

# **İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

## **CASH LOAN IMPLEMENTATION PRINCIPLES PROCEDURE**

### **SECTION ONE**

#### **The Objective, Scope, Grounds, Definitions and Abbreviations**

##### **ARTICLE 1. Purpose**

- (1) The purpose of this Procedure is to regulate the principles and procedures for cash loans allocated by the Bank.

##### **ARTICLE 2. Scope**

- (1) Cash loans allocated by the Bank are included in the scope of this Procedure.

##### **ARTICLE 3. Basis**

- (1) This Procedure was prepared with reference to Takasbank Credit Directive.

##### **ARTICLE 4. Definitions and Abbreviations**

- (1) In implementation of this Procedure, the following terms shall have the meanings specified next to them;
- a. **AML (Anti Money Laundering)** : Measures on Anti-Money Laundering and Combating the Financing of Terrorism
  - b. **Bank**: Takasbank - İstanbul Takas ve Saklama Bankası A.Ş.,
  - c. **BİAŞ**: Borsa İstanbul A.Ş. (Istanbul Stock Exchange),
  - d. **CEO**: CEO of the Bank,
  - e. **FCIB**: Financial Crimes Investigation Board,
  - f. **Cash Loan**: Cash loan allocated by the Bank to provide effectiveness and convenience to intermediary institutions in capital market transactions, to enable them to benefit from clearing receivables early by paying off clearing debts early, and to assist in deepening of markets,
  - g. **CBRT**: Central Bank of the Republic of Turkey,
  - h. **PMC**; Portfolio Management Company,
  - i. **ALC**: Asset Leasing Company,
  - j. **BAT Risk Center**: The Center established within the Banks Association of Turkey to collect risk information pertaining to the clients of credit institutions and financial institutions, approved by the Banking Regulation and Supervision Agency, and to ensure disclosure of information to these institutions and real or legal entities themselves, or private law legal entities and also real entity third parties subject to their consent
  - k. **CMB**: Capital Markets Board,
  - l. **CRA**: Central Registry Agency

## SECTION TWO

### Transaction Limits, Limits, Commitment Letters and Agreements

#### ARTICLE 5. Commitment Letters and Agreements

(1) Agreements and commitment letters used in cash loan transactions are as follows:

- 1) **Cash Loan Commitment Letter:** It is the commitment letter, addressed to the Bank, which the intermediary institutions intending to utilize cash loans must sign. Intermediary institutions cannot utilize loans higher than the amount of the commitment letter that they sign. In addition, intermediary institution should also sign a separate cash loan commitment letter if they utilize a loan for investment fund. Intermediary institutions cannot utilize loans higher than the amount of the commitment letter signed for the investment fund loan.
- 2) **Assignment for Collateral Agreements:** These are the agreements that should be mutually signed by intermediary institutions with the Bank if they want to collateralize portfolio and client (hereinafter, client) accounts. The intermediary institution must submit a notarized signature declaration belonging to the client, by whom an ‘Assignment Agreement’ is signed. Total market value of collaterals to be provided from the account of the client cannot exceed the amount of the assignment agreement that they sign. If the total market value of collaterals belonging to a client exceeds the amount of the “Assignment Agreement” as a result of the collateral assessment performed at the end of every day, the intermediary institution is required to resolve such excess on the following business day and such amount is not taken into consideration in collateral calculations.
- 3) **Pledge Agreement:** It is the agreement that should be signed separately by each investment fund, which shall provide collateral, mutually with the Bank if intermediary institutions want to provide collateral from the portfolio of investment funds. The intermediary institution shall submit the signatory circulars of institution officials, as well as the signatory circulars of the investment fund established by the PMC. Total market value of collaterals to be provided from the account of the investment fund cannot exceed the amount of the pledge agreement that they sign. If the total market value of collaterals belonging to funds exceeds the amount of the “Pledge Agreement” as a result of the collateral assessment performed at the end of every day, the intermediary institution is required to resolve such excess on the following business day and such amount is not taken into consideration in collateral calculations.
- 4) **Implementation Agreement on Customer Orders to be Submitted by Fax to Takasbank-İstanbul Takas ve Saklama Bankası A.Ş.:** It is the agreement to be signed if it is intended to submit intermediary institution and client orders concerning collaterals to the Bank by fax.

#### ARTICLE 6. Limit

- (1) The Bank allocates a “cash loan limit”, which determines the upper limit of the loan they can utilize, to intermediary institutions.
- (2) In respect of Start-of-Day Loan, a Start-of-Day Loan, amounting to;
  - a. 10% for totals = > 100 Million
  - b. 15% for totals = > 20 Million

- c. 20% for totals < 20 Million, is allocated on the basis of the cash loan limit, and the allocated limit is within the scope of the cash loan limit.

- (3) The limit allocated for start-of-day loan is within the scope of the cash loan limit.
- (4) Investment fund credit limit is allocated separately from the cash loan limit.
- (5) Cash loan limits are defined on member banking screens and revised at certain times.
- (6) If intermediary institutions request limit increase or limit transfer, best efforts are made to review and finalize these as soon as possible.

