periods specified in this Procedure shall be suspended.
- (2) Only when the default of the intermediary institution is liquidated can the securities deposited as collateral be released.
- (3) The intermediary institution cannot trade in Takasbank Money Market during the default period in Cash Credit. The intermediary institution that has defaulted in Takasbank Money Market cannot use cash credit as long as the default continues.
- (4) Takasbank shall first apply to the free account of the defaulting brokerage house, and if the cash in the free version is insufficient, it shall apply to its collaterals. Suppose the collaterals are used due to the default of the intermediary institution. In that case, Takasbank shall be entitled to sell the securities, which are the collateral of the transaction from the organized and over-the-counter markets with Takasbank's best efforts and meet its receivable from the sale price without any obligation to fulfill any initial condition such as giving any notice or warning, granting additional time, obtaining permission or approval from judicial or administrative authorities, liquidating the collateral through auction or any other means. If the applied collateral is Exchange shares, Takasbank shall convert the portion of the collateral corresponding to the debt into cash by transferring it to the Exchange and setting off the amount obtained against the debt.
- (5) Suppose the loan becomes due and payable due to the failure of the intermediary institution to fulfill its collateral completion obligation. In that case, Takasbank has the right to liquidate the entire loan by converting

the collaterals into cash within the framework of the default provisions or part of the loan until the collateral ratio reaches the initial balance, starting with the loan with the closest maturity.

- (6) Takasbank decides which collateral of the defaulting brokerage house shall be liquidated by considering its liquidity, the reason for the default, and its impact on the markets.
- (7) Takasbank has the right of settlement, set-off, and imprisonment over the assets and other rights and receivables belonging to the defaulting brokerage house in its custody.
- (8) The loans used by the intermediary institution for investment funds are also subject to the provisions of this Article.
- (9) Takasbank may demand from the mutual fund issuer the assets held by the exchange-traded funds that it accepts as collateral in the default management process.
- (10)

### **ARTICLE 25-Suspension of loan disbursement**

- (1) The allocated credit limit is not a commitment of the Bank. Credit extension may be suspended by the Bank when necessary.
- (2) In cases where the intermediary institution's activities are restricted in the capital market instruments or markets for which central counterparty or clearing and settlement services are provided, or in cases of default in these markets, the Bank may suspend credit extension when necessary.
- (3) Suppose the Intermediary Institution experiences financial and legal adversities such as protest, seizure, injunction, or hostile intelligence about the Intermediary Institution while continuing the credit relationship. In that case, the Bank may suspend the extension of the credit and close the existing credit ex officio without any notice. If the Intermediary Institution proves with legally valid documents that the unfavorable conditions have been eliminated, the Bank may start credit extension again.
- (4) In case one of the situations specified in subparagraph (a) below occurs, the credit debt of the intermediary institution shall be liquidated, and credit extension shall be suspended. In case one of the situations specified in subparagraphs (b) and (c) below occurs, the credit debt shall be liquidated, and the credit extension shall be suspended. The credit limit of the intermediary institution shall be canceled by giving additional time if necessary:
  - a) Those whose activities have been suspended temporarily or permanently,
  - b) Those who are determined to have no creditworthiness as a result of periodic intelligence, financial analysis, and rating studies conducted by the Bank,
  - c) Those who have been subjected to legal proceedings by the Bank, other financial institutions, and public institutions and organizations due to their failure to pay their debts.
- (5) Loans used by the intermediary institution for investment funds are also subject to the provisions of this Article.

### **ARTICLE 26-Documents required for crediting**

- (1) Under the provisions of the relevant articles of the Law and the Regulation, it is obligatory to obtain the latest Statement of Account Status and its annexes from the applicants for the loans to be opened by the samples to be determined and bearing the signatures of the authorized persons.

- (2) The provisions of the Law and the Regulation on Credit Transactions of Banks published by the Banking Regulation and Supervision Agency shall be applied for the documents that will not be accepted or that may be accepted instead of the Account Status Certificate.
- (3) For loans within the scope determined by the Board, obtaining a credit rating from an institution authorized by the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies is mandatory.
- (4) The identification of the legal entity to be traded, the natural person signing the documents and making transactions on behalf of the legal entity, and the natural person or legal entity on whose behalf the transaction is completed is ensured by Article 9 of Takasbank Member and Bank User Transactions Procedure. All information and documents obtained for identification shall be forwarded to Legislation and Compliance Unit to make sanctions list (AML) inquiries.
- (5) The Legislation and Compliance Unit conducts a MASAK and AML (Anti Money Laundering - Measures to Prevent Laundering Proceeds of Crime and Financing of Terrorism) assessment on the legal entity or legal entity representatives who make transactions, on whose behalf transactions are made. If the review made by the Legislation and Compliance Unit is positive, the transaction is allowed. Otherwise, the transaction is not permitted. The sanction list inquiries of the users and authorities defined in the current system are made by the Legislation and Compliance Unit at regular intervals, and if there is a negative result, it is forwarded to the Team performing the transaction to prevent the transaction.

## SECTION 5

### Risk Center Data Transmission and Receipt

#### Precautions to be Considered During Data Transmission - Reception

- (1) Takasbank transmits the collateral amounts, collateral types, risk balances, risk balances and confidential financial data of the Bank's customers to the BAT Risk Center as a member of the BAT Risk Center within the scope of the Cash Credit Services provided by Takasbank through all markets it operates and performs clearing and settlement operations and allocates nominal limits. Similarly, the Bank receives data of the same content belonging to the same customers.
- (2) Until an independent audit audits the Bank, the TBB Risk Center receives periodic declarations from the Bank on the compliance of the Bank's information systems and business processes with the control objectives determined by the Risk Center through the Member Audit Circular.
- (3) The Bank confirms to TBB Risk Center with a declaration that there is no such risk in terms of confidentiality and security of the data obtained due to the inquiries made within the scope of TBB Risk Center activities.
- (4) Risk Center;
  - 1) During the declaration process, the TBB Risk Center member shall prepare and keep up-to-date an internal "Data Flow and Creation Scheme for Sending" and "Data Flow and Distribution Scheme for

Receiving" to the risk data of the data prepared for transmission to the TBB Risk Center and transmitted to it by the TBB Risk Center,

- 2) Received Data Flow and Distribution Scheme, on which systems, in which layers and applications the TBB Risk Center data are kept, processed, and transmitted between which systems after the member, including the methods and information regarding the transmission, receive them,
- 3) The Data Flow and Creation Scheme to be sent should be prepared in a way to show in detail each collection, processing, and transfer stage of the data created to be transmitted to the TBB Risk Center, starting from the systems that are the data source, until the completion of the transmission.

Requests from the Bank. In this context, the relevant IG Team of the Bank makes the spect document available and is updated periodically.

## SECTION 6

### Miscellaneous and Final Provisions

#### ARTICLE 28-Enforcement

- (1) This Procedure enters into force on the date of its publication.

#### ARTICLE 29- Execution

- (1) General Manager shall execute the provisions of this Procedure.