#### **ARTICLE 7. Transaction limits**

- (1) There is no lower limit for the amount of cash loans.
- (2) Upper limit for the amount of cash loans is equivalent to the allocated cash loan limit.

### **SECTION THREE**

#### **Credit Utilization Process and Collaterals**

#### **ARTICLE 8. Submission of credit and collateral requests and credit extension times**

- (1) Intermediary institutions shall submit cash loan orders on the system by means of Bank applications by 5:00 PM every day or, in case of a system issue, by fax or e-mail in writing. Orders, received by fax or e-mail, are valid until originals are received. The Bank is entitled to avoid fulfilling these orders in part or in full. Original orders must be submitted to the Bank at the latest within 5 business days.
- (2) Cash loan utilization requests, which are fulfilled by the Bank, can be monitored by intermediary institutions through the system within the same day.
- (3) Requests for all credit types shall be generated by intermediary institutions using their screens by means of Bank applications. The credit amount requested by the intermediary institution for start-of-day loan shall be transferred to the free current account of the intermediary institution without the need for Bank approval, while requests generated for other credit types shall be subject to Bank approval.
- (4) Requested credits, which are fulfilled by the Bank, shall be transferred to the free account of the intermediary institution. In credits utilized by the intermediary institution for the investment fund, the amount of credit transferred to the free account shall be transferred to the account, opened in our Bank in the name of the fund, upon order of the intermediary institution.
- (5) Credit requests are made by intermediary institution officials by means of the users defined in Takasbank user and authorization system. Intermediary institutions are responsible for authorization.
- (6) All collateral entry transfers, except for the letter of guarantee, are initially entered to the system using Bank terminals in the office of the intermediary institution; however, they are performed upon approval by the Bank following receipt of the written order by the Bank. Orders are submitted by means of Bank applications or, in case of a system issue, by fax or e-mail. Originals of submitted client orders must be submitted to the Bank at the latest within 5 business days.

**ARTICLE 9. Maturity and end-of-maturity payment times**

- (1) Maximum maturity of cash loans is 31 days. Maturity period cannot exceed 31 days even if the loan is extended. This period can be diversified on the basis of intermediary institutions or loans.
- (2) Intermediary institutions shall submit their new loan utilization requests from 9:00 AM to 5:00 PM during the day, and their extension requests from 9:00 AM to 4:15 PM by means of Bank applications.
- (3) Intermediary institutions are obliged to repay their debts using Bank applications by 4:15 PM at the latest at the end of maturity of the credit that they utilize.
- (4) Intra-day loans should be settled at the latest by 4:30 PM on the day of utilization. Loans that are not settled by 4:30 PM are converted into O/N cash loan.
- (5) Start-of-day loan should be settled by 1:00 PM. Start-of-day loans that are not settled by 1:00 PM shall be converted to intra-day loans pursuant to paragraph 3 of article 10 of this Procedure.

**ARTICLE 10. Cash loan types, prices, and payment principles**

- (1) Cash loans are allocated with 4 options; i.e. spot loans, early repayment option, start-of-day, and intra-day.
- (2) The Bank shall determine different interest rates every day for spot and early repayment option loan types. Interest amount, calculated at the interest rate determined by the Bank, as well as legal withholdings, to be charged over the interest, are collected along with the principal at the end of maturity of every credit transaction. In case intermediary institutions bring their money and settle their credit debts before 4:15 PM, no interest shall be charged for the last date (maturity). In respect of cash loans settled after 4:15 PM, interest shall be charged also for holidays if the following day is a holiday.
- (3) Interest, including BITT deduction, shall be charged to intra-day loans that are settled in due time. Interest rate is determined according to market conditions. Intra-day loans that are not settled by 4:30 PM shall be converted into O/N cash loan by applying an interest rate, amounting to 50% more than the CBRT Late Liquidity Window Lending Interest Rate for that day.

**ARTICLE 11. Partial loan settlement and extension**

- (1) Intermediary institutions shall submit cash loan extension and partial settlement requests by mean of Bank applications or, in case of an issue with transmission on the system, by fax or e-mail in writing by 4:15 PM at the latest. Orders submitted by fax or e-mail are valid until original loan requests are received. Original orders must be submitted to the Bank at the latest within 5 business days.
- (2) All loan types, i.e. spot, early repayment option, start-of-day, and intra-day, shall be settled by intermediary institutions using the applications of our Bank.

**ARTICLE 12. Types of collateral**

- (1) In cash loan transactions, intermediary institutions may provide the following types of collaterals to the Bank, including loans allocated to investment funds:
  - 1) Share
  - 2) Government Debt Securities
  - 3) Letter of Guarantee
  - 4) Cash Blockage (TRY/FX)

- 5) Stock certificate umbrella fund shares
- 6) Debt instruments umbrella fund shares
- 7) Money Market umbrella fund shares
- 8) Borsa İstanbul A.Ş. Shares
- 9) Asset-Backed Securities, collateralization terms of which are determined by the Bank
- 10) Gold in a standard traded in exchanges
- 11) Eurobond issued by the Ministry of Treasury and Finance of the Republic of Türkiye
- 12) Bank securities and bonds
- 13) Lease certificates issued by Treasury of the Republic of Türkiye Varlık Kiralama A.Ş.
- 14) Exchange Investment Fund Shares

### **ARTICLE 13. Collateral specifications, rules on deposit and withdrawal**

- (1) If capital market instruments that are followed on books are subject to collateralization, separate “Assignment for Collateral Agreements” are signed for capital market instruments, ownerships of which are transferred between Takasbank and intermediary institution and the client of the intermediary institution, while a separate “Pledge Agreement” is established in writing for each investment fund if collaterals are provided from investment fund accounts.
- (2) In collateral agreements on capital market instruments that are followed on books, if it is decided to transfer the ownership of collaterals to Takasbank, Takasbank shall acquire ownership right at the moment the agreement is drawn up and as a result of the transfer of collateralized capital market instruments in compliance with legal procedures.
- (3) If other assets from portfolio accounts are subject to collateralization, ownership of such assets are also transferred to Takasbank with the collateral deposit order pertaining to the associated assignment agreement.
- (4) With the exception of those acquired for investment funds, in case of redemption of Takasbank’s receivables from collaterals due to default of the intermediary institution or reasons stipulated in provisions of the applicable legislation or contract, Takasbank shall be entitled to sell collateralized assets by selling values, which constitute collateral for the transaction, in organized and/or over-the-counter markets on a best effort basis, and redeem its receivables from the sale value without the obligation to fulfill any prerequisite such as serving any warning or notice, granting any period, obtaining permission or approval from any judicial or administrative authority, liquidating the collateral through auction or by any other means. Takasbank is also entitled to offset the value of collateralized capital market instruments and/or other assets against the liabilities of the debtor, provided that the ownership of collaterals is taken over.
- (5) The right and power of Takasbank on collaterals received from intermediary institutions due to cash loan transactions can by no means be restricted. The absence of any disposition right of the intermediary institution on collaterals for any reason shall not prevent Takasbank from acquisition of rights in good faith. Title or limited real right claims of third parties on the collateralized values cannot be asserted against Takasbank.
- (6) Grant of a bankruptcy composition delay for the guarantor, certification of bankruptcy composition, grant of a bankruptcy composition delay following bankruptcy, entering into the process of bankruptcy composition by cession of assets, restructuring by means of composition, bankruptcy, postponement of bankruptcy, or



proceeding procedures within the scope of the Enforcement and Bankruptcy Law, or provisions of the Law on gradual liquidation can by no means restrict the rights and powers of Takasbank on collaterals.

- (7) Intermediary institutions shall make system entries of collateralization/withdrawal actions by 5:00 PM on every business day using Bank screens in their offices.
- (8) All collateral activities, other than letter of guarantee entries, are performed upon approval of the Bank. In order for collateral entries to be approved by the Bank, an order signed by the client should be submitted to the Bank if the collateral is received from the account of a client or investment fund account of the intermediary institution, or an order signed by the intermediary institution should be submitted to the Bank if the collateral is received from the portfolio account of the intermediary institution.
- (9) A registration is made with Merkezi Kayıt Kuruluşu A.Ş. for fiduciary capital market instruments and BİAŞ shares accepted as collateral.
- (10) In respect of services to be provided by the Bank for assets in collateral accounts, commission tariff of the Bank shall be applicable.
- (11) Matters on collateral types are as follows:
  - 1) In case it is intended to provide Shares traded in the Stock Exchange as collateral
    - i. such shares are limited to those selected by the Bank among shares traded on BİAŞ Yıldız and Main markets.
    - ii. The Bank shall determine the upper limit for acceptance as collateral for each of the specified shares.
    - iii. Shares to be accepted as collateral shall be in numbers and multiples.
    - iv. Shares of companies, of which the intermediary institution is a subsidiary or shareholder, are not accepted as collateral for that institution.
  - 2) In case it is intended to provide Domestic Debt Securities issued by the Ministry of Treasury and Finance and lease certificates issued by ALC affiliated with the Ministry of Treasury and Finance as collateral;
    - i. Lease certificates issued in TRY are accepted as collateral,
    - ii. Assets to be provided for clients of intermediary institutions and investment funds shall be transferred to the free account belonging to the clients of intermediary institutions in the Central Registry Agency, while assets to be provided for portfolios shall be transferred from “501” deposits in Takasbank.
  - 3) In case it is intended to provide letters of guarantee as collateral, it should be confirmed by the Money Market Team whether the issuer of the letter has an available limit in the Bank before receiving the letter. If an active risk record is found in the issuer bank as a result of the inquiry performed on the “Letter of Guarantee Status Inquiry” system developed by the Credit Bureau, such letters are accepted as collateral. Letters of guarantee, for which collateral entry is made, can be used in alternating order with Takasbank Money Market collateral. A letter of guarantee, removed from the cash loan collateral, is automatically transferred to Takasbank Money Market collateral. Likewise, a letter of guarantee removed from Takasbank Money Market collateral is automatically transferred to cash loan collateral. In respect of letters of guarantee;
    - i. Their format and scope are determined by Takasbank.

- ii. They can be issued on paper or as electronic document (e-letter of guarantee).
  - iii. They are accepted subject to Takasbank limits.
  - iv. Letters of guarantee, which are accepted as collateral, should be “definite and unlimited in time, or definite and with minimum 1-year maturity”.
  - v. Letters of guarantee provided by banks affiliated with the same group or holding, or letters of guarantee received by intermediary institutions from their affiliated group or holding banks, shall not be accepted as collateral.
  - vi. Before the letter is received, TMM should be contacted to confirm the bank, from which the letter shall be received, and the letter amount.
  - vii. Members shall submit letters of collateral, received on paper, to TMM.
  - viii. Letters of guarantee involving maturity should be replaced 5 business days prior to their maturity dates.
  - ix. If an active risk record is found in the issuer bank after written confirmation is obtained from the Head Office of the bank that issued a letter of guarantee on paper, indicating that they issue the letter, or as a result of the inquiry made on the “Letter of Guarantee Status Inquiry” system developed by the Credit Bureau, the letters in question shall be accepted as collateral.
  - x. E-letters of guarantee shall be accepted as collateral if they are approved upon being checked by means of the “Electronic Letter of Guarantee Platform (ETMP)” operated by the Credit Bureau.
- 4) Cash collateral can be in TRY, USD, or EUR.
- 5) If investment fund participation certificates are provided as collateral, intermediary institutions cannot provide participation certificates for investment funds, which are founded or managed by portfolio management companies within the group, as collateral.
- 6) If investment fund assets are provided as collateral, they can be provided as collateral only against the loan of the relevant fund.
- 7) If Exchange Traded Funds are provided as collateral;
- i. Exchange Traded Funds that are established to monitor assets, listed in clauses (b), (c), (e), (f), (g), and (ğ) of paragraph 1 of article 19 of the Central Counterparty Regulation, shall be accepted as collateral.
  - ii. If it is intended to provide exchange traded funds as collateral, valuation coefficient of collateral shall be considered together with the coefficient of the underlying asset.
- 8) In case Eurobonds are provided as collateral;
- i. After transfer of Eurobonds, provided as collateral, to account no. 15512 of Takasbank in Euroclear, in order for the relevant assets to be registered in the free collateral deposit account of the member in Takasbank, the member sending the asset should submit a free format SWIFT message (MT199, 299, or 599) or a written order to Takasbank. Written order or free format SWIFT message should be sent to Global Custody and Numbering Team e-mail address (glo@takasbank.com.tr) or Takasbank BIC code (TVSBTRISXXX) by 4:30 PM in Turkey if the securities correspondent of the member is Euroclear, by 2:00 PM in Turkey if the securities correspondent of the member is Clearstream. Transfers concerning orders to be sent after the

relevant hours shall be processed with next day value. Original written order must be submitted to Takasbank at the latest within 5 business days. Securities correspondent of the member, account number in the relevant correspondent, ISIN codes of securities subject to collateral, nominal amount and value date, as well as the member, whose 5080-Eurobond collateral deposit account the assets were sent in Takasbank, should be stated in the mentioned orders. The assets in question, transferred by Takasbank to 5080-Eurobond Collateral Deposit account of the relevant intermediary institution under Takasbank International Clearing and Custody Transactions menu, shall be transferred by the intermediary institution to 5082-Cash Loan Collateral Deposit account by means of Takasbank banking applications.

- ii. The assets in question, transferred by Takasbank to 5080-Eurobond Collateral Deposit account of the relevant intermediary institution under Takasbank International Clearing and Custody Transactions menu, shall be transferred by the intermediary institution to 5082-Cash Loan Collateral Deposit account by means of Takasbank banking applications.
- iii. In order for assets, transferred to 5080-Eurobond Collateral Deposit Account as a result of collateral withdrawal, to be transferred to the account of the intermediary institution in its securities correspondent, a written order or free format SWIFT message (MT199, 299, or 599) should be sent to Takasbank Global Custody and Numbering Team. It should be sent to Global Custody and Numbering Team e-mail address (glo@takasbank.com.tr) or Takasbank BIC code (TVSBTRISXXX) by 2:00 PM in Turkey if the securities correspondent of the intermediary institution is Clearstream, by 4:30 PM in Turkey if the securities correspondent of the intermediary institution is Euroclear. Transfers concerning orders to be send after the relevant hours shall be carried out with next day value.
- iv. Original written order must be submitted to Takasbank at the latest within 5 business days.
- v. Securities correspondent of the member, account number in the correspondent, ISIN codes of assets subject to the order, nominal amount, and value date should be specified in such orders. Asset correspondent and account number in the correspondent should be specified.

9) If Bank bonds/securities are provided as collateral;

- i. Those issued in TRY are accepted as collateral.
- ii. They are accepted subject to Takasbank limits.
- iii. Takasbank shall determine the upper limits for total bank bonds and securities that are acceptable as collateral on an issuer basis.
- iv. Bonds and securities of group or holding banks, with which the intermediary institution is affiliated, shall not be accepted as collateral for the intermediary institution in question.
- v. Before a collateral deposit order is given, Credits Team should be contacted to confirm limit availability of the issuer.
- vi. The relevant asset is accepted as collateral at the latest one business day after receipt of the collateral provision order by our Bank.

10) If it is intended to provide gold as collateral;

- i. Gold in a standard, traded in Borsa İstanbul Precious Metals and Gems Market, is accepted.
- ii. Gold to be provided as collateral should be deposited by an institution, which is a member of Borsa İstanbul Precious Metals and Gems Market, by means of transfer to the sub-account of the institution, linked to the cash loan collateral account in the relevant market, within business hours.

11) In case it is intended to provide Exchange shares as collateral, collateral entry is made with the approval of the Stock Exchange upon submission of the order to takasbankpayteminati@borsaistanbul.com e-mail



address of the Stock Exchange, in addition to the approval to be given by Takasbank following delivery of the order, format and scope of which is determined by Takasbank, to our Bank. Also, in collateral withdrawal transactions for Exchange shares, an order should be submitted to the e-mail address of the Stock Exchange to obtain approval of the Stock Exchange.

- 12) If asset backed securities are provided as collateral;
- Those issued in TRY are accepted as collateral.
  - They are accepted subject to Takasbank limits.
  - Takasbank shall determine the upper limits for total asset-backed securities that are acceptable as collateral on an issuer basis.
  - Asset-backed securities of group or holding banks, with which the intermediary institution is affiliated, shall not be accepted as collateral for the intermediary institution in question.
  - Before a collateral deposit order is given, Credits Team should be contacted to confirm limit availability of the issuer.
  - The relevant asset is accepted as collateral at the latest one business day after receipt of the collateral provision order by our Bank.

#### **ARTICLE 14. Withdrawal or change of collaterals**

- (1) Collaterals provided by intermediary institutions for investment fund loans, besides the collaterals provided from client and portfolio accounts, can be changed at will by means of entry and withdrawal as described above, subject to approval of the Bank. The Bank may demand collateral change as it deems necessary. Intermediary institution should change the requested collaterals by 5:00 PM on the day of the collateral change call. Otherwise, all cash loans of the intermediary institution shall become due and payable and default provisions shall be applicable.
- (2) Withdrawal requests for share collateral under cash loan collateral, submitted by intermediary institutions after Equity Market clearing time, shall not prevent their clearing default for the day.
- (3) If transaction penalty is imposed by the CMB on clients of the intermediary institution;
  - I. If shares of the entity, which is prohibited from performing transactions, are available in Takasbank collateral pool; after removal from collateral is complete, an order is submitted to CRA to take action in line with the CMB decision, assignment agreement(s) of the client are terminated, and the client is prevented from utilizing loans.
  - II. If shares of the entity, which is prohibited from performing transactions, are not available in Takasbank collateral pool; assignment agreement(s) of the client are terminated and the client is prevented from utilizing loans.
- (4) If Borsa İstanbul A.Ş. prohibits transactions on credit for shares subject to cash loan collateralization, the relevant shares are removed from member collateral. They are prevented from being added to the collateral until expiration of the prohibition period.

#### **ARTICLE 15. Valuation of collaterals**

- (1) The Bank values the collateral everyday throughout the term as specified below:
  - 1) Share; weighted average price occurring in BİAŞ at the end of session for the date of valuation, arithmetic mean of the best buying and the best selling orders for the last session if trading was not performed, weighted average price for the last session of trading if either one of the best buying or the best selling orders is not available,

- 2) Government Debt Securities; on the date of valuation, at the theoretical price determined using Takasbank yield curve, or at indicative daily values of Government Debt Securities determined by CBRT when such prices cannot be achieved,
  - 3) FX cash amounts; FX buying rate announced by CBRT for the day following the date of valuation,
  - 4) Investment Fund Participation Certificates; prices announced on the date of valuation.
  - 5) BİAŞ shares; Price determined in the protocol made with Borsa İstanbul A.Ş.. If a separate price is determined by Borsa İstanbul A.Ş. following dividend payment and capital contribution, collaterals shall be valued again at the resulting price.
  - 6) Eurobonds; theoretical price determined using Takasbank yield curve for the valuation date,
  - 7) Bank bonds and securities; theoretical price determined by Takasbank,
  - 8) Lease certificates; theoretical price determined by Takasbank for the valuation date, or indicative daily values of lease certificates, determined by CBRT, when such prices cannot be achieved,
  - 9) Gold; The price calculated with USD/XAU price occurring for transactions with T+0 value in the last session of Borsa İstanbul Precious Metals and Gems Market and CBRT buying rate of exchange for the date of valuation, or weighted average price occurring in the previous session if trading was not performed,
  - 10) Asset-Backed Securities; theoretical price determined by Takasbank,
- (2) Government Debt Securities paid in FX shall not be accepted for collateral valuation and they are requested to be changed when there are 5 business days until maturity.

#### **ARTICLE 16. Rights arising from collaterals**

- (1) Right exercise procedures for shares available in the collateral account, taken over by means of an assignment agreement, as well as coupon payment and redemption procedures for Government Debt Securities paid in TRY, lease certificates, asset-backed securities, bank bonds and securities, and Eurobonds shall be performed under the registry that provides the collateral.
- (2) Right exercise procedures for shares available in the collateral account, taken over from investment funds by means of a pledge agreement, as well as coupon payment and redemption procedures for Government Debt Securities paid in TRY, lease certificates, asset-backed securities, bank bonds and securities, and Eurobonds shall be performed under the registry that provides the collateral.
- (3) Shares subject to exercise of rights shall disqualify as collateral after announcement of the date for exercise of rights, while Government Debt Securities paid in TRY, lease certificates, asset-backed securities, bank bonds and securities, and Eurobonds shall disqualify as collateral 5 days before coupon payment and redemption. Members are requested to withdraw these assets from the collateral account.
- (4) Shares and dividend amounts of BİAŞ partnership shares provided as collateral by intermediary institutions, obtained as a result of capital increase through bonus issue, shall be transferred to Takasbank collateral account. The intermediary institution may exercise its rights arising from capital increase through rights issue, by paying the relevant value.

## ARTICLE 17. Collateral valuation coefficients

- (1) Collateral valuation coefficients are determined in consideration of credit risk, maturity, volatility under extraordinary market conditions, liquidity, and currency risk, if available, of the relevant collateral, as assessed by Takasbank.
- (2) Coefficients to be used in collateral valuation are specified below:

COLLATERAL GROUP	COLLATERAL TYPE	REMAINING MATURITY/INDEX	VALUATION COEFFICIENT (%)
1	Gold in a standard traded in exchanges		88%
2	Borsa İstanbul A.Ş. shares		100%
3	Government Debt Security - TRY,USD, and EUR Payment	0 to 1 year	94%
		1 to 5 years	81%
		5 years and above	78%
4	REPUBLIC OF TURKEY Eurobond issued by the Ministry of Treasury and Finance (Eurobond-USD)	0 to 5 years	89%
		5 to 10 years	89%
		10 to 30 years	88%
		30 years and above	86%
5	REPUBLIC OF TURKEY Eurobond issued by the Ministry of Treasury and Finance (Eurobond-EUR)	0 to 5 years	89%
		5 to 10 years	85%
		10 to 30 years	66%
		30 years and above	71%
6	REPUBLIC OF TURKEY Lease Certificates issued by the Ministry of Treasury and Finance	0 to 1 year	92%
		1 to 5 years	79%
		5 years and above	76%
7	Stock Certificates traded in BİAŞ	BİST-30	84%
		BİST-100	83%
		Non-BİST 100	76%
8	Cash EUR		89%
9	Cash USD		90%
10	Cash TRY		100%
11	Bank Bond/Security		73%
12	Letter of Guarantee		100%
13	Asset-Backed Security	0 to 1 year	92%
		1 to 5 years	78%
		5 years and above	76%
14	Stock Certificate Umbrella Fund Shares		88%
15	Debt Instruments Umbrella Fund Shares		93%

COLLATERAL GROUP	COLLATERAL TYPE	REMAINING MATURITY/INDEX	VALUATION COEFFICIENT (%)
16	Money Market Umbrella Fund Shares		97%
17	Exchange Investment Fund Participation Share	USD	90%
		GOLD	88%
		BIST-30	84%
		OTHER	83%

### ARTICLE 18. Collateral ratios

- (1) Collateral ratios are calculated at valued collateral. Valued collateral amount is obtained by multiplying market rates of collaterals with valuation coefficients.
- (2) Initial and minimum collateral ratios are specified below
  - a) Initial Collateral Ratio: There should be a valued collateral amounting to 105% of the Credit Risk.
  - b) Minimum Collateral Ratio: There should be a valued collateral amounting to 102% of the Credit Risk
- (3) If intermediary institutions intend to provide only shares as collateral, the ratio of a single type of share, accepted as collateral, within the collateral cannot exceed
  - a) 100% if it is a share under BİST-30
  - b) 70% if it is a share under BİST-100
  - c) 35% if it is a share traded outside BİST-100, in BİAŞ Yıldız and Main markets.
- (4) Collaterals, to be provided by the intermediary institution to the loan to be utilized for funds, shall be separated from collaterals provided for themselves and their clients, and followed in a separate collateral pool. As collateralization shall be followed on the basis of funds that utilize loans, each fund shall severally fulfill the conditions set forth in paragraphs (2) and (3) of this article.

### ARTICLE 19. Margin call

- (1) When valued collateral drops below 102% minimum collateral ratio, Takasbank makes a margin call to the intermediary institution and the collateral is requested to be topped up to the initial collateral ratio.
- (2) Margin calls are made by means of messages sent to member screens provided by Takasbank and reporting. In the margin call is sent through the system it is deemed that the intermediary institution received the call without the need for any further warning and notice. The intermediary institution is liable to follow information concerning margin call from the “Margin Call Monitoring” screen.
- (3) The intermediary institution that receives the margin call may leave margin call status by means of additional collateral deposit and/or loan settlement so that the collateral ratio is restored to the initial collateral (105%).

- (4) Intermediary institutions should deposit the requested additional collateral by 5:00 PM on the day of the margin call. Otherwise, all cash loans of the intermediary institution shall become due and payable and default provisions shall be applicable.
- (5) As margin call shall be made on the basis of the investment funds that utilize loans, each loan belonging to the fund that receives a margin call shall severally fulfill the conditions set forth in paragraphs (1), (2), (3), and (4) of this article.

## SECTION FOUR

### Credit Settlement, Acceleration, and Default

#### ARTICLE 20. Settlement of Cash Loan debt

- (1) Cash loan debt is settled upon transfer of principal, interest, and legal withholdings for the loan to the Bank by the end of the day at the end of maturity.

#### ARTICLE 21. Acceleration and default of Cash Loan debt

- (1) Cash loan, including loans allocated to investment funds, shall become due and payable under the following circumstances:
  - 1) Failure of intermediary institutions to top up their collaterals by 5:00 PM on the day of the margin call despite the Margin Call made by the Bank,
  - 2) Failure of intermediary institutions to change their collaterals by 5:00 PM on the day of the margin call despite the Margin Call made by the Bank,
  - 3) Maturity of cash loans of intermediary institutions,
  - 4) Temporary or permanent suspension of transactions of the intermediary institution by competent judicial and administrative authorities.
- (2) The intermediary institution must fulfill liabilities arising from cash loan transactions, including loans allocated to investment funds, pursuant to the principles and procedures established in this Procedure when they become due and payable. On the due date of the debt, the intermediary institution shall go into default without a further notice if liabilities are not fulfilled pursuant to the principles and procedures determined in this Procedure.
- (3) In case of default, including loans allocated to investment funds, cash of the intermediary institutions held in the Bank shall be set off against all cash loan debt, including the debt for the loan utilized for the investment fund. If the cash amount does not cover the debt of the intermediary institution, then the collaterals are liquidated.
- (4) Takasbank shall liquidate the portion of BİAŞ shares provided as collateral by the intermediary institution, corresponding to the debt, by transferring these to BİAŞ and sets off the obtained amount against the debt.

#### ARTICLE 22. Default Interest

- (1) Default interest is charged to the total debt during the default period. Default interest rate is 50% more than the highest interest rate applied by the Bank for loan on the date when the default occurs.



- (2) Default interest is calculated with the formula Assessment Base x Default Interest Rate x (day/360) and legal liabilities are added, if available.
- (3) Loans utilized by the intermediary institution for investment funds are also subject to the practices in paragraphs (1) and (2) of this article.

### **ARTICLE 23. Accrual and collection**

- (1) Defaulting intermediary institution is liable to pay default interest pursuant to the principles set forth in article 22 of this Procedure. If the loan, which becomes due and payable, is not settled by the final settlement time, Takasbank shall charge a default interest, calculated at the default interest rate determined in article 22 of this Procedure, to the account of the intermediary institution. In case Takasbank has incurred any loss, exceeding default interest, due to the failure of the intermediary institution to partially or fully discharge their liabilities, such loss shall be compensated by the intermediary institution.
- (2) Default interest and other legal liabilities shall be collected directly by Takasbank from the free current account of the intermediary institution.
- (3) Loans utilized by the intermediary institution for investment funds are also subject to the practices in paragraphs (1) and (2) of this article.

### **ARTICLE 24. Default management process**

- (1) Cash loan utilization is suspended to intermediary institutions, which fail to fulfill their cash and collateral obligations in time and which fail to settle their debts in periods determined in this Procedure.
- (2) Assets, deposited as collateral, are not permitted to be withdrawn until the default of the intermediary institution is settled.
- (3) The intermediary institution cannot trade in Takasbank Money Market during the term of default regarding the Cash Loan. An intermediary institution, which goes into default in Takasbank Money Market, cannot utilize cash loans as long as the default is ongoing.
- (4) Takasbank shall invoke the free account and, if the cash in their free account is not sufficient, collaterals of the intermediary institution that goes into default. In case of redemption from collaterals due to default of the intermediary institution, Takasbank shall be entitled to sell values, which constitute collateral for the transaction, in organized and/or over-the-counter markets on a best effort basis, and redeem its receivables from the sale value, without the obligation to fulfill any prerequisite such as serving any warning or notice, granting additional period, obtaining permission or approval from any judicial or administrative authority, liquidating the collateral through auction or by any other means. If the invoked collateral is an Exchange share, Takasbank shall liquidate the portion of the collateral, corresponding to the debt, by transferring it to the Exchange and set off the obtained amount against the debt.
- (5) If the loan becomes due and payable as a result of the failure of the intermediary institution to top up its collateral, Takasbank shall be entitled to settle all of the credit by liquidating collateral pursuant to default provisions or a portion of loans until the collateral ratio reaches the initial ratio, starting from the loan with the nearest maturity date.
- (6) Takasbank shall decide which collaterals of the defaulting intermediary institution shall be liquidated, in consideration of its liquidity, reason for default, and effects on markets.
- (7) Takasbank is entitled to the right of exchange, set-off, and retention on assets and other rights and receivables of the defaulting intermediary institution in its possession.
- (8) Loans utilized by the intermediary institution for investment funds are also subject to the provisions of this article.

- (9) Takasbank may demand assets under exchange traded funds, accepted as collateral, from the investment fund issuer during the default management process.

#### **ARTICLE 25. Suspension of credit utilization**

- (1) Allocated credit limit is not a commitment by the Bank. Credit utilization may be suspended by the Bank as necessary.
- (2) If the intermediary institution goes into default in capital market instruments or markets, where central counterparty or clearing services are provided, due to restriction of its activities in such markets, the Bank may also suspend loan extension as necessary.
- (3) In case financial and legal problems such as protest, attachment, provisional injunction are experienced by the Intermediary Institution or in case negative intelligence is received about the Intermediary Institution throughout the credit relationship, the Bank may suspend credit utilization and directly terminate the existing loan without the need for a further notice. The Bank may commence credit utilization again if the Intermediary Institution proves with legally valid documents that the adverse conditions have ceased to exist.
- (4) Credit debt of the intermediary institution is settled and credit utilization is suspended in case of the occurrence of either circumstance specified below in clause (a). Credit debt is settled and credit utilization is suspended and credit limit of the intermediary institution is canceled by granting an additional period as necessary in case of the occurrence of either circumstance specified in clauses (b) and (c):
- a) Those whose operations are suspended temporarily or permanently,
  - b) Those who are identified to have no creditworthiness as a result of intelligence, financial testing and/or rating study conducted periodically by the Bank,
  - c) Those, against whom legal action is initiated by the Bank or other financial institutions and public institutions and organizations due to the failure to pay their debts.
- (5) Loans utilized by the intermediary institution for investment funds are also subject to the provisions of this article.

#### **ARTICLE 26. Documents to be requested in credit allocation**

- (1) In accordance with provisions of relevant articles of the Law and the Regulation, the most recent Financial Statement and annexes thereto, true to copies to be determined and bearing signatures of officials, must be obtained from those applying for credits to be opened.
- (2) In terms of not receiving Financial Statement or documents that can be accepted instead of Financial Statement, provisions of the Law and the Regulation on Credit Transactions of Banks, issued by the Banking Regulation and Supervision Agency, shall be applicable.
- (3) Credit rating to be assigned by an agency, authorized pursuant to the Regulation on Authorization of Credit Rating Agencies and Principles on Their Operations, must be obtained for credits within the scope to be determined by the Board.
- (4) Identification of the legal entity to perform transactions, real entity that signs documents and/or performs transactions on behalf of the legal entity, and the real entity that performs transactions or the legal entity on

whose behalf transactions are performed shall be carried out pursuant to article 9 of Takasbank Member and Bank User Transactions Procedure. All information and documents, obtained for identification, shall be submitted to the Legislation and Compliance Unit so that sanction list (AML) inquiries can be made.

- (5) Legislation and Compliance Unit performs FCIB and AML (Anti Money Laundering - Measures on Anti-Money Laundering and Combating the Financing of Terrorism) assessments about legal entities, on whose behalf transactions are performed, or representatives of legal entities that perform transactions. Legislation and Compliance Unit authorizes the transaction if the assessment yields a positive result; otherwise, the transaction is not authorized.

## SECTION FIVE

### Risk Center Data Transmission and Receiving

#### ARTICLE 27. Measures to be Taken into Consideration During Data Transmission - Receiving

- (1) Takasbank shall submit collateral amounts, collateral types risk balances, and confidential financial data of Bank clients for members to BAT Risk Center as a member of the BAT Risk Center within the scope of the Cash Loan Service offered with all markets that it operates, clearing operations of which it conducts, and to which it allocates nominal limits. Similarly, data with the same content, belonging to the same clients, are received.
- (2) BAT Risk Center shall obtain declarations in certain intervals by means of issuance of Member Audit Circular until transition to audit process through independent audit within the Bank, indicating that compliance of information systems and business processes of the Bank with the control targets, determined by the Risk Center, is ensured.
- (3) The Bank shall provide a confirmation to the BAT Risk Center with a statement to be issued that there is no such risk in terms of confidentiality and security of data obtained as a result of inquiries performed within the scope of BAT Risk Center operations.
- (4) The Risk Center requests the following from the Bank;
- 1) A “Flow and Generation Diagram for Data to be Submitted” and a “Received Data Flow and Distribution Diagram”, which have become an internal procedure, are prepared and updated in respect of risk data within the data prepared by BAT Risk Center member for submission to the BAT Risk Center and submitted to the member by the BAT Risk Center during statement issuance process,
  - 2) Generation of the Received Data Flow and Distribution Diagram, indicating the systems, layers, and applications on which BAT Risk Center data is stored and processed after receipt by the member, the systems, between which such data is transmitted, as well as method for and information on transmission,
  - 3) Generation of Flow and Generation Diagram for Data to be Submitted, thoroughly indicating every collection, processing, and transfer stages, beginning from data source systems until completion of

transmission, of data generated for submission to the BAT Risk Center. In this scope, the relevant UG Team of the Bank keeps a spect document available and this document is periodically updated.

## SECTION SIX

### Miscellaneous and Final Provisions

#### ARTICLE 28. Effect

- (1) This Procedure shall take effect on the date of its issuance.

#### ARTICLE 29. Conduct

- (1) The CEO implements the provisions of this Procedure